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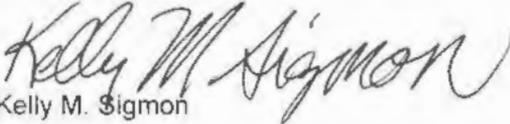
December 14, 2012

BRETTA BOMBAC

SUBJECT: Memorandum of Due Consideration of Article 32 Factors

Attached is the Memorandum of Due Consideration of Article 32 Factors required by the National Agreement. This memorandum presents five factors related to deploying a pilot to assess the long-term viability of the Approved Shipper Plus Program. The pilot will be conducted with leading national and regional retailers in a select number of markets to determine if assumptions, including cost savings and revenue generation, are accurate before moving to full-scale implementation.

If you have any questions, feel free to contact me.


Kelly M. Sigmon

Attachment

Approved Shipper Plus Program Pilot



Article 32 Memorandum of Due Consideration

December 2012

The Approved Shipper Plus Program aims to establish USPS customer access points in leading national and regional retailer's store locations nationwide. In order to determine whether to launch the full-scale program, USPS will conduct a program pilot beginning in April 2013 at ~200 retail locations in select markets. The pilot will enable USPS to collect customer, transactional, and operational data to measure the impact and validate operational and financial assumptions before potentially launching a full-scale program. The following factors were considered as part of the program design and initial pilot.

Public Interest

The Approved Shipper Plus Program was conceived with the interest of the public in mind, which is made evident by its potential to lower costs, while simultaneously increasing customer convenience through expanded access. **The pilot will be used to determine if lower costs can be realized with retail partner labor instead of the labor traditionally associated with retail windows at Post Offices.** The pilot will also explore the opportunity to enhance customer convenience by adding access points and by offering USPS products and services at retail locations such as grocery and drug stores. In addition to facilitating a one-stop shopping experience, customers will be able to fulfill their USPS needs at locations that open earlier and close later than Post Offices, while paying the same prices for USPS goods and services.

Cost

Costs for this initiative are currently unknown and the pilot will be used to confirm the program's cost compared to the existing costs associated with retail windows at Post Offices. **Transferring USPS product and service transactions to retail partner locations should allow USPS to cut costs associated with window labor time and credit card transaction fees. Initial analysis suggests that Retail Partners can sell USPS products and services at a projected cost-to-serve of \$0.16 per revenue dollar, which is less than a third of the cost-to-serve observed at traditional Post Offices.** The Approved Shipper Plus Program pilot will be used to validate the cost savings projections.

Efficiency

USPS currently promotes alternate access through location-specific contracts, which may result in increased costs. The Approved Shipper Plus program is designed for USPS to sign enterprise-wide contracts with large national and regional retailers, thereby alleviating onerous contractual obligations. This may allow USPS to streamline its distribution network and may ultimately provide a more consistent customer experience. Assessing the pilot results will help USPS verify its assumptions and refine the program's Target Operating Model before a potential full-scale launch.

Qualification of Employees

Not Applicable—The pilot is only intended to determine potential cost savings and the impact of expanded access, which USPS could potentially realize under a full-scale program. The efforts to assess this initiative are unrelated to the qualifications of USPS employees.

Availability of Equipment

Not Applicable—The decision to launch a pilot did not arise due to existing issues with equipment availability or functionality.