

Phase 2 Network Rationalization

Frequently Asked Questions

1. How much mail will be delivered overnight once Phase 2 is implemented?

Current estimates indicate approximately 20% of the First-Class Mail volume is expected to be delivered overnight, more than 35% is expected to be delivered in 2 days and about 44% delivered in 3 days.

The graphic below illustrates an approximate breakdown of First-Class Mail service performance after Phase 2 implementation:



2. Will Phase 2 modify the service standards further?

Yes, Phase 2 will affect the existing service standards for First-Class Mail and Periodicals Mail. The changes may be seen by comparing Tables 1 and 3 with Tables 2 and 4 at the following *Federal Register* notice link: <http://www.gpo.gov/fdsys/pkg/FR-2014-01-24/pdf/2014-01382.pdf>.

3. The Postal Service is consolidating its network. How will this impact mail and package delivery?

The consolidation of the processing network will not impact the delivery process.

4. Won't this slow down service?

Overall, the time it takes First-Class Mail to reach its destination will increase slightly from an overall average of 2.14 days to an overall average of 2.25 days.

5. Will there be a price increase?

There is no price increase associated with this change. The Postal Service is taking these steps to stabilize the costs associated with processing and transporting the mail.

6. How many employees and facilities will be impacted?

There are up to 82 facilities that will undergo consolidation activities. Based upon the studies that have been performed, the projected number of impacted employees is about 15,000.

7. Will there be layoffs and plant closures? If so, when and how many?

With all other past consolidations, we have been able to place impacted employees in other available positions without resorting to layoffs. Every effort will be made to reassign impacted employees when implementing Phase 2 of the current consolidation plan.

8. Why didn't the Postal Service continue the network rationalization plan last year?

We wanted to ensure efficient operations of our network prior to moving to Phase 2.

9. How much will this effort save the Postal Service?

Phase 2 is projected to save the Postal Service over \$3.5 billion in the next five years or approximately \$750 million per year in savings.

10. What were the savings captured by the Postal Service for Phase 1 consolidation for FY12, FY13 and FY14 year-to-date?

As part of the network rationalization process, there is a Post-Implementation Review (PIR) that is performed for each consolidation to evaluate the specific implementation. These reviews are conducted twice: once at six months after the consolidation and then again after a full year has elapsed. At this time, based upon either the interim or the final review as available, over \$4 billion will be saved over the next five years, or approximately \$865 million per year.

11. Does the Postal Service intend to add additional sites to the Phase 2 list that were not previously announced?

At this time, there are no new sites being added to Phase 2.

- 12. Since weather has been a significant issue this year, if additional plants are consolidated or closed, won't that impact delivery to customers even more adversely in extreme weather situations?**
No. The closing of the selected facilities has been studied and it has been determined that they would be able to support the delivery network in the future.
- 13. What impact, if any, will this change have on your plan to implement 6-day package/5-day mail delivery? Would shrinking the network be beneficial or detrimental to the proposed delivery frequency change?**
There is no anticipated impact of the consolidations on the delivery frequency. The facilities involved have been studied to determine their ability to handle the workload in either scenario. We are right-sizing the network based upon the mail and package volumes that we have today, and that we anticipate we will have in the future.
- 14. When will impacted employees be notified?**
Impacted employees will be notified as soon as possible and consistent with the requirements of our collective bargaining agreements pertaining to reassignments.
- 15. What will be the impact on veterans who work for the Postal Service in these plants?**
The impact on veterans will be handled as required under applicable agreements, laws and regulations.
- 16. Will the change result in excess vehicles? If so, what will you do with them?**
No, there is no expected impact on vehicles resulting from the network rationalization.
- 17. Will this change lead to more Alternate Methods of Transportation (AMOT) contracts due to the increased distance between facilities?**
The use of AMOT contracts and other transportation modes are continually evaluated to ensure service responsive connections are in place.
- 18. If the Postal Service is trying to gain more business with shipping companies, how will these changes impact those efforts? If the Postal Service is trying to grow its package business, doesn't it need to increase various aspects of its network rather than shrink it?**
The consolidations are planned to provide the balanced resources in the needed locales based upon volume projections across all mail shapes and sizes. The Postal Service continually evaluates its processing resources as markets change. In addition, cost savings realized through this and other initiatives should better position the Postal Service to make needed investment in package processing and other automation equipment, and in our delivery fleet.
- 19. Will these consolidations slow down your last-mile delivery? If so, couldn't these changes harm those business relationships and cause the Postal Service to lose money?**
The last-mile delivery is based upon the delivery network. Changes to the processing network will have little to no impact upon these products. In addition, cost savings realized through this and other initiatives should better position the Postal Service to make needed investment in package processing and other automation equipment, and in our delivery fleet, which will help us to grow our package business.
- 20. The Postmaster General promised to give customers a 6-month notice before implementing any service standard or Area Mail Processing (AMP) change. Does this remain true?**
Yes.
- 21. What is the relationship between Load Leveling and these consolidations? Will the Postal Service continue with its load leveling initiative?**
Load leveling addresses the day in which Standard Mail is processed at a processing and distribution center. Load leveling has no direct relationship to Phase 2 of our Network Rationalization Plan, although the load leveling initiative also will result in significant cost savings by enabling us to better balance the delivery of Standard Mail across all of the delivery days.
- 22. Will discounts be offered for overnight service for mail deposited before 8 a.m.? (Pricing & Preparation)**
No.
- 23. If USPS succeeds in obtaining comprehensive postal reform, will this phase of network rationalization continue to be implemented?**
We will carefully review the impact of any postal reform that is passed by Congress to determine its impact on our network.

