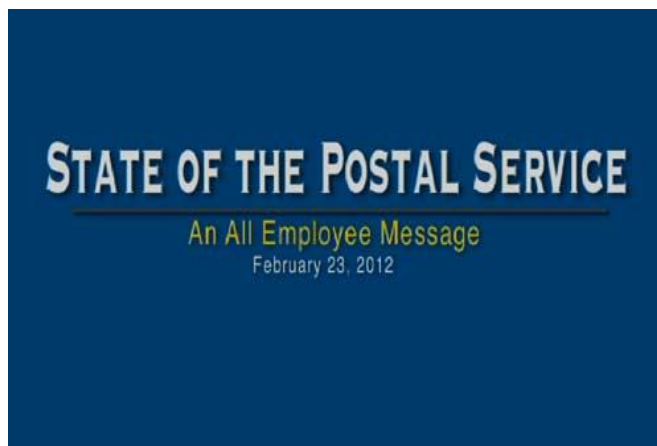


**Postmaster General/CEO Pat Donahoe
State of the Postal Service – An All Employee Message
February 22-23, 2012.**

Transcript of Video Message



Hello and Welcome.

Today on the program I am going to be focusing on issues around network changes and the mail processing facility closures and consolidations.

But before we start, let me address some feedback I been getting from you. I've heard messages, I've received them personally from you that you're concerned I have been repeating too much of this information. I'm doing that on purpose, this is a large organization and I want to make sure that everyone understands the challenges we are facing and what we need to do to get this organization back on sound financial footing.



Back in September of 2011, I spoke to you about a number of mail processing facilities we were looking at to study for possible closure or consolidation. You also recall at this time, we were looking to change service standards on First-Class Mail and that's really what enables us to make the consolidations because

with the service standard changes, you have more of a reach in terms of being able to provide service in a larger geographical area with fewer plants.



The continued decline of First-Class Mail is what is driving this. We have too much unused capacity in the mail processing network and we've got to make these changes to take some pressure off our finances – if we don't – we're sitting there with billions of dollars in costs against a very inefficient network and that will not help this organization in the long run.



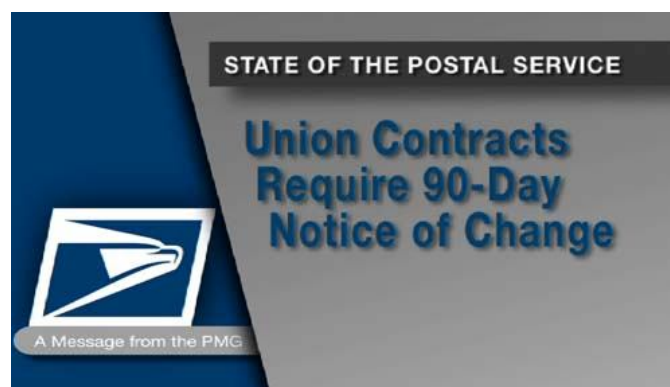
Long term if we don't do what we need to do it will affect our ability to provide universal service. And this proposal to change service standards allows us to take action against the decline because it gives us the ability to become more efficient with unused capacity as with any other organization.

When we talk about changes, it's important to tell you a few things that will not change. Service standards for Priority Mail, Express Mail, Standard and Package Services will remain substantially unchanged.



What will change if our plans move forward, is the service standard for First-Class Mail. First-Class Mail standards will go from 1-3 days to 2-3 days. (Note – although not stated, some mail may continue to receive overnight service based on entry times and locations)

Let's talk now about the schedule. You've heard about the moratorium we've worked out with the Senate, we are working through that and will honor that moratorium.



We continue to have our plant discussions with the public and we've got to honor the union contract by providing plenty of notice ahead of time, 90 days minimum, about changes we'll have in our network.

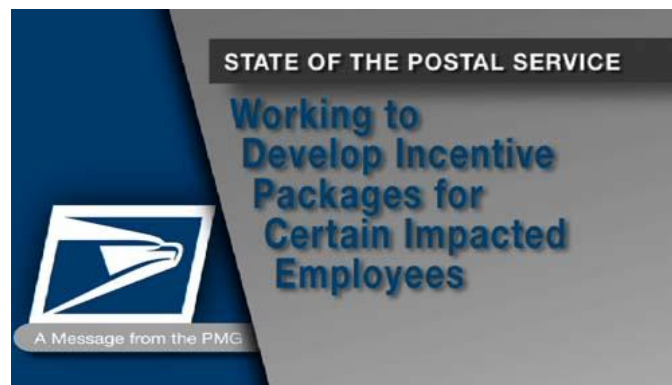


So assuming we are going forward with all these changes, we would begin with plant consolidations and closures sometime after the May 15 moratorium.

Your supervisor, at the conclusion of this video, will announce to you if your facility is going to be consolidated, where the work is going to be going and any action that is going to be taken over the next couple of months.



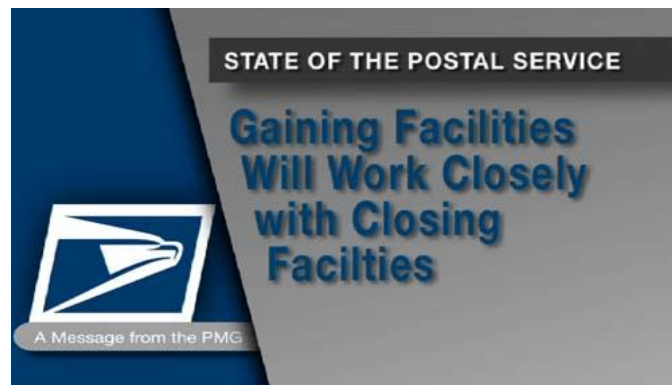
If we reduce the size of the network, we have to reduce the size of the workforce. So we are talking right now with the unions on incentives and we are also talking to the management associations.



We have downsized this organization substantially over the last 10 years. 34% of the total headcount is no longer here that we had back in the workforce in the year 2000. We have been very good about being able to do that without layoffs and major disruptions to people. That's my goal as we work through this one.



If your facility has not been identified as one that is going to close or consolidate, you'll be given information too on what to expect next.



We'll have changes there too. We'll be changing distribution times; we'll be changing who works when, how we staff these plants because these changes will be working in concert with the facilities that we close.

As we go forward with this change it is going to be difficult but we must do this in order to keep the Postal Service healthy financially going into the future. Again, you've got my commitment that I'll keep you updated. You've got my commitment we will work with you personally and answer your questions so you can make good informed decisions. And I'll continue these discussions on a monthly basis. Next time I talk I'm going to go through the business plan with you so you'll know exactly where we are with that and as always, keep up the great work, keep your chin up, this is a tough time for all of us and I'll see you next time. Thank you.

Video Total Running Time: 4:40.