



May 17, 2012

The Honorable Raul Grijalva
House of Representatives
Washington, DC 20515-0307

Dear Congressman Grijalva:

The U.S. Postal Service will soon file a Final Rule for its Revised Service Standards for Market-Dominant Products (the Final Rule) that will establish new service standards for the delivery of First-Class Mail. These new service standards, which will be implemented in phases, will preserve overnight delivery of this mail within the local delivery area of our processing plants through the beginning of 2014, and, enable the Postal Service to begin right-sizing its mail processing network to match declining mail volumes.

The Postal Service will begin consolidating certain processing operations during the summer of 2012. Further, given election and holiday seasonal mailing demands, we will suspend our consolidation efforts during the period between September 1, 2012, and December 31, 2012. The Postal Service will consolidate or close up to 140 facilities by February 2013. The near-term net effect of these changes will be to begin capturing the efficiencies of a consolidated network, while preserving approximately 80 percent of current overnight delivery for First-Class Mail through 2013.

With a precariously low level of liquidity, the Postal Service projects an operating loss of \$3.5 billion for 2012, before retiree health benefits pre-funding costs and non-cash workers' compensation adjustments. The Postal Service must pursue every avenue to bring costs in-line with revenue. Deferring necessary operational changes will only make the inevitable crisis more disruptive for our customers and the potential losses greater for the Postal Service.

The second phase of our implementation plan for the new delivery standards, which will begin in 2014, unless our financial situation substantially improves, will significantly alter mail entry times for overnight delivery of First-Class Mail, and enable us to further right-size our mail processing network. Barring legislative change, or some other significant change in the business environment under which the Postal Service currently operates, in 2014 further consolidation of the mail processing network will be necessary. If no changes are made, our operating loss for 2014 will be \$9.4 billion. It is the Postal Service's responsibility to take all actions within its control to ensure that we continue to provide essential postal services to the American people. The second phase of our implementation plan for the Final Rule would allow the Postal Service to consolidate an additional 89 facilities.

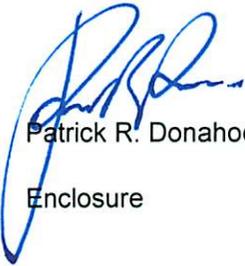
The immediate effect of the Final Rule will be to allow a measured and methodical approach to mail processing network consolidations—one that will have minimal impact on our business and residential customers. As information, approximately 5,000 employees will receive notifications next week, as required by our collective bargaining agreements, related to consolidation and efficiency enhancing activities to be conducted this summer.

Last week, the Postal Service announced a \$6.5 billion net loss for the six months through the second quarter, and anticipates a fiscal year 2012 annual loss in excess of \$14 billion, including \$11 billion of Congressionally mandated Retiree Health Benefit pre-funding costs. Clearly, reform is needed, and the Postal Service is committed to generating the cost reductions within our control necessary to return to financial health and long-term financial stability. This modified plan to consolidate our mail processing network enables a measured approach that will have minimal impact on our business and residential customers.

We have enclosed a preliminary list of facilities in your state/district showing locations that may be consolidated in 2013 as part of this plan. We would be pleased to provide additional information about our mail processing network and our comprehensive five-year plan at your convenience. Additional information will be forthcoming, and the Postal Service will host a Webinar on these proposals on Friday, May 18, at 1 p.m. (EDT). Your postal staffer will be receiving an invitation to this Webinar.

We look forward to communicating about this modified plan and our progress in the coming weeks and months. Please contact your Government Relations Representative with any questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Patrick R. Donahoe', is written over the printed name.

Patrick R. Donahoe

Enclosure

Potential to Consolidate*

State	City	Study Facility		Gaining Facility(ies)		
		Facility		Gaining Site	City	State
AZ	Tucson	Tucson P&DC		Phoenix P&DC	Phoenix	AZ

* Pre-Decisional and subject to modification based upon legislative service standard requirements and further analysis.