

Mandatory Stand-Up Talk

Aug. 11, 2011

USPS exploring additional legislative proposals

Financial crisis calls for significant actions

While the Postal Service remains the cornerstone of a \$1 trillion industry, we are facing a deep financial crisis, despite many aggressive actions we have taken to turn the situation around. If we were a private company, we already would have filed for bankruptcy and gone through restructuring—much like major automakers did two years ago.

While our business is vital to the U.S. economy — and will remain so for years to come — we will be insolvent next month due to significant declines in mail volume and retiree health benefit prefunding costs imposed by Congress. We are working with Congress and the Administration to address legislative changes that, if enacted, would help to address our financial challenges.

You likely have heard about several things that are being considered, such as moving to 5-day delivery. Given the seriousness of our financial situation, the Postal Service is exploring additional proposals to ensure that we can be a financially stable provider of universal service well into the future.

While these proposals are being explored, I'm sharing information with you today, so that you understand from the Postal Service what you will likely hear about through other channels in the coming days.

I'd like to make you aware of several proposals the Postal Service is exploring. Your unions and management associations have been briefed on all of them. In addition, these ideas are being discussed with leaders in Congress, because some of them would require changes in the law.

First, the Postal Service is exploring a proposal to assume control of postal retirement and health care benefit plans. It's important that we are able to better manage health benefit and retirement costs because, combined, they account for one-third of our total labor costs.

We believe both programs can be administered more cost effectively than the current federal plans we now participate in. We also believe we can best protect our employees' and retirees' interests by managing these funds ourselves. This will help our financial position, and increase the Postal Service's stability.

Secondly, the Postal Service is exploring options to accelerate our ongoing network optimization efforts. You already know we are consolidating facilities to eliminate excess capacity, through Area Mail Processing studies, Delivery Unit Optimization, and other initiatives.

In the coming weeks, we will inform you about proposals for a more streamlined processing and distribution network, using fewer facilities to handle the reduced mail volume we continue to see. You also will hear about proposals to revise service standards to better reflect the capacity of a new, smaller network.

And lastly, the Postal Service is reviewing with Congress additional ways to improve our workforce flexibility as we adjust the size our networks to meet operational needs and the changing marketplace.

The options being explored, if acted upon, would have a significant effect on all of us, and you no doubt have questions. Please remember that these proposals are still in the exploratory stage. As I said earlier, we believe it is important for you to be aware of these proposals.

We will continue to keep you informed as we intensify our work on the actions necessary to meet the ongoing economic and financial challenges facing our business and our industry.

Thank you for listening and — especially in these times of ongoing change — thank you for the great job you are doing every day.

uspsnewsbreak

Aug. 11, 2011

USPS EXPLORING ADDITIONAL LEGISLATIVE PROPOSALS TO ADDRESS FISCAL CRISIS

The Postal Service is vital to the U.S. economy — and will remain so for years to come. It's the cornerstone of a \$1 trillion industry.

But USPS faces a deep financial crisis. If it was a private company, it would have filed for bankruptcy and gone through restructuring already — much like major automakers did two years ago.

USPS will be insolvent next month due to significant declines in mail volume and retiree health benefits prefunding costs imposed by Congress. The Postal Service is working with Congress and the Administration to address legislative changes that, if enacted, will help overcome its financial challenges.

Several alternatives — such as moving to 5-day delivery — already are being considered. Given the seriousness of its financial situation, the Postal Service also is exploring additional proposals to ensure it can be a financially stable provider of universal service well into the future.

First, the Postal Service is exploring a proposal to assume control of the postal retirement and health care benefit plans. It's important for USPS to be able to better manage its health benefit and retirement costs because, combined, they account for one-third of its total labor costs.

USPS believes both programs can be administered more cost effectively than the current federal plans in which employees now participate. The Postal Service also believes it can best protect employees' and retirees' interests by managing these funds itself. Taking this step will help improve the Postal Service's financial position and increase its stability.

Second, the Postal Service is exploring a proposal to accelerate its ongoing network optimization efforts. USPS already is consolidating facilities to eliminate excess capacity through Area Mail Processing studies, Delivery Unit Optimization, and other initiatives.

In the coming weeks, employees will be informed about proposals for a more streamlined processing and distribution network, using fewer facilities to handle reduced volume. Employees also will be hearing about proposals to revise service standards, to better reflect the capacity of a new, smaller network.

Finally, the Postal Service is reviewing with Congress additional ways to improve its workforce flexibility as it adjusts its networks.

The proposals being explored, if acted upon, are significant for every employee and are in the exploratory stage. The Postal Service wants to ensure that employees are aware of these proposals.

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