

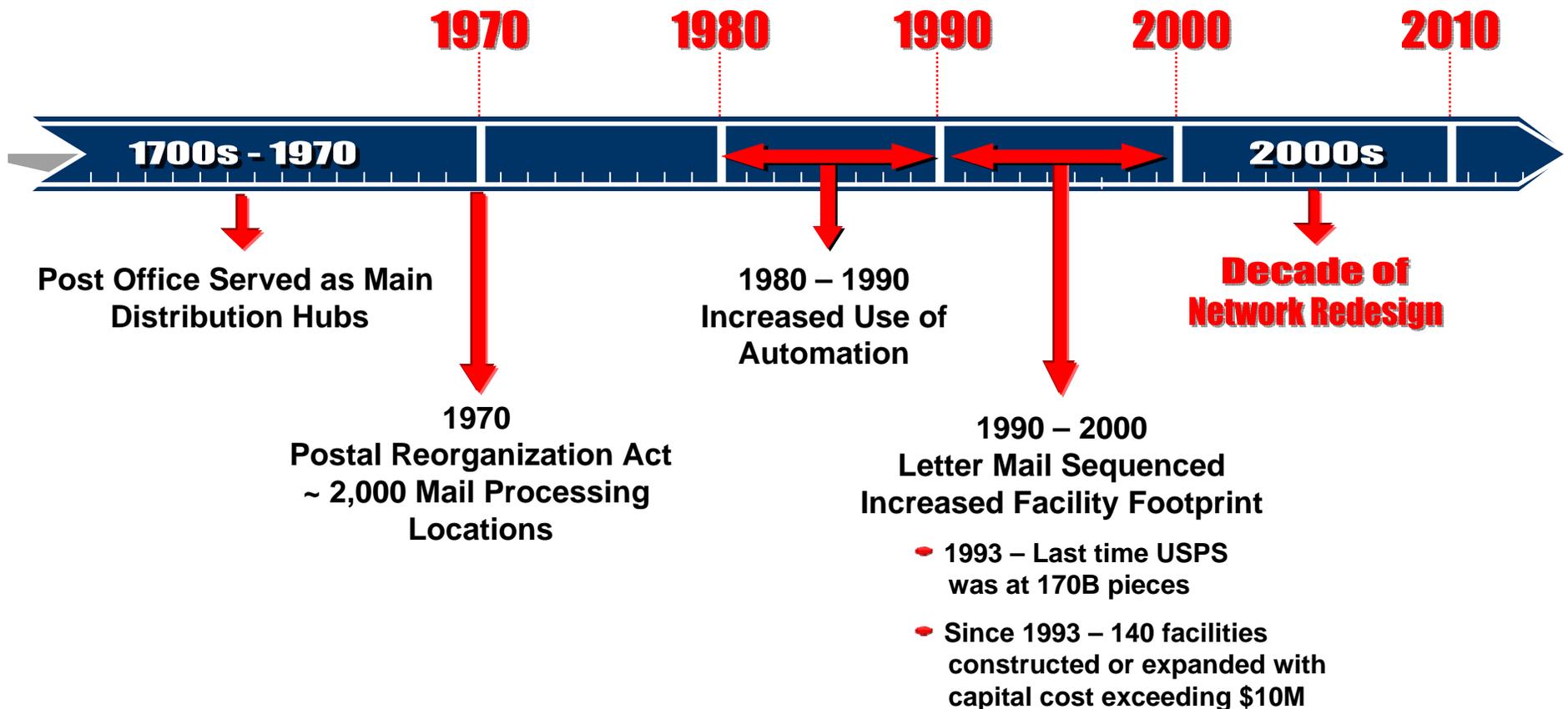


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POSTAL SERVICE®

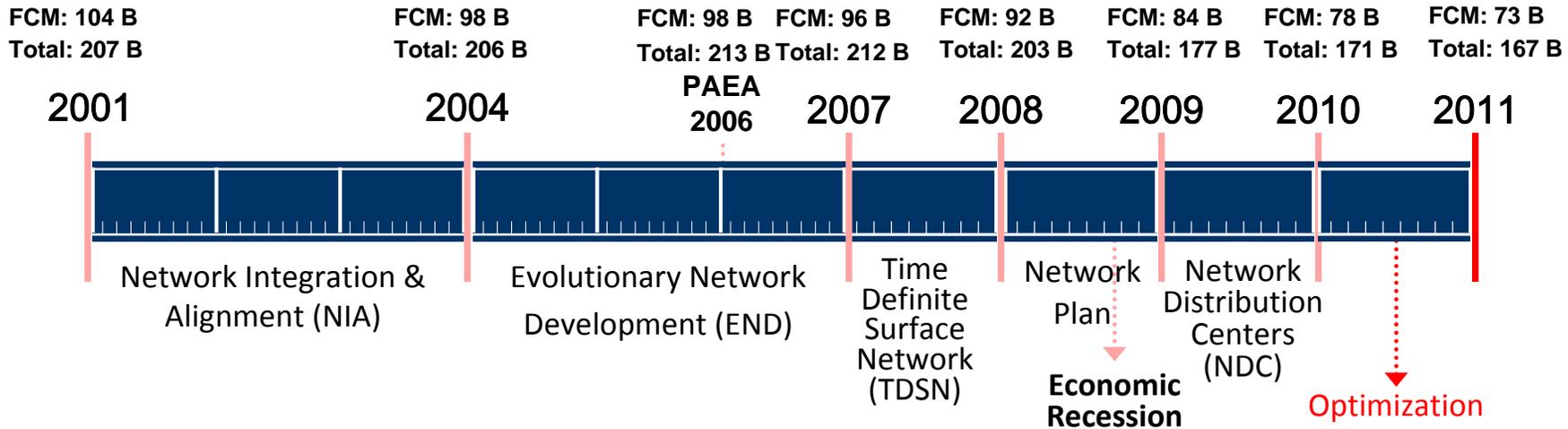
Network Optimization

- Network Evolution
- Volume Realities
- Plan for Change
- Next Steps

USPS Network Evolution

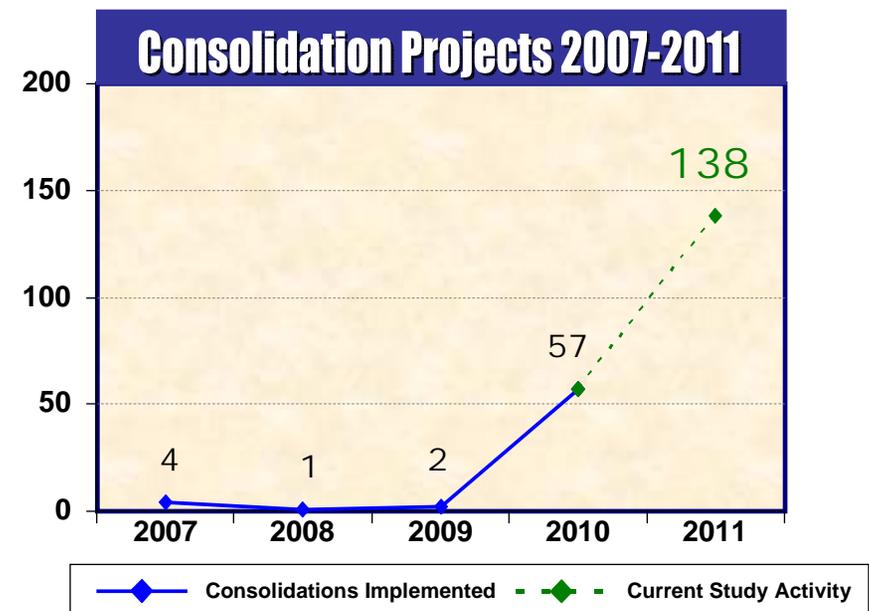


A Decade of Network Redesign: AMP



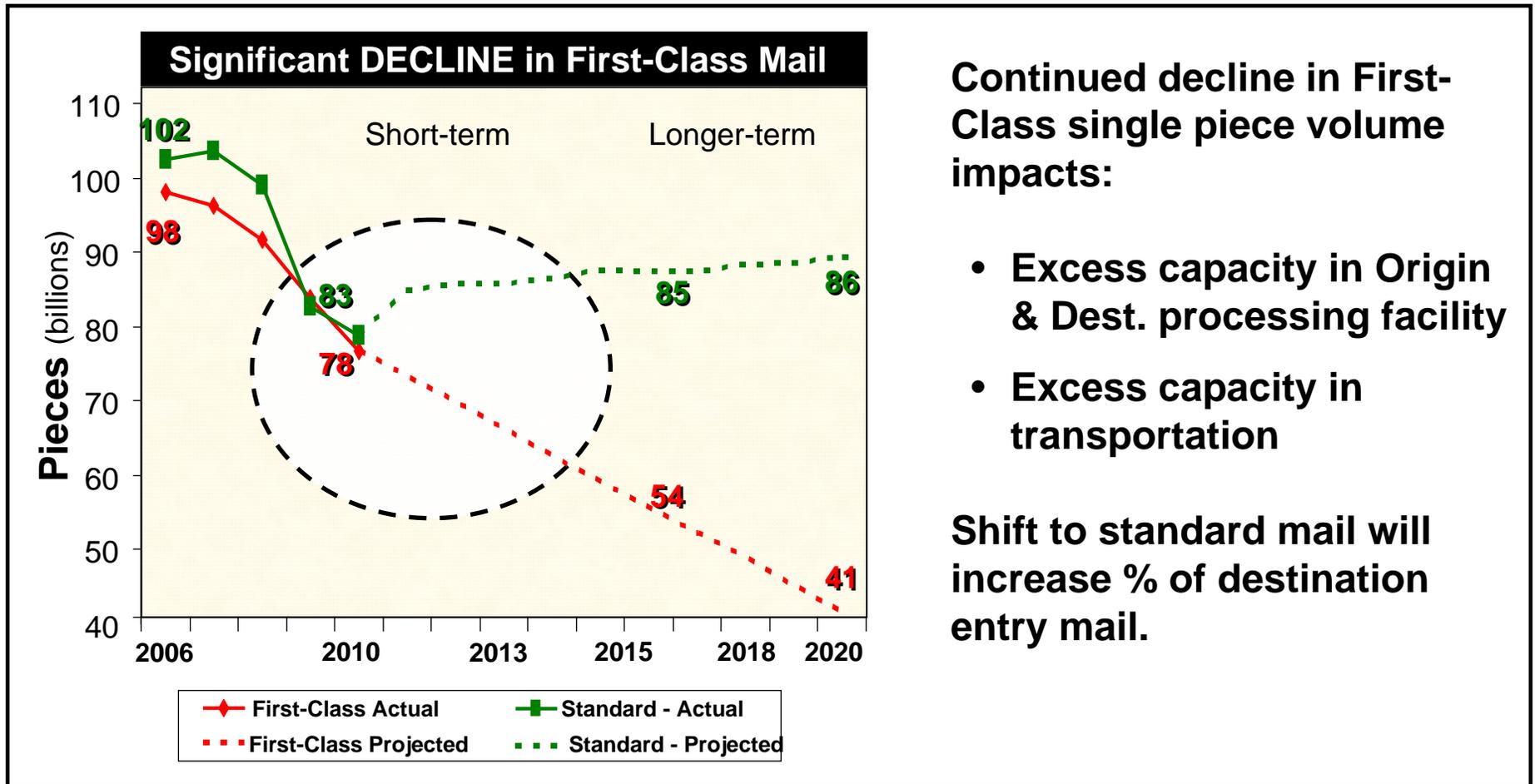
Continued First Class Decline

- Down ~ 25% since 2006
- Single Piece Down ~ 35% since 2006
- Plant network - Excess Capacity
 - Unprecedented increase in AMP activity
 - Origin Consolidation
 - Destination Consolidation
 - Minor Service Standard Adjustments within current business rules



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Network Design – Volume Reality



Source: USPS Revenue & Volume Forecasting

Beyond 2011 Network Realities

- First-Class Mail drives the network requirements
 - Current operating windows in place support overnight service
- Total First-Class contribution will continue to erode and will not support the network infrastructure moving forward
- First Class Network Redesign is necessary to develop an infrastructure to support the mail volume realities of the future

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- Define the most efficient mail processing network and infrastructure to match the current and projected workload
 - Determine optimal plant locations based on volume and current facility infrastructure
 - Develop an operating plan to fully utilize equipment based on a full operating day
 - Determine service standards based on the redesigned network

