



Understanding the New Service Standards

Delivering for America | Service Standard Change

- Rationale for change and expected benefits
- Overview of changes
- Q&A

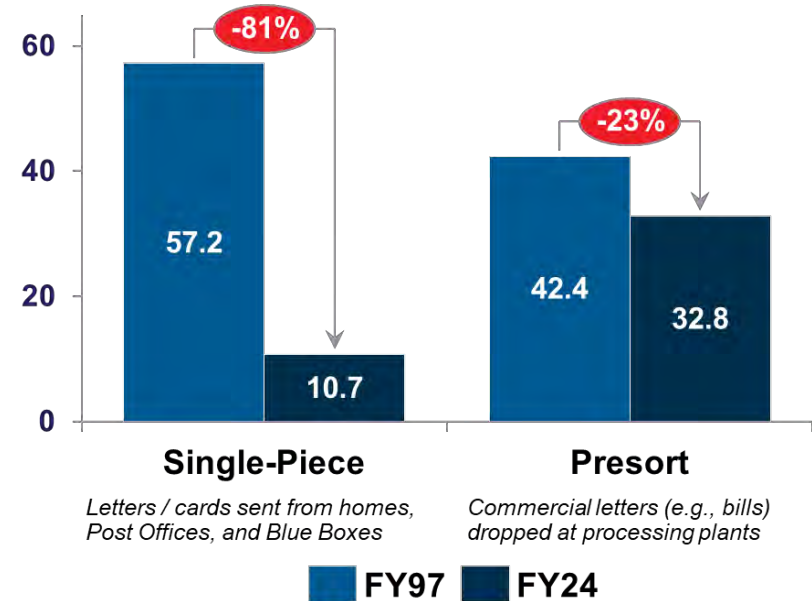
Our environment and organizational objectives

- U.S. Postal Service commitments to achieve statutory obligations:
 1. Deliver to 167 million addresses, 6 days per week
 2. Become financially self-sustaining
- Delivering for America Plan:
 1. Improve reliability and operating proficiency
 2. Reduce cost and grow revenue
 3. Invest in the delivery of mail and packages
 4. Create a stable and empowered workforce

Legacy service standards and network built for single-piece First-Class Mail

- Historic rules and commitments shaped around Single-Piece First-Class Mail
- Overlooked shifting mail densities, decline of single-piece mail, change in product mix
 - Parcels grew more than 200% from 2013-2024 to 6.8B pieces
- Generated cost and limited our ability to flow our network, as we wait for volume from distant, low-density origin offices

FY97 vs FY24 First-Class mail volumes
(billions of pieces)



Legacy standards degraded our efficiency and capability

1 Local transportation *(leg 1)*

- Forced to run empty trucks multiple times a day to collect volume

2 Network transportation *(leg 2, air and surface)*

- Network commitments required overreliance on costly air
- Layered networks (Preferential mail, Priority, Marketing Mail / Pkg Services, Air, STC) resulted in costly, low utilization long-haul trucks

3 Processing

- Inefficient, subscale operations as our facilities forced to 'wait' for outlying volume
- Costly outsourcing to 13 Surface Transfer Centers and 71 Terminal Handling Services

4 Facilities

- Too many facilities, including 86 Annexes or PSAs, as we tried to handle package growth within old framework

~\$3.6-\$3.7B Savings Enabled by Service Standard Change

1 Local transportation *(leg 1)*

- Optimize legacy and dated local routings (how we move volume from plants to post offices)
- Eliminate redundant network with two trips to the same office every day regardless of volume

2 Network transportation *(leg 2, air and surface)*

- Integrate mail and package network
- Collapse redundant networks (STCs, NDCs, etc.,)
- Aggregate volume and increase truck utilization
- Dispatch into the network earlier, reach further
- More volume on the ground vs costly air transport

3 Processing

- Streamline inbound volume flow and reduce separations and handling
- Optimize automation, machine layout, and operating and processing windows
- Deploy consistent schedules with improved weekend work utilization

4 Real Estate

- Exit subscale, leased annexes
- Reduce dependence on additional annex space during peak

