

## FACT SHEET

### PROCESSING FACILITIES

The Postal Service has nine different types of processing facilities:

**Processing and Distribution Centers** — P&DCs process and dispatch mail coming in from Post Offices and collection boxes in a specific geographic location.

**Customer Service Facilities** — CSFs are Post Offices, stations or branches that contain processing equipment.

**Network Distribution Centers** — NDCs consolidate the processing of mail to increase operational efficiency, decrease costs and maintain service while expanding the surface transportation reach. Formerly Bulk Mail Centers (BMCs)

**Logistics and Distribution Centers** — LDCs provide mail processing and distribution to local Post Office as well as other smaller distribution facilities, and are equipped with fixed mechanization for mail processing.

**Annexes** — Annexes provide the larger facilities with additional capacity for processing and distribution.

**Surface Transfer Centers** — STCs distribute, dispatch, consolidate and transfer First-Class Mail, Priority mail and Periodicals within a specialized surface transportation network.

**Air Mail Centers** — AMCs process and distribute inbound and outbound domestically flown mail for that specific geographic location. The one remaining AMC is located in Puerto Rico.

**Remote Encoding Centers** — RECs process video images of letter mail. The mail remains at the P&DC. REC employees work from a scanned image of an envelope to provide extracted information to determine a barcode for the envelope.

**International Service Centers** — ISCs process and distribute inbound and outbound international mail.

**How many of each kind of processing facility are there? Has the number changed in the past five years?**

PROCESSING FACILITY TYPE		2011	2010	2009	2008	2007	2006	2005
Processing and Distribution Centers	P&DC	251	260	268	269	269	269	269
Customer Service Facilities	CSF	115	164	195	195	195	195	195
Network Distribution Centers	NDC	21	21	21	21	21	21	21
Logistics and Distribution Centers	LDC	10	13	14	14	14	11	11
Annexes	—	46	51	61	64	66	66	66
Surface Transfer Centers	STC	10	11	20	20	14	17	14
Air Mail Centers	AMC	1	1	12	20	29	77	79
Remote Encoding Centers	REC	2	2	3	6	10	12	15
International Service Centers	ISC	5	5	5	5	5	5	5
<b>Total Processing Facilities</b>		<b>461</b>	<b>528</b>	<b>599</b>	<b>614</b>	<b>623</b>	<b>673</b>	<b>675</b>

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**FACT SHEET****KEY MESSAGES / TALKING POINTS**

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**PRC FILING TO CHANGE SERVICE STANDARDS****Overview**

In recent years, the Postal Service has undertaken a number of initiatives to reduce costs and address its financial challenges. As part of those efforts, the Postal Service believes it can reduce costs considerably by modifying certain service standards in a way that enables a substantial consolidation of the Postal Service's mail processing and transportation networks, allowing the Postal Service to continue to meet the needs of mail senders and recipients using and funding a much leaner infrastructure.

On Sep. 15, 2011, the Postal Service announced it would begin studying 252 mail processing facilities for possible closure. At that time, the Postal Service also announced it was considering changing service standards and an Advance Notice of Proposed Rulemaking was being filed with the Federal Register that day.

On Monday, Dec. 5, the Postal Service will transmit to the Postal Regulatory Commission (PRC) a request for an advisory opinion regarding service standards associated with a significant rationalization of its mail processing network. Shortly thereafter, the Postal Service will publish a notice in the Federal Register soliciting public comment on the proposed service standard changes.

**Key Messages**

- Due to the dramatic decline of First-Class Mail volume and the related revenue loss, the Postal Service is proposing comprehensive changes to service standards that will allow for significant consolidation of the postal network in terms of facilities, processing equipment, vehicles and employee workforce.
- The postal network is tied to the current overnight transit time in existing service standards. The model being proposed through the rulemaking process is to move First-Class Mail to a 2–3 day standard for contiguous U.S. destinations; however, there would be an opportunity for mailers who properly prepare and enter mail at the destinating processing facility prior to the day's critical entry time to have their mail delivered the following delivery day.
- This change would allow the mail processing network to be significantly realigned. There are currently 252 processing facilities around the country being reviewed for possible consolidation and/or closure using the well-established Area Mail Processing review guidelines. Facility-specific reviews were initiated Sept. 15.
- The Postal Service has been extremely diligent in reacting to the volume loss. Since 2006, we have closed 186 facilities, removed more than 1,500 pieces of mail processing equipment out of operation, decreased employee complement by more than 110,000 through attrition and reduced costs by \$12 billion.