24. Does the Postal Service need to secure an advisory opinion concerning implementation of Network Rationalization Phase 2?

No. The Postal Service has already sought and received an advisory opinion on the Phase 2 service changes in Postal Regulatory Commission Docket No. N2012-1. That case included consideration of the changes that are now being scheduled for implementation. These changes were originally set to go into effect in February of 2014, but were postponed.

25. When did the Postal Service file its request for an advisory opinion concerning Network Rationalization?

The Postal Service filed its request for an advisory opinion in Fiscal Year 2012, on December 5, 2011. That proceeding culminated in an advisory opinion issued over 9 months later, on September 28, 2012.

26. Since so much time has passed, will the Postal Service need to request a new PRC Advisory Opinion on network consolidations? If so, when will it be requested and will you wait for an opinion before moving forward?

There is no need for requesting a new advisory opinion as the full scope of Phase 2 was exhaustively litigated before the Postal Regulatory Commission. That case included consideration of the changes that are now being scheduled for implementation. These changes were originally set to go into effect in February of 2014, but were postponed.

27. Will the Postal Service issue a *Federal Register* notice concerning the exact implementation date for the service standards associated with the Network Rationalization Phase 2?

Yes. In an earlier *Federal Register* notice, the Postal Service stated that it would announce the implementation date for Network Rationalization Phase 2 at least 90 days before it becomes effective.

28. Has the Postal Service provided notice of the service standard changes associated with Network Rationalization Phase 2?

Yes. The Postal Service provided ample notice to the public through its submission of the request for an advisory opinion before the Postal Regulatory Commission in Docket No. N2012-1 and through a multi-stage rulemaking process, which was conducted beginning with an advance notice of proposed rulemaking (published September 21, 2011), followed by a notice of proposed rulemaking (published December 15, 2011). A final rule addressing comments from the public was published on May 25, 2012.

29. What is Network Rationalization?

For decades the Postal Service expanded its network and infrastructure to accommodate a growing nation and an exponential increase in mail volume. The nationwide expansion resulted in more vehicles, more processing facilities, more processing equipment and more employees. Through network rationalization, the Postal Service can adapt its network and infrastructure to the realities it's facing today. The Postal Service is continually improving efficiencies by making better use of space, staffing, equipment and transportation to process the nation's mail. Improving efficiencies has become increasingly important, given the significant reduction in the amount of First-Class Mail that enters the postal system.

30. Why is this particular facility included in the study?

The Postal Service continually reviews its mail processing network for excess capacity. Since 2006, the Postal Service has ceased mail processing operations in more than 353 facilities, removed nearly 4,000 pieces of equipment, along with \$1.9 billion in costs. This has been done using an extensive analytical process designed to assist in the identification of under-used assets.

The Postal Service used extensive modeling combined with local knowledge of the various logistics networks, which combined geography, facility capacity, transportation networks, as well as equipment sets to determine which sites should be studied from a macro level. During the study phase, additional due diligence will ensure the consolidation is feasible.

31. What criteria were used to make the consolidation decisions?

Criteria include expected savings, service, transportation and logistics networks, and capacity within the processing plant, amount of required capacity (mail volumes), using the least amount of equipment and maximizing capacity.

32. How soon could a mail processing facility be closed?

Phase 2 consolidations will begin in early January 2015 and are expected to be completed by the fall mailing season.