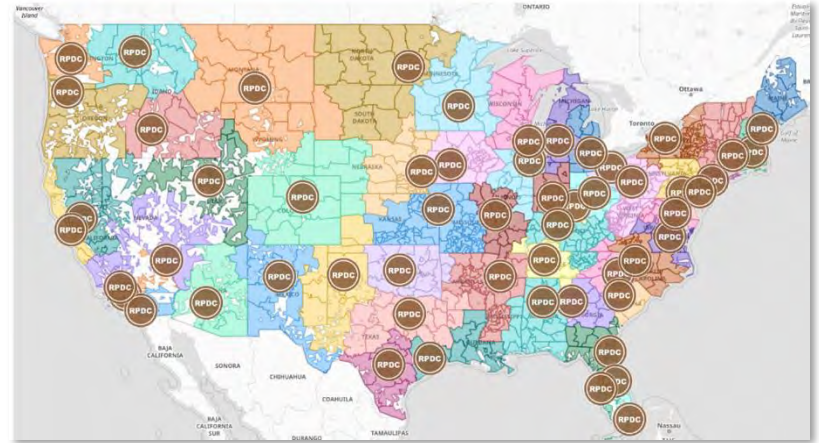
2025 Service Standard Change

- Filed with Postal Regulatory Commission in October 2024
 - Changes to Market Dominant and competitive products
- Announced to industry in February 2025
- Implemented in two phases:
 1. April 1, 2025 for RTO/Non-RTO and CET implementation
 2. July 1, 2025 for leg 2 reach expansion

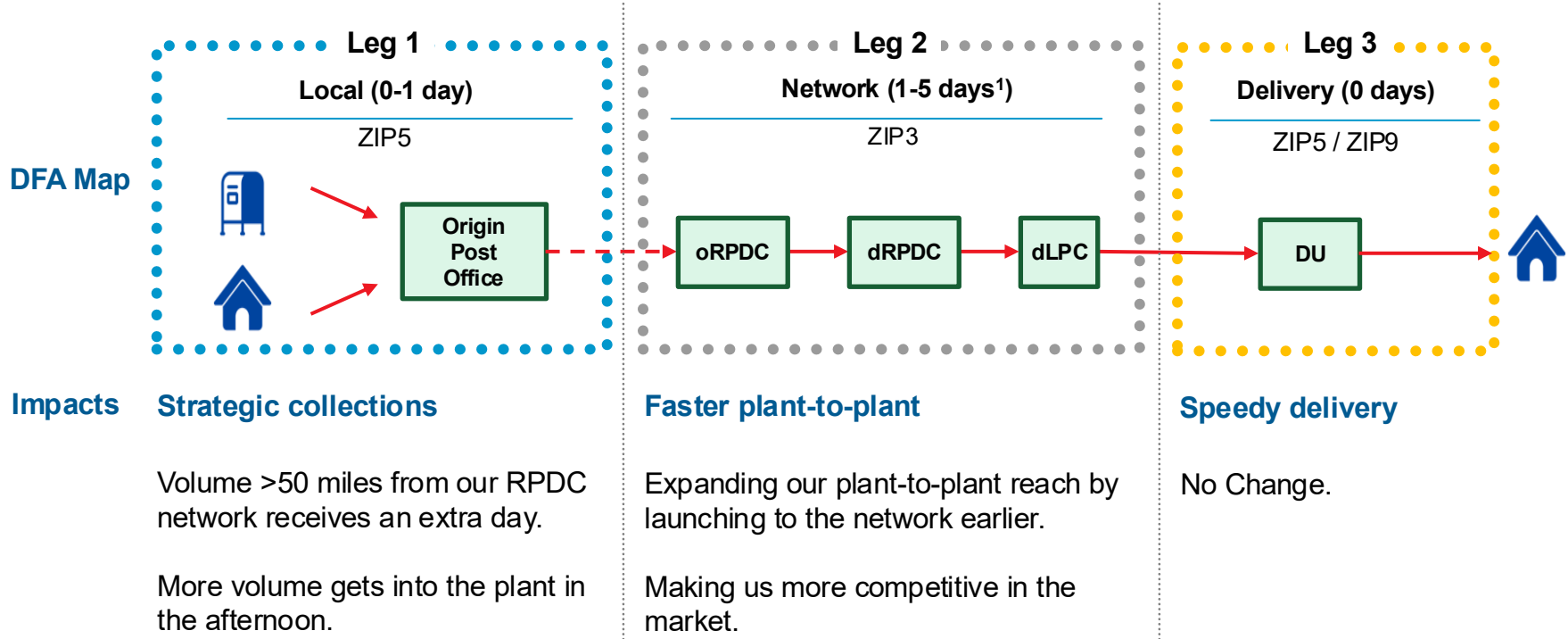


Objectives of New Service Standards

1. Provide more precise service standards / expectations for the public
 - 5-digit ZIP code to 5-digit ZIP code
2. Enable operational cost transformation
 - Optimize Local Transportation
 - Improve Processing productivity
3. Increase reach from our network nodes
 - Enhance speed to Plant-to-Plant network
4. Provide enhanced turnaround capability