**Talking Points**

- The Postal Service is continually improving efficiencies by making better use of space, staffing, equipment and transportation to process the nation's mail. Improving efficiencies has become increasingly important, given the significant reduction in the amount of First-Class Mail that enters the postal system.

- In fact, since 2006, First-Class Mail has declined by 27 percent. During this same time period, deployment of state-of-the-art automated mail-processing equipment has enabled more efficient processing than ever before. Due to the electronic mail diversion, mail deposited into blue collection boxes has significantly declined.
- In many cases, mailers are increasing sortation and entering into the postal system closer to its final delivery point, thereby bypassing many postal processing and transportation operations.
- These factors have created considerable excess processing capacity at many postal facilities where mail is canceled and sorted, which is why the Postal Service is actively looking into opportunities to increase efficiency by consolidating mail processing operations.

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**FACT SHEET****FREQUENTLY ASKED QUESTIONS**

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**What is a service standard?**

A service standard is a stated goal for service achievement for a mail class. It represents the number of days it takes to deliver mail between specific 3-digit ZIP Codes within the United States and its territories. Service standards are based on, among other things, origin and destination locations and the particular mail product within the U.S. postal system.

**What are the service standards today within the 48 contiguous states?**

Priority Mail:	1-3 days
First-Class Mail:	1-3 days
Periodicals:	1-9 days
Package Services:	1-8 days
Standard Mail:	2-10 days

**What is the proposed change to service standards within the 48 contiguous states?**

Priority Mail:	1-3 days
First-Class Mail:	2-3 days*
Periodicals:	2-9 days*
Package Services:	1-8 days
Standard Mail:	2-10 days

\* Overnight service to the local service area could be possible based on mail entry times

Non-contiguous U.S. locations will also be realigned to align the service standards with the capability of the networks.

**Would Express Mail service change?**

Express Mail will continue to provide overnight service.

**Would Priority Mail service change?**

Priority Mail will continue to be a 1-3 day product.

**What does this change mean to the average customer?**

Customers will likely no longer receive mail the day after it is mailed. In all likelihood, this change is expected to have minimal impact on the average postal customer.

**What is a Notice of Proposed Rulemaking and why was it used?**

A Notice of Proposed Rulemaking is published in the Federal Register and is a formal effort to provide to the public with notice of proposed changes to the service standard day ranges and

business rules that will be utilized for determining delivery expectations for market dominant products, as well as to solicit input from the public prior to a final rule publication. The Notice is used to gather information which can be factored into the final rule for changes in service standards.

**What is the role of the Postal Regulatory Commission (PRC) in this matter?**

If a change in the nature of service is at least substantially nationwide in scope, the Postal Service must request a nonbinding advisory opinion from the PRC a reasonable amount of time before implementing the change.

**What is the timeline for moving forward with this service standard change?**

The PRC's rules require the Postal Service to wait at least 90 days after filing its advisory opinion request before implementing the service change. The Postal Service is anticipating moving forward with this initiative in early 2012.



