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Postal Service Progresses With Operational Efficiencies Proposal to Change Service Standards Filed with PRC

WASHINGTON — The U.S. Postal Service today announced it will move forward with its proposal to change service standards. This action is being taken in response to on-going financial challenges caused by the dramatic and continual decline in First-Class Mail volume and the resulting revenue loss.

“The U.S. Postal Service must reduce its operating costs by \$20 billion by 2015 in order to return to profitability,” said David Williams, vice president, Network Operations. “The proposed changes to service standards will allow for significant consolidation of the postal network in terms of facilities, processing equipment, vehicles and employee workforce and will generate projected net annual savings of approximately \$2.1 billion.” This is part of the overall savings expected from the network optimization initiative, which is projected to save up to \$3 billion by 2015.

The size of the existing Postal Service network is dictated by the current overnight transit time in existing service standards. The Postal Service is proposing, through the rulemaking process, 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.

On Sep. 15, the Postal Service announced it would begin studying 252 out of 487 mail processing facilities for possible closure. At that time, the Postal Service also announced it would be considering changes to service standards in an Advance Notice of Proposed Rulemaking published in the *Federal Register*. The Advance Notice filing was a formal effort to gather input from the public early in the process to ensure their views can be factored into the service change proposal.

The Postal Service will send to the Postal Regulatory Commission (PRC) a request for an advisory opinion regarding service standard changes 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 specific proposed changes.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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Please Note: For broadcast quality video and audio, photo stills and other media resources, visit the USPS Newsroom at <http://about.usps.com/news/welcome.htm>.

For reporters interested in speaking with a regional Postal Service public relations professional on this issue, please go to <http://about.usps.com/news/media-contacts/usps-local-media-contacts.pdf>.

A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 151 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With nearly 32,000 Postal Service-managed retail locations and the most frequently visited website in the federal government, *usps.com*, the Postal Service has annual revenue of more than \$65 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 35th in the 2011 Fortune 500. *Black Enterprise* and *Hispanic Business* magazines ranked the Postal Service as a leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency six consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute.

FACT SHEET

FREQUENTLY ASKED QUESTIONS

PRC FILING TO CHANGE SERVICE STANDARDS

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.

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 announced that it was considering changing service standards and an Advance Notice of Proposed Rulemaking was being filed with the Federal Register that day.

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.

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
Total Processing Facilities		461	528	599	614	623	673	675