33. Where are they located?

Processing facilities were built in strategic geographic locations around the nation to assist the Postal Service with the logistics involved in processing and delivering more mail to more addresses in a larger geographical area than any other post in the world — and to do it in the most cost-effective manner possible. Some facilities were built over a half-century ago or more, based upon the population and mail usage of that geographic location at the time. Because mail volume has decreased so dramatically, it is imperative that the Postal Service re-evaluate each facility to ensure it still provides a cost-effective solution.

34. How many different types of processing facilities are there? What's the difference among them?

There are nine different types of processing facilities:

- Processing and Distribution Centers** — P&DCs process and dispatch mail from Post Offices and collection boxes within a region.
- Customer Service Facilities** — CSFs are Post Offices, stations and branches that contain processing equipment.
- Network Distribution Centers** — NDCs consolidate mail processing, increase operational efficiency, decrease costs and maintain service while expanding the surface transportation reach.
- Logistics and Distribution Centers** — LDCs provide mail processing and distribution to local Post Offices as well as other smaller distribution facilities.
- 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 a specific geographic location.
- Remote Encoding Centers** — RECs process video images of letter mail to determine a barcode for the envelope.
- International Service Centers** — ISCs process and distribute inbound and outbound international mail.

35. How many of each kind of processing facility are there? How have the numbers changed in past years?

PROCESSING FACILITY TYPE		2013	2012	2011	2010	2009	2008	2007	2006	2005
Processing and Distribution Centers	P&DC	205	241	251	260	269	269	269	269	269
Customer Service Facilities	CSF	28	84	115	164	195	195	195	195	195
Network Distribution Centers	NDC	21	21	21	21	21	21	21	21	21
Logistics and Distribution Centers	LDC	10	10	10	13	14	14	14	11	11
Annexes	—	39	43	46	51	64	64	66	66	66
Surface Transfer Centers	STC	9	10	10	11	20	20	14	17	14
Air Mail Centers	AMC	1	1	1	1	12	20	29	77	79
Remote Encoding Centers	REC	2	2	2	2	3	6	10	12	15
International Service Centers	ISC	5	5	5	5	5	5	5	5	5
Total Processing Facilities		320	417	461	528	603	614	623	673	675

36. How long do AMP studies take?

Study times vary depending on the complexity of each location; however, the average AMP study time takes between three and five months to analyze financial information, collect public feedback, review the information and render a decision.

37. What's the process?

A public meeting is scheduled to present an overview of the study to the public and to receive feedback. After feedback is reviewed, the area vice president sends the decision to headquarters where it is reviewed for the final decision.

38. Can some processing facilities be closed without going through this AMP process?

Yes. The Postal Service can close annexes and partial mail processing operations within facilities without going through the AMP process.

39. What about Business Mail Entry units?

The Postal Service has Business Mail Entry Units in a significant portion of our processing facilities nationwide. Virtually all of the plants that will be studied have Business Mail Entry Units. The Postal Service will determine the best method to manage the impact on business mailers. This may include increasing the use of plant loads, creating additional detached mail units, or allowing bulk mail entry at larger Post Offices around the country. BMEUs will remain in place until further notice.

40. How much will this effort cost the Postal Service?

Realigning the network will cost a minimal amount. Most of the expense will be incurred in the moving of equipment. The Postal Service does not plan any expansions due to the current capital constraints of the organization.

MAIL PROCESSING ISSUES

41. Will there be a period of the day when no mail processing equipment is running? Any idea what the electricity savings could be?

The Postal Service expects equipment to be idle between the hours of 0600 and 0800. In addition, there will be rolling periods of time in which equipment will not be running for maintenance purposes. The electricity savings potential is currently being quantified and will be considered during the study process.

42. Could entry procedures be different if these changes are implemented?

The Postal Service expects that facilities will be able to handle the volume they receive, particularly as more standardization, and thus consistency, will be made possible with fewer entry points and acceptance personnel.

HUMAN RESOURCES ISSUES

43. How much of that savings figure involves employee complement?

The amount of savings differs by AMP and is developed based on each specific study.

44. How many employees work in each facility?

The number of employees varies, but complement numbers range from approximately 50 employees to 2,000.

45. Isn't there a 50-mile relocation limit in the APWU contract?

Yes.

46. What will happen to the employees?

Bargaining unit employees will be reassigned to other bargaining unit positions in accordance with our collective bargaining agreements. Non-bargaining employees will be reassigned to available supervisory positions consistent with our reduction in force avoidance procedures.

47. Will there be another Reduction in Force (RIF) announced? If so, when?

RIF is a possibility. The decision to announce a RIF will be based on staffing needs following plant consolidations and will be made on a plant-by-plant basis.

