

# **NETWORK RATIONALIZATION PHASE II**

**Industry Webinar**

- **Business Imperative**
- **Phase II Service Standards & CETs**
- **Concept of Operations & Volume Distribution**
- **Phase II Network**
- **Consolidation Timeline**
- **Commitment to Employees**
- **Commitment to Customers**
- **Communication Plans**
- **Project Management Approach**

- **Financial losses of \$26 Billion over last 3 years**
- **Continued decline of First-Class Mail volume & revenue**
- **Increasing wage inflation and operating costs**
- **Increasing debt pressures**
- **Uncertainty regarding legislative reform**
- **Review of postal prices in courts**
- **Needed capital investments to acquire package sorting equipment and replace aging delivery vehicle fleet**

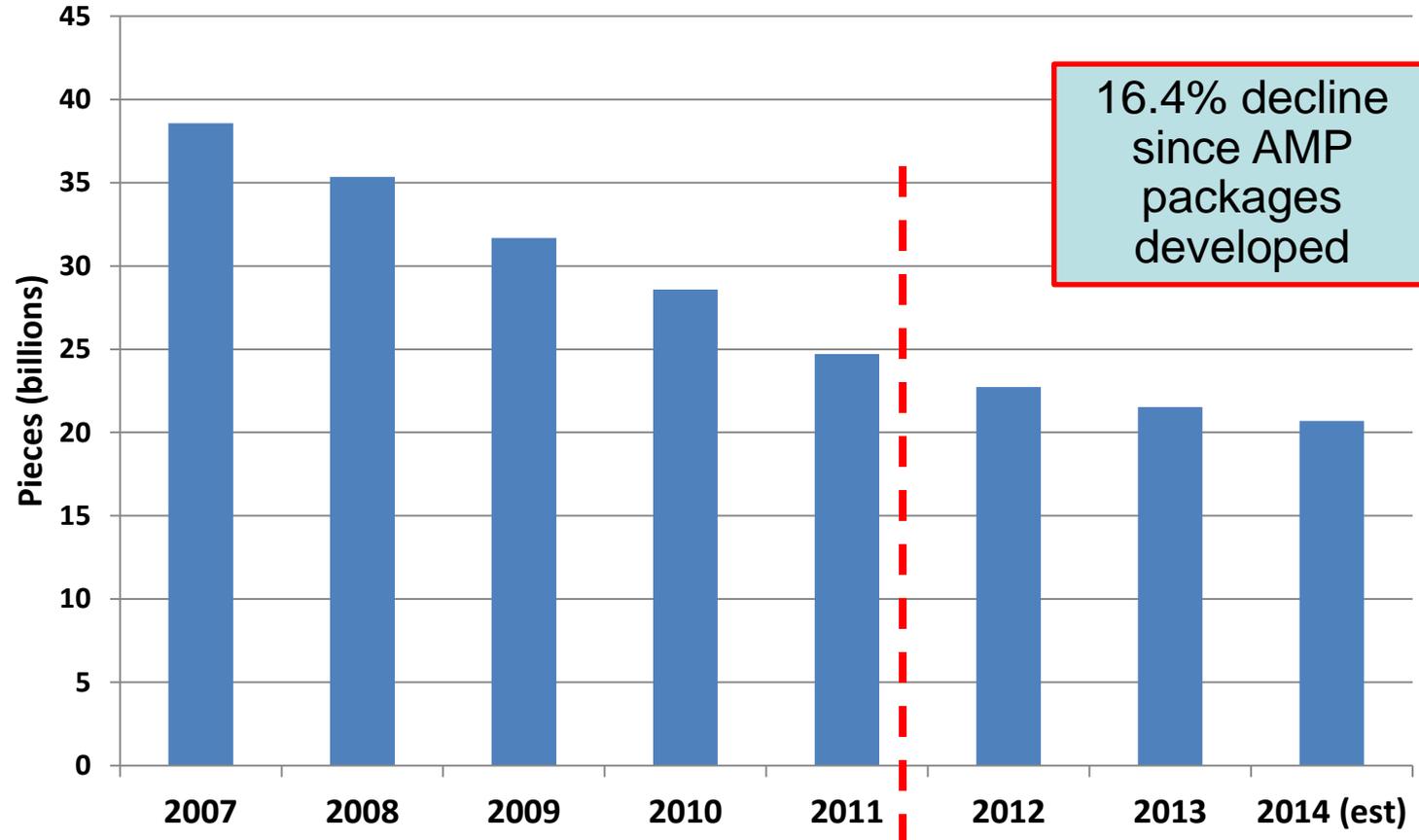
## **FUTURE NETWORK**

- **Preserves Approx. 66% of Overnight Delivery Volume**
- **Revised Entry Times**
- **Reduced Equipment**
- **Reduced Footprint**

## **PHASE II BENEFITS**

- **Reduce Excess Capacity**
- **More Efficient Transportation Network**
- **Fully Utilized Workforce**
- **Up to \$750 Million Cost Reduction**

## Single Piece - First Class Letters



Source: RPW, FY2007 – FY2013

## ■ First Class Mail

- Overnight: First Class **Presort** mail, properly prepared, containerized, for local plants SCF service area, entered by applicable CET
- 2-day: Intra-SCF single-piece mail or maximum 6 hour drive time between originating facility and **SCF** facility
- 3-5 day: Everything else

## ■ Periodicals

- End-to-end Periodicals transported with First-Class Mail pieces on surface transportation move to a minimum 3-day service standard (equal to the sum of 1 day plus the FCM service standard)
- No change to destination entered Periodicals