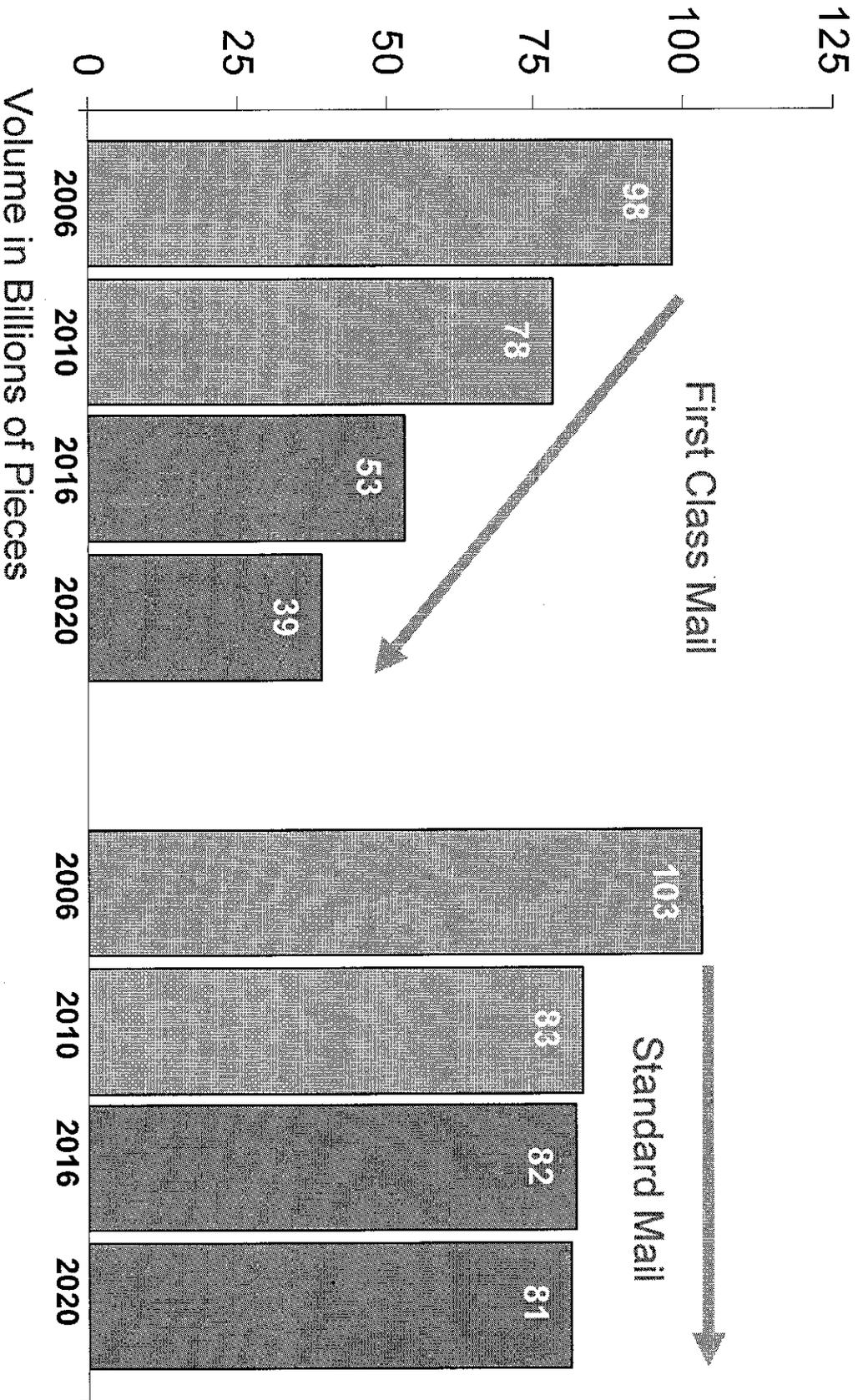
# Network Change

December 5, 2011

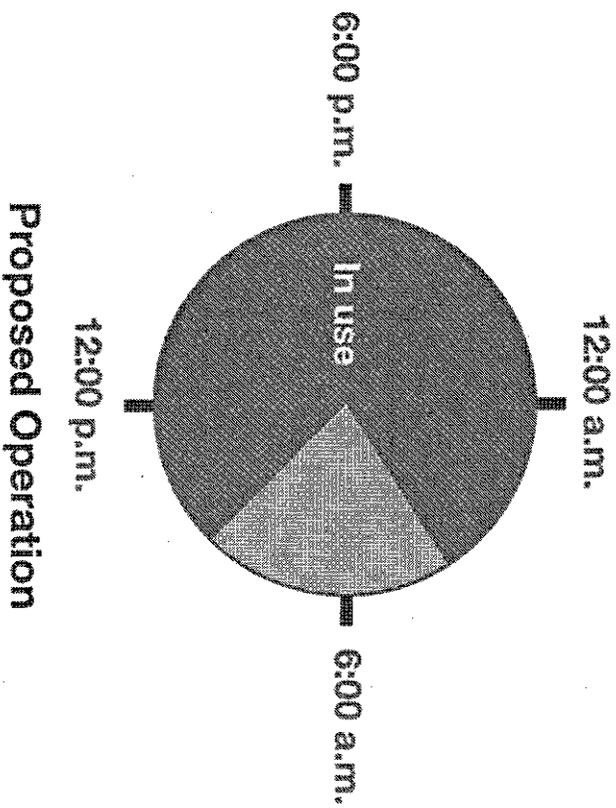
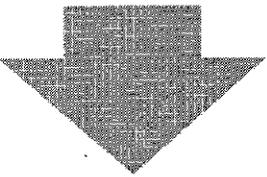
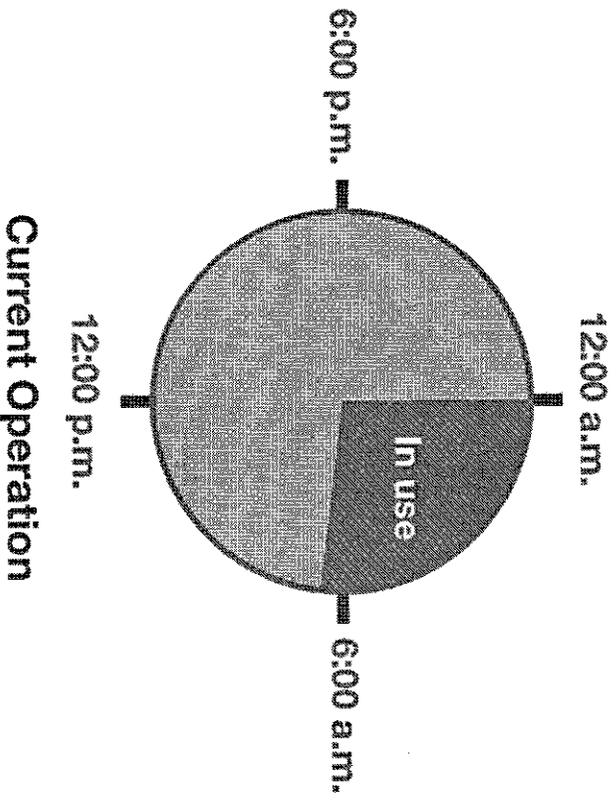
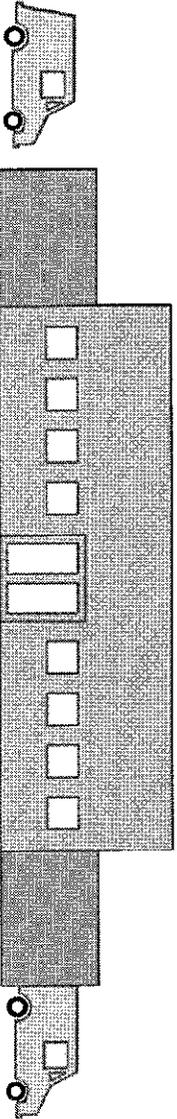
- **Postal Service's Actions:**
  - Mail Processing Network Rationalization Service  
Change case filed with the Postal Regulatory  
Commission today
  - Notice of Proposed Rulemaking will be filed shortly  
thereafter with the Federal Register for  
publication