48. Will there be another Voluntary Early Retirement (VER) because of the network rationalization?

The Postal Service hopes to reduce its workforce through attrition as much as possible, but other available options are being explored.

49. Will processing facility employees be put in "stand-by rooms?"

Stand-by time has always existed and is one of the tools postal managers may use to manage work resources to work load. Our national agreements with the unions contain provisions that guarantee full-time employees eight hours work or pay per day and 40 hours work or pay per week. The agreements also outline specific time-frames for moving employees to other locations or job classifications. Employees in stand-by operations are "on the clock." Stand-by time typically occurs when mail processing operations in one area are completed, and there is a need to move employees to another operation to continue sorting operations. The act of moving employees between operations, which typically entails only a few minutes per employee, is measured as stand-by time. The majority of stand-by time is not used by mail processing employees; it is used by letter carriers.

50. Are craft employees — such as clerks and mail handlers — who lose their jobs due to a plant closing, able to obtain a position as a letter carrier, motor vehicle operator or other craft position?

Yes, if a position is available in another craft and if the employee meets the qualifications for the position.

TRANSPORTATION / LOGISTICS-RELATED ISSUES

51. How will the potential closing processing facilities impact transportation? Logistics?

It is expected that the Postal Service will be able to better optimize transportation across the board. The transportation network will be realigned to meet the needs of the realigned mail processing network. The logistics network will be set up to take advantage of the new operational window and will meet new critical entry times based on that new processing window.

52. Will the Postal Service be increasing its use of contract transportation? If so, by how much?

The Postal Service will assess each contract to determine whether it aligns with the realigned mail processing network, as well as whether the routing in place supports the new requirements.

53. How much will it cost the Postal Service to make such wide-spread transportation / logistics changes?

It is expected there will be minimal cost to make these changes. The Postal Service currently has clauses in its contracts to allow for service changes, as well as the cancellation of routes.

54. Will these changes result in increased fuel use?

No, these changes will decrease the amount of fuel required. It is expected the amount of transportation will be reduced, which will lead to lower fuel use.

FACILITY ISSUES

55. How many of the processing facilities on the list are owned by the Postal Service?

A majority of the facilities on the list are owned by the Postal Service.

56. Regarding leased facilities, will the Postal Service break the leases?

The Postal Service will work with facility owners and within the confines of the contractual agreement.

57. Will the facilities be sold?

Decisions will be made based on the needs of the Postal Service.

EQUIPMENT ISSUES

58. Where will all the excess mail processing machinery go? Can the Postal Service sell it?

The Postal Service has a responsible disposition plan for all excess mail processing equipment. Part of the plan includes eliminating mail processing equipment that has reached its end-of-life but is still maintained with the inventory due to lack of capital to make significant investments for replacements. In addition, the Postal Service will maintain some equipment for contingency planning purposes. The remainder of the equipment may be utilized for spare parts or sold.

59. Will Flats Sequencing System (FSS) machines be relocated?

Yes, a few FSS machines will be relocated.

RELATED / MISCELLANEOUS ISSUES

60. Did the Postal Service consider environmental impacts during the facility study process?

Yes. In agreement with the National Environmental Policy Act (NEPA) of 1969, the Postal Service prepared a Programmatic Environmental Assessment (PEA) to evaluate environmental impacts of implementing the Network Optimization initiative at a number of Postal Service facilities throughout the United States. The PEA was completed on February 6, 2012, and its conclusion was a Finding of No Significant Impact (FONSI). The PEA found that the Network Optimization initiative would not result in adverse impacts to physical resources or the quality of the human environment.

61. If a processing facility closes, will the related postmark be gone as well?

Yes. However, in some past cases the main Post Office in that city has kept the postmark available for customers who wished to have their mail hand-cancelled.

62. How will hatcheries be impacted by these changes?

Ducklings and chicks shipped through the U.S. Mail do not travel via First-Class Mail. They are flown and are to be delivered in a 3-day timeframe and are not affected by these proposed changes.

63. How will military mail be impacted by these changes?

Service standards for military mail will not be changing.

64. How will election mail and vote-by-mail ballots be impacted by these changes?

First-Class Election Mail, including vote-by-mail ballots sent via First-Class Mail to a voter as well as the return completed ballot sent via First-Class Mail back to the registrar, would not be negatively impacted by a change in service standards. The Postal Service is implementing a comprehensive outreach to election officials to let them know that overnight service for First-Class Mail ballots can still be maintained as long as the ballots are entered into the mail stream at processing centers in time for overnight handling in the local area. When this is not possible, election officials are being advised to plan for 2-3 day service.

65. Where is the list of affected mail processing facilities?

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