Plan for Change – Current Operations

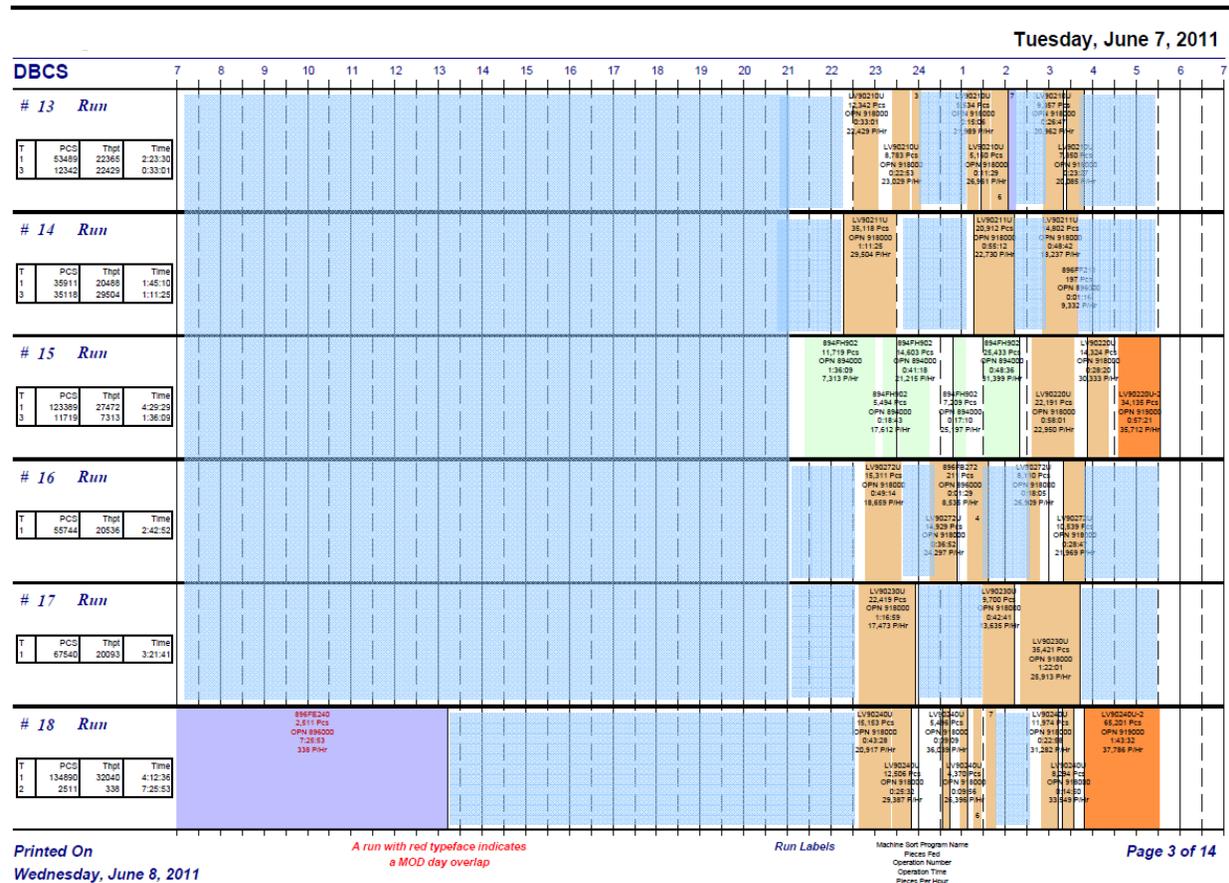
- Network infrastructure is driven by operating windows which are constrained to meet current First-Class Mail overnight service commitments

Example:

More Machines
needed for
limited window



Machine Chart - Run



- Revise First-Class Mail service standards and entry times to realize full facility consolidation opportunities through operating window changes
 - Longer processing windows allows significant equipment and facility consolidation
- Network impact is significant
 - ~50% reduction in equipment
 - Required network of ~175 Plants
- Reduce network transportation as a result of facility consolidation

- Network Evolution
- History of Network Redesign
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TIME LINE - NETWORK OPTIMIZATION