# Mail Volume Shifting to a Less Profitable Mix



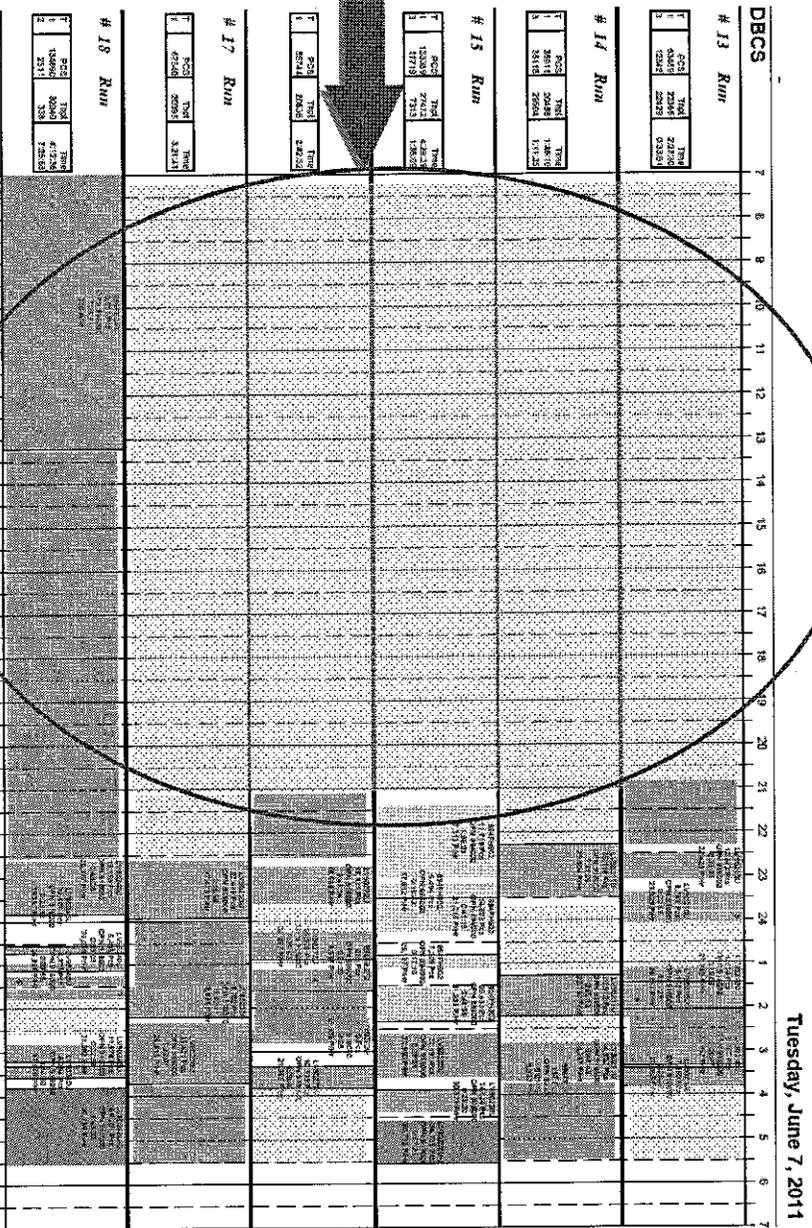
# Mail Processing Redesign



■ **Illustrative Example**

- Network infrastructure driven by operating windows constrained to meet current First-Class Mail overnight service commitments