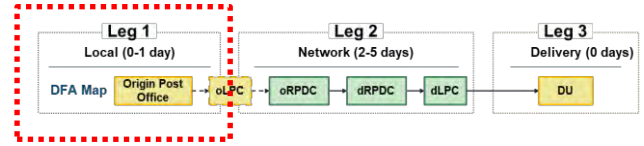


Shift to 5-digit Service Standards



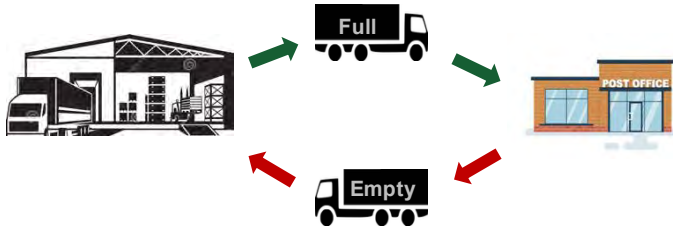
1. Destinating entry Presort First Class has an overnight standard; no change in service standard for destination entry

Leg-1: Post Office to Collection Hub

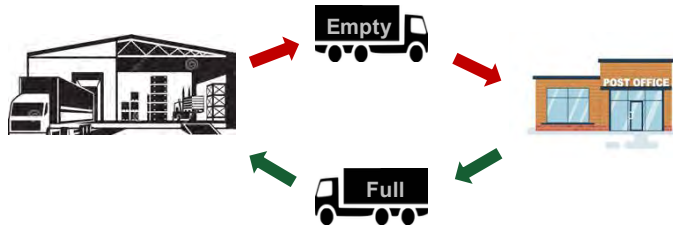


Legacy Local Transportation

Morning Outbound from Plant to Delivery

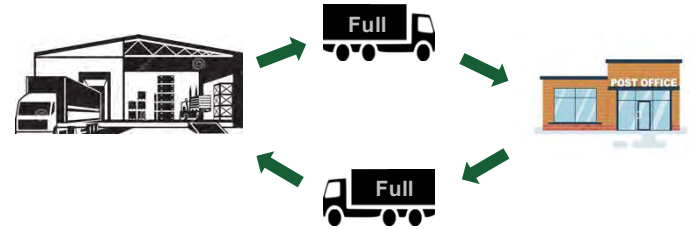


Afternoon Inbound from Delivery to Plant



Regional Transportation Optimization

Morning Outbound to Drop to Delivery



