

March 23, 2011

OFFICERS

SUBJECT: 2011 Organizational Redesign

Over the past eight weeks we have been taking a careful look at our internal structure and determining the best way to align the organization to succeed in a more competitive world. We have also been making some tough but necessary decisions.

I believe we have developed a strong plan that will result in a leaner, less bureaucratic structure that creates greater efficiencies among our managerial and administrative functions.

The Executive Leadership Team has led a thorough and deliberative process, and we have been aided greatly by your input. Our new organizational design reflects a strong collaborative effort, and I am convinced the steps we are taking will enable us to better meet the needs of our customers, our employees, and the American public.

Today we are better positioned for growth. These changes reflect further alignment within the organization to achieve core business strategies and, when fully implemented, will help realize approximately \$750 million of annual cost savings.

- This redesign reduces administrative layers and achieves a 20 percent reduction in authorized administrative office complement and PCES positions.
- Voluntary Early Retirement (VER) and financial incentive programs will be offered to targeted groups of eligible career, non-bargaining employees at Headquarters, Headquarters-related Field Units, and Area and Customer Service District Offices (administrative).

To voluntarily retire, employees must be 50 years old, with at least 20 years of service, or any age with at least 25 years of service. Employees who accept the VER offer or already meet existing retirement qualifications will receive \$20,000 in two separate installments to retire from the Postal Service. The payments will be distributed November 2011 and November 2012.

The incentive is also being offered to employees who are not of retirement age, but wish to voluntarily separate from Postal Service employment.

More information about the financial incentive program is available on the home page of Blue, listed under Hot Topics.

- The new structure aligns functions with increased clarity of purpose and a dramatic reduction in "shadow organizations," eliminates layers of reporting, and reduces PCES-to-PCES and EAS in-grade reporting.

- Seven Districts are closing. The employees of the closing Districts will be notified tomorrow. Therefore, the general announcement will be held until employees have been informed.

Beginning today and over the next several days, it will be important for all of us to communicate effectively about the changes we are implementing. In doing so, we must recognize that some employees will view change as a challenge and some as an opportunity.

Our goal with all employees is to provide the information they need to make the best decisions about their future "either with the Postal Service or after their career with us" and to do so with the highest level of respect and regard for the dignity of those who serve. It is especially important that we do everything we can to help those employees who want to stay with the Postal Service to continue in their careers.

Please engage in conversations with those under your supervision to ensure consistency in information and approach, and to encourage sensitivity and responsiveness to the questions and concerns of those impacted by this announcement.

Thank you for your leadership and for the important role you have played in helping to redesign our organizational structure. Your efforts in the coming weeks and months will help the Postal Service become a leaner, faster, and smarter organization, improve our financial situation, and ensure that we are better able to compete for customers and provide greater value and service to the American public.

/s/

Patrick R. Donahoe