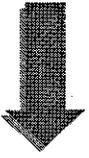
Machine Chart - Run



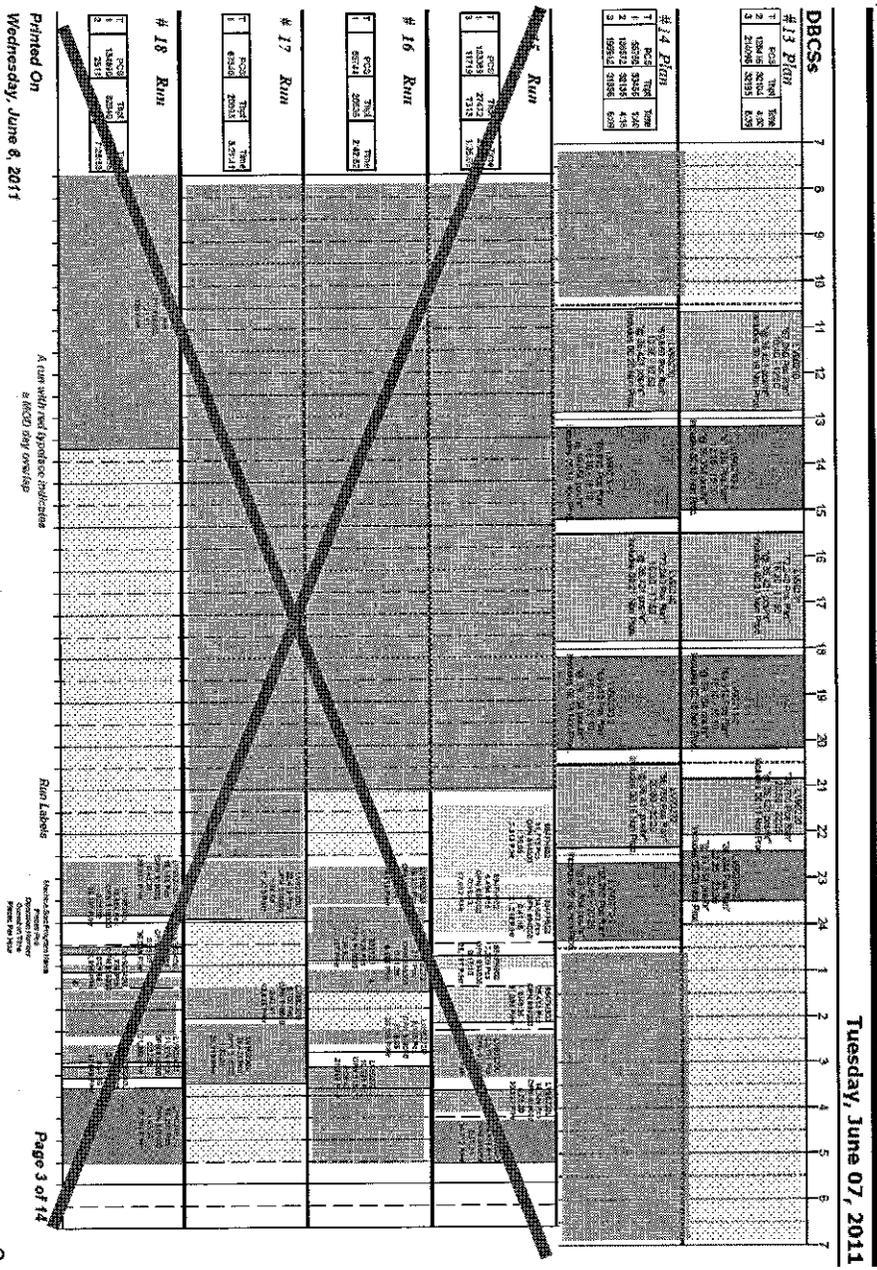
Illustrative Example

- Processing Consolidated onto Significantly Fewer Machines

Example:  
6 machines  
consolidated to 2

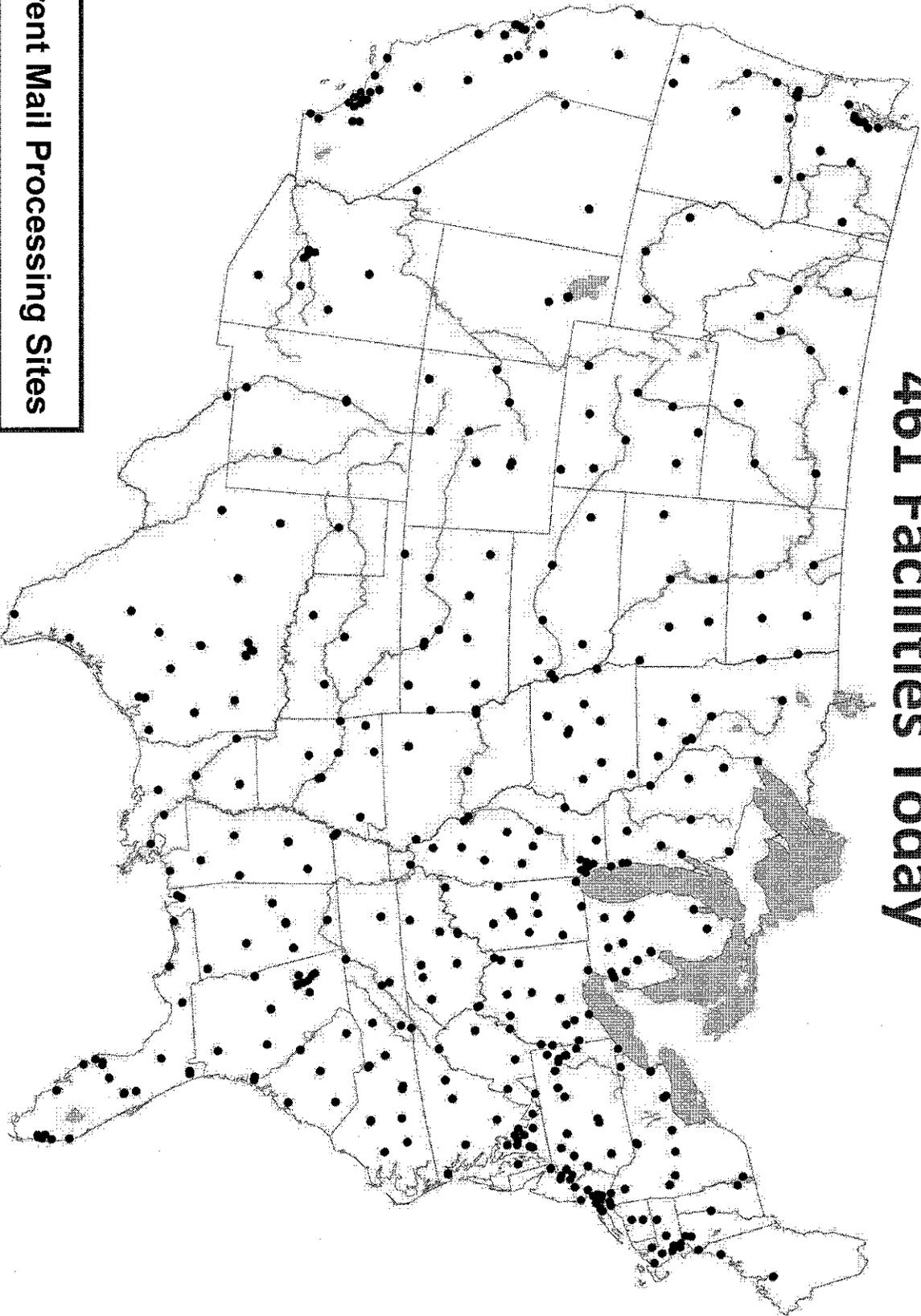


Fewer machines  
needed for  
longer window



# Mail Processing Facility Footprint

## 461 Facilities Today

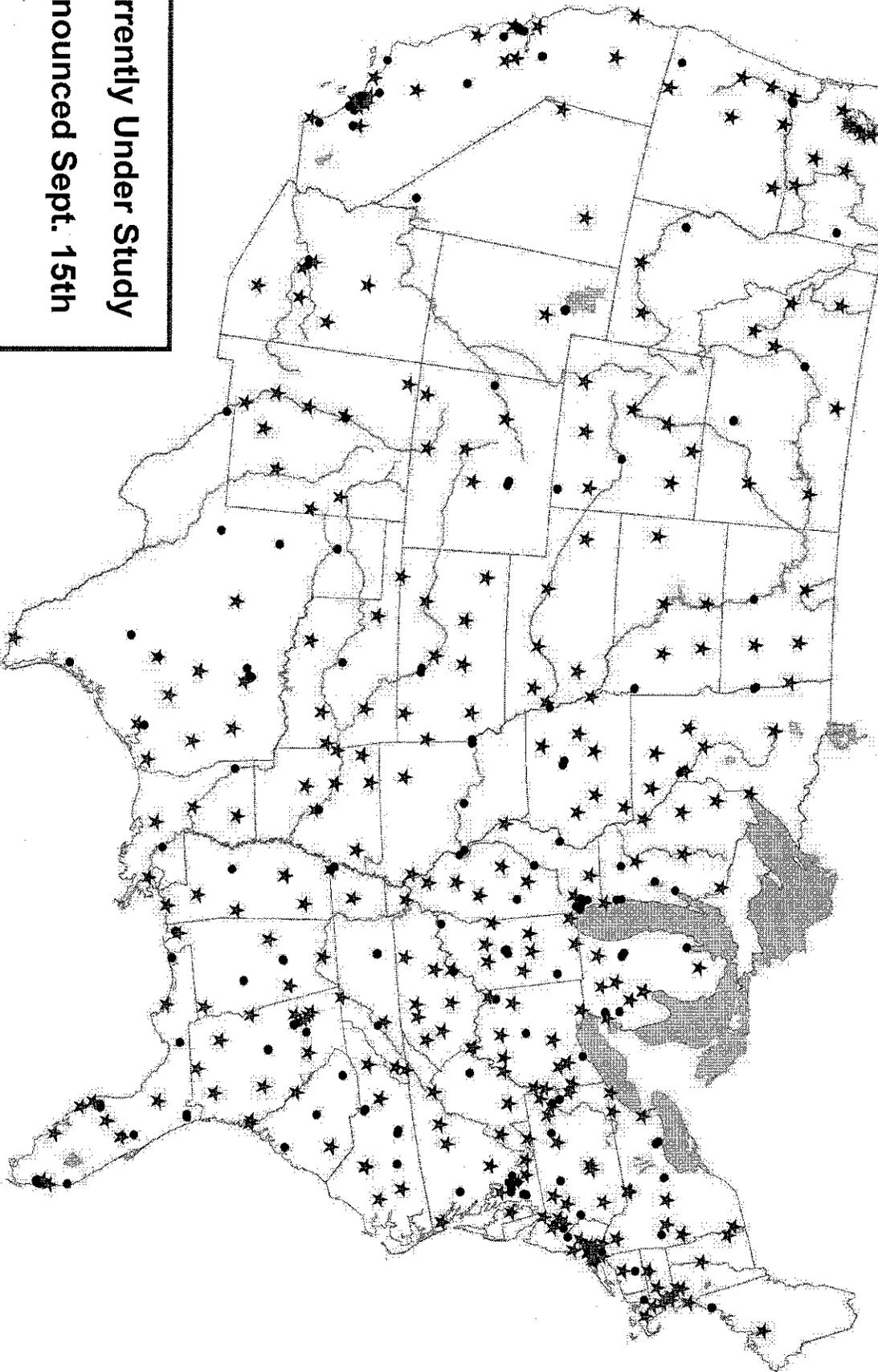


● Current Mail Processing Sites



# Mail Processing Facility Footprint

## Studying 252 Facilities for Potential Closure



- ★ Currently Under Study
- ★ Announced Sept. 15th



## Service Standard Change Proposal

- **First Class Mail**
  - Modification of overnight service standard
  - Modification of 2-day service standard