Morning Pickup from Delivery on return to Plant

RTO Enables Processing and Leg 2 Transportation Savings

Original transportation windows

Morning Delivery

Destinating
Volume

Afternoon Collection

Originating
Volume

RTO transportation windows for offices > 50 miles from plant

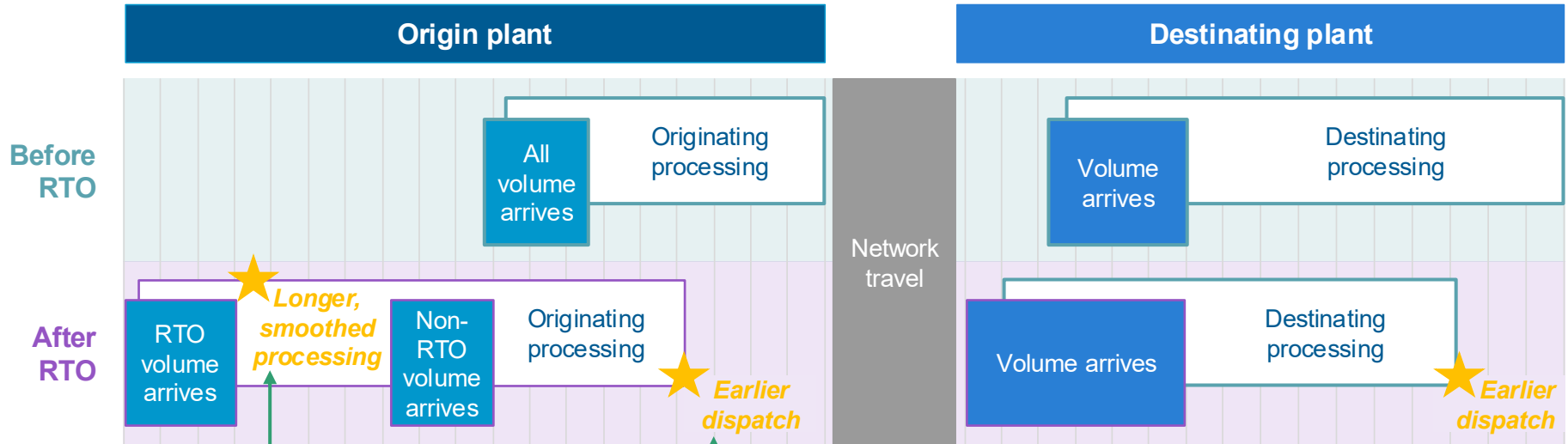
*Combined Morning
Delivery & Collections*

Destinating Volume

Originating Volume

*No afternoon
collection – volume is
instead collected next
morning*

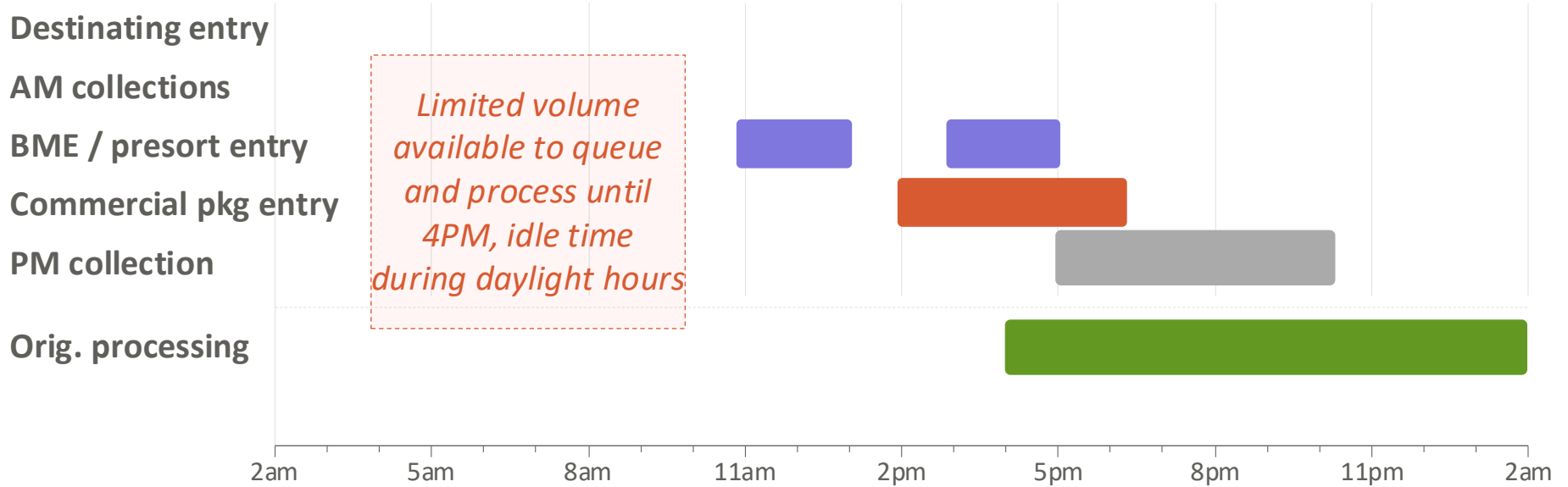
RTO Enables Processing and Leg 2 Transportation Savings



