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Postal Service Moves Ahead with Modified Network Consolidation Plan *9-Month Implementation; \$1.2 Billion in Cost Reductions*

WASHINGTON — The U.S. Postal Service today announced plans to move ahead with a modified plan to consolidate its network of 461 mail processing locations in phases. The first phase of activities will result in up to 140 consolidations through February of 2013. Unless the circumstances of the Postal Service change in the interim, a second and final phase of 89 consolidations is currently scheduled to begin in February of 2014.

“We revised our network consolidation timeline to provide a longer planning schedule for our customers, employees and other stakeholders, and to enable a more methodical and measured implementation,” said Patrick R. Donahoe, Postmaster General and Chief Executive Officer of the Postal Service.

“We simply do not have the mail volumes to justify the size and capacity of our current mail processing network. To return to long-term profitability and financial stability while keeping mail affordable, we must match our network to the anticipated workload,” said Donahoe. “Our current plan meets our cost reduction goals, ensures seamless and excellent service performance throughout the implementation period, and provides adequate time for our customers to adapt to our network changes.”

The Postal Service will begin consolidating operations this summer – which mostly involve transferring mail-processing operations from smaller to larger facilities. Due to the volume of high-priority mail predicted for the election and holiday mailing seasons, no consolidating activities will be conducted from September through December of 2012. Approximately 5,000 employees will begin receiving notifications next week related to consolidating and other efficiency-enhancing activities to be conducted this summer.

“We will be conducting consolidation activities this summer at only 48 locations,” said Megan Brennan, chief operating officer of the Postal Service. “As a result, nearly all consolidating activities in 2012 will occur in August and then will resume again the early part of next year.”

These consolidating activities will reduce the size of the Postal Service workforce by approximately 13,000 employees and, when fully implemented, will generate cost reductions of approximately \$1.2 billion annually.

“The Postal Service will be communicating with our customers and employees about these changes in great detail,” said Megan Brennan. “We will work closely with our customers to ensure there are no surprises as we move forward.”

The Postal Service also announced it is working with its unions for an employee retirement incentive, although no final decision has been made. “The Postal Service has reduced the size of its workforce by 244,000 career employees since 2000 without resorting to layoffs,” said Brennan. “We are a responsible employer and we will work with our employees to ensure a smooth transition to a much leaner organization.”

The Postal Service also announced that it would soon issue a new regulation to modify its existing Service Standard for overnight delivery. The Postal Service said a Final Rule would soon be published in the Federal Register that would initially shrink the geographic reach of overnight service to local

areas and enable consolidation activity in 2013. The new rule would further tighten the overnight delivery standard in 2014 and enable further consolidation of the Postal Service mail processing network absent any change to the circumstances of the Postal Service.

“We are essentially preserving overnight delivery for First-Class Mail through the end of 2013, although we are collapsing the distance that we can provide overnight service to the distribution area served by a particular mail processing facility,” said Megan Brennan. Approximately 80 percent of First-Class Mail will still be delivered overnight.

The Postal Service stated its expectation to pursue additional consolidation activities for an additional 89 mail processing locations beginning in 2014 unless its circumstances change. These consolidations would be based on long-term service standards that would significantly revise mail-entry times for customers seeking overnight delivery.

“Given that the Postal Service is currently projecting a \$14 billion net loss in FY2012, and continuing annual losses of this magnitude, we simply cannot justify maintaining our current mail processing footprint,” said Donahoe.

When fully implemented in late 2014, the Postal Service expects its network consolidations to generate approximately \$2.1 billion in annual cost reductions, and lead to total workforce reduction up to 28,000 employees.

The list of 140 mail processing locations to be consolidated by February of 2013 is available at <http://about.usps.com/news/electronic-press-kits/our-future-network/welcome.htm>.

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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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 32,000 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. In 2011, the U.S. Postal Service was ranked number one in overall service performance, out of the top 20 wealthiest nations in the world, Oxford Strategic Consulting. *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 for six years and the sixth Most Trusted Business in the nation by the Ponemon Institute.

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