  - Modification of 3-day service standard
  - No Change to 4-5 day standard
- **Periodicals**
  - Modification of overnight service
    - Entry time changes to maintain overnight service
  - Modification of remaining pairs based on reconfiguration of First Class Mail standards

## Proposed Overnight Options

- Properly prepared sorted and containerized intra-SCF First Class volume will have option for overnight
  - Required to be entered at the plant by 8:00 A.M. for mixed Intra-SCF
  - Required to be entered at the plant by 12:00 P.M. for 5-Digit / scheme pallets
- Properly prepared sorted and containerized intra-SCF Periodicals volume will have option for overnight
  - FSS – Bundle Sort Required: 8:00 A.M. No Bundle Sort Required: 11:00 A.M.
  - Non-FSS – Bundle Sort Required: 11:00 A.M. No Bundle Sort Required: 2:00 P.M.
  - Non-FSS Carrier Route Pallets (No processing required)– 5:00 P.M.



## Service Standard Change Proposal

- **Express Mail / Priority Mail**
  - Maintenance of current service standard day ranges
  - Changes to some specific 3 digit – 3 digit pairs based on network nodes and capability
- **Parcel Select**
  - No changes expected for Parcel Select



## Service Standard Change Proposal

### **Standard Mail / Package Services**

- Minor Origin service changes based on realignment of ZIP Codes to facilities under existing business rules
- No changes for drop-ship entry
- Standard Mail
  - DDU – 2-Days
  - SCF – 3-Days
  - NDC – 5-Days
- Package Services
  - DDU – 1-Days
  - SCF – 2-Days
  - NDC – 3-Days