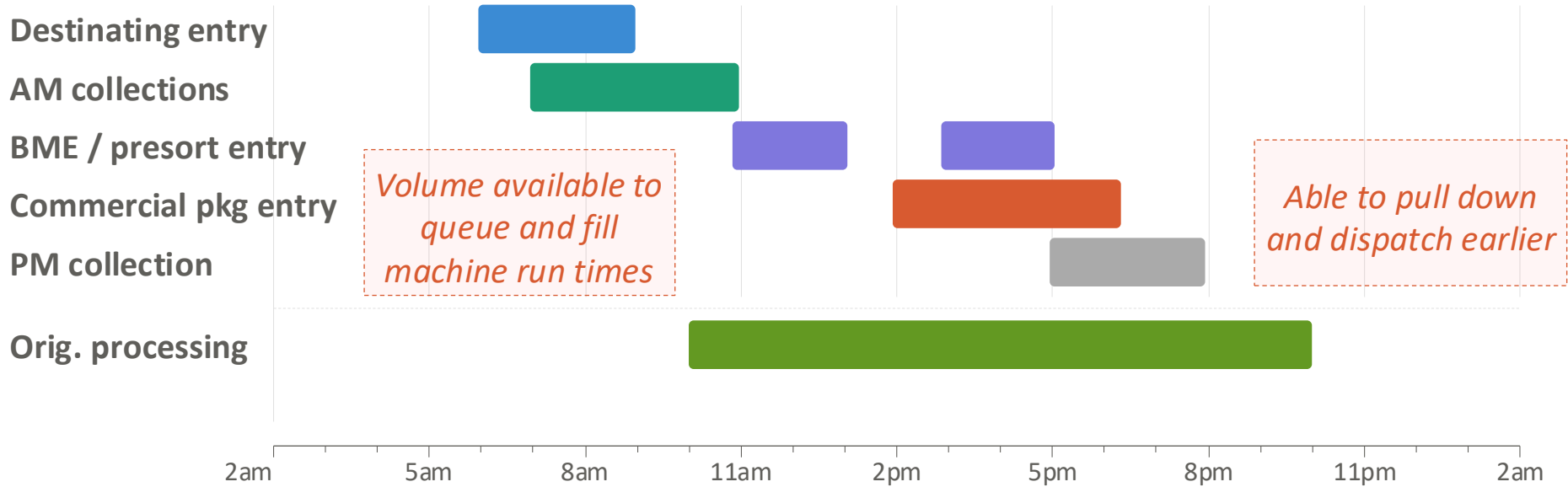
Longer window improves work hour utilization, **reducing processing cost**

Earlier dispatches allow for more aggregation prior to launching to the network, enabling **network transportation savings**

Before RTO and consolidator strategy



After RTO and consolidator strategy

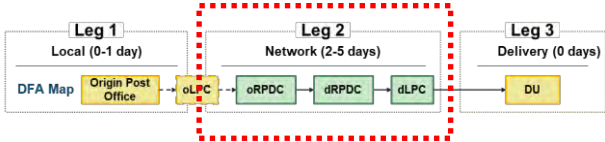


Expanding Leg 2 — Detail

Hours

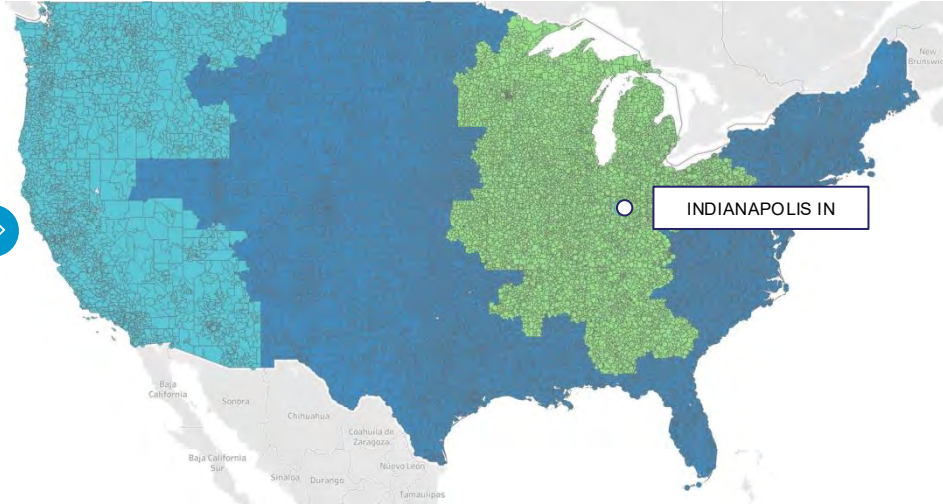
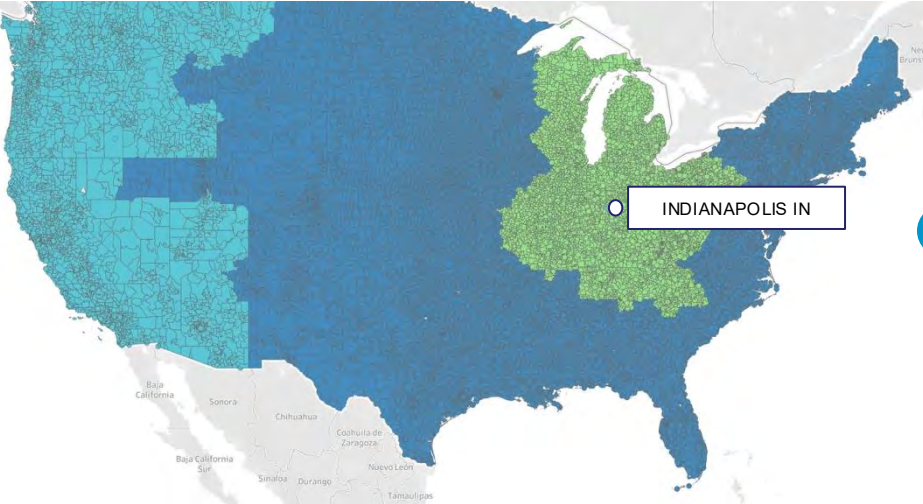
Band	Prior First-Class Mail	New First-Class Mail	Prior Ground Advantage	New Ground Advantage
2-day	≤ 3 hrs	≤ 7 hrs	≤ 8 hrs	≤ 12 hrs
3-day	≤ 20 hrs	≤ 24 hrs	≤ 32 hrs	≤ 33 hrs
4-day	≤ 41 hrs	≤ 45 hrs	≤ 50 hrs	≤ 54 hrs
5-day	> 41 hrs	> 45 hrs	> 50 hrs	> 54 hrs

Indianapolis Package Expanded Reach



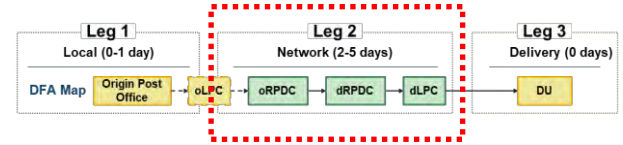
Legacy service standard reach

Current service standard reach

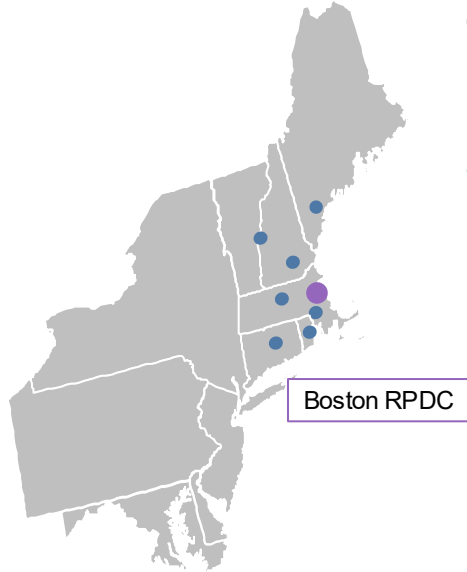


■ 2-day
 ■ 3-day
 ■ 4-day
 ■ 5-day

Boston 2-day FCM Expanded Reach



Current State

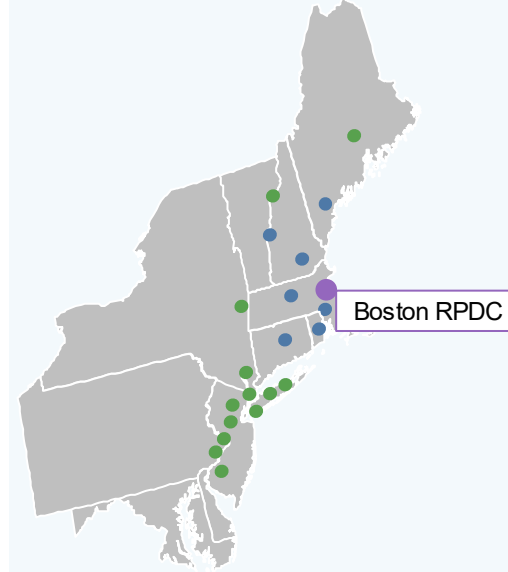


7 2-day connections:

1. Brockton P&DC (023)
2. Providence P&DC (028)
3. Manchester P&DC (030)
4. Central P&DC (015)
5. Southern Maine P&DC (040)
6. White River Junction P&DC (050)
7. Hartford P&DC (060)

● RPDC ● Current State Plant ● Future State Plant

Future State



20 2-day connections:

1. Brockton P&DC (023)
2. Providence P&DC (028)
3. Manchester P&DC (030)
4. Central P&DC (015)
5. Southern Maine P&DC (040)
6. White River Junction P&DC (050)
7. Hartford P&DC (060)
8. Morgan P&DC (100)
9. Westchester P&DC (105)
10. Brooklyn P&DC (112)
11. Western Nassau P&DC (115)
12. Mid Island P&DC (117)
13. Albany P&DC (120)
14. Philadelphia P&DC (190)
15. Eastern Maine P&DC (044)
16. Burlington P&DC (054)
17. Dominick V Daniels P&DC (07099)
18. Northern NJ Metro P&DC (076)
19. South Jersey P&DC (080)
20. Trenton P&DC (085)

Boston will have 2-day FCM reach to New York, Philadelphia, and New Jersey

Turnaround Service Standard Logic

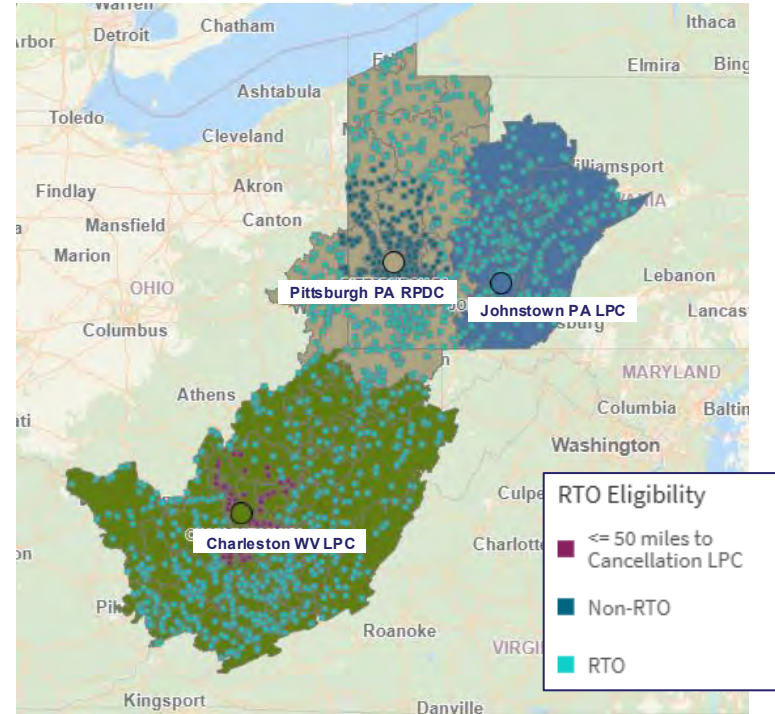
RPDC Turnaround:

- First-Class Mail Volume originating from within 50 miles of the RPDC will have 2-day turnaround to entire RPDC region
- Volume originating from RTO+1 ZIP5 will be 3-day to RPDC region

Cancellation LPC:

- Volume originating from within 50 miles of a Cancellation LPC will have 2-day turnaround to LPC service area
 - (Example: Charleston WV which is 250 miles from Pittsburgh RPDC)
- Volume originating from outside 50 miles will be 3-day turnaround to LPC service area

Example: Pittsburgh PA RPDC Region



Successes Growing Revenue and Decreasing Costs

- Revenue has grown by **\$8.1 billion** (FY20 compared to FY25)
- Workhours have decreased by 56 million hours, equivalent to **\$3.0 billion** (FY22 – FY25)
- Transportation costs have decreased by **\$1.9 billion** (FY22 – FY25)
- Exiting subscale, leased facilities has saved over **\$50 million** (FY23 – March FY26)
- Continue to generate operating loss and much work is yet to be done to improve

Q & A