## First Class CETs – Under Phase II

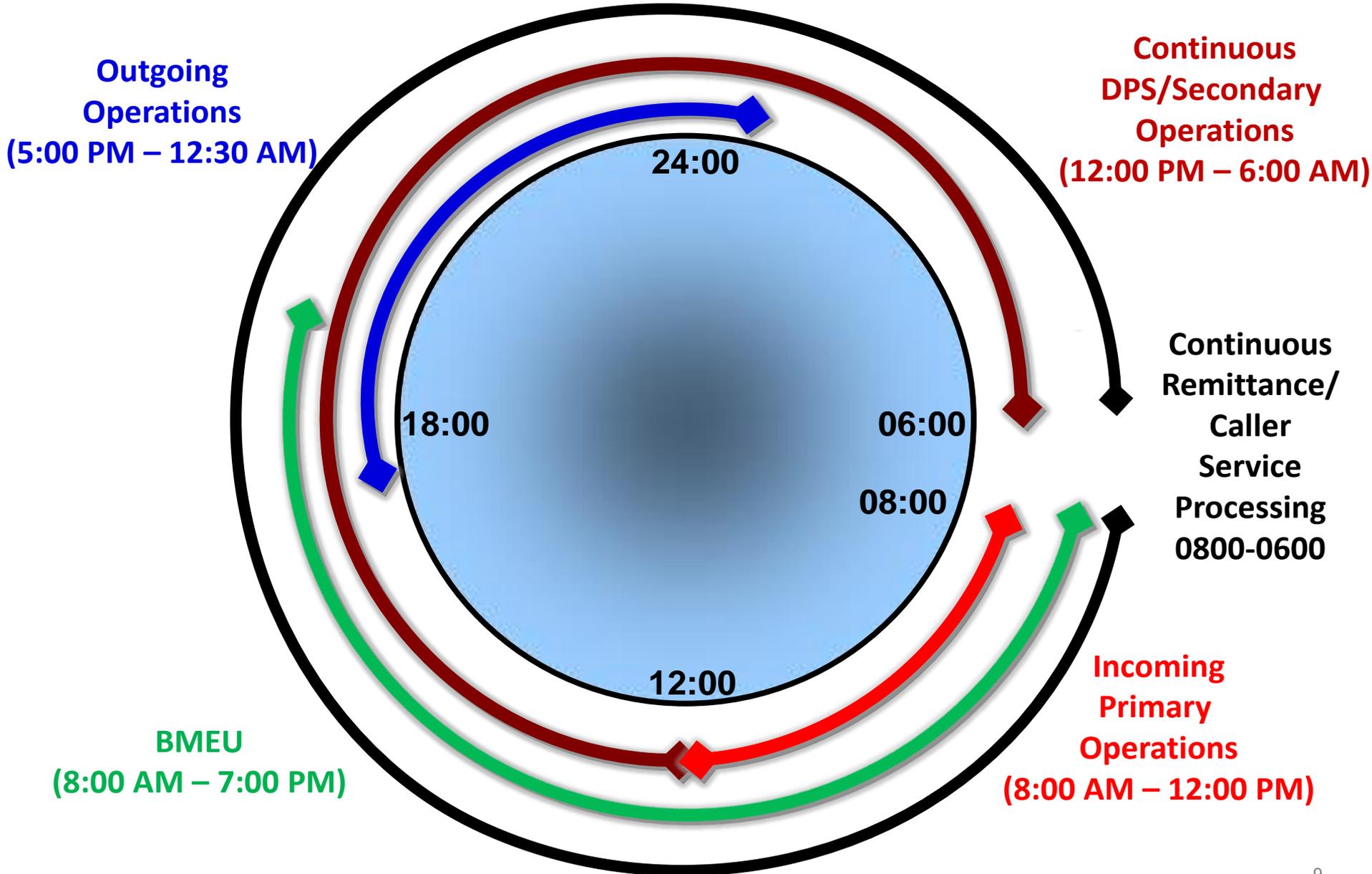
	<b>Origin SCF Pallet* of origin SCF trays</b>	<b>Origin SCF Pallet* of local 5-Digit / L012 Scheme Trays</b>	<b>Direct 5-Digit / L012 Scheme Pallet*</b>
<b>Overnight Service CET</b>	0800	0800	1200

\*Pallet or other allowable containers

## Periodicals CETs – Under Phase II

Type	No Bundle Sort Needed 5-Digit / Scheme Container	Bundle Sort Needed 3-Digit and Up Container	Direct 5-Digit Carrier Route Pallets
Non FSS	1400	1100	1700
FSS	1100	0800	1100

# Concept of 24-Hour Plant Operations



	<b>% 1-Day</b>	<b>% 2-Day</b>	<b>% 3-Day</b>	<b>% 4-Day</b>	<b>% 5-Day</b>	<b>Average Days to Delivery</b>
<b>Current*</b>	30.5%	25.1%	44.0%	0.3%	<0.01%	2.14
<b>Future</b>	20.1%	35.6%	44.0%	0.3%	<0.01%	2.25

**Preserves ~ 66% of overnight volume**

- ❑ No immediate change to acceptance locations or hours
- ❑ 120-day notice for following changes:
  - BMEU Moves/Consolidation
  - BMEU/DMU Hours of Operation
  - DMU Transportation
- ❑ Expand drop-ship appointments at gaining facilities
- ❑ Effective Jan. 2015 to qualify for DSCF pricing mailers will be required to enter mail at the SCF defined in Labeling List (Federal Register Dec.18, 2013)
  - BMEU/PVDS Mailers should prepare mail according to effective labeling lists
  - Grace Periods Built into Labeling Lists
  - To assist in the transition the Postal Service has an exception process for BMEU mailers currently claiming SCF discounts at facilities scheduled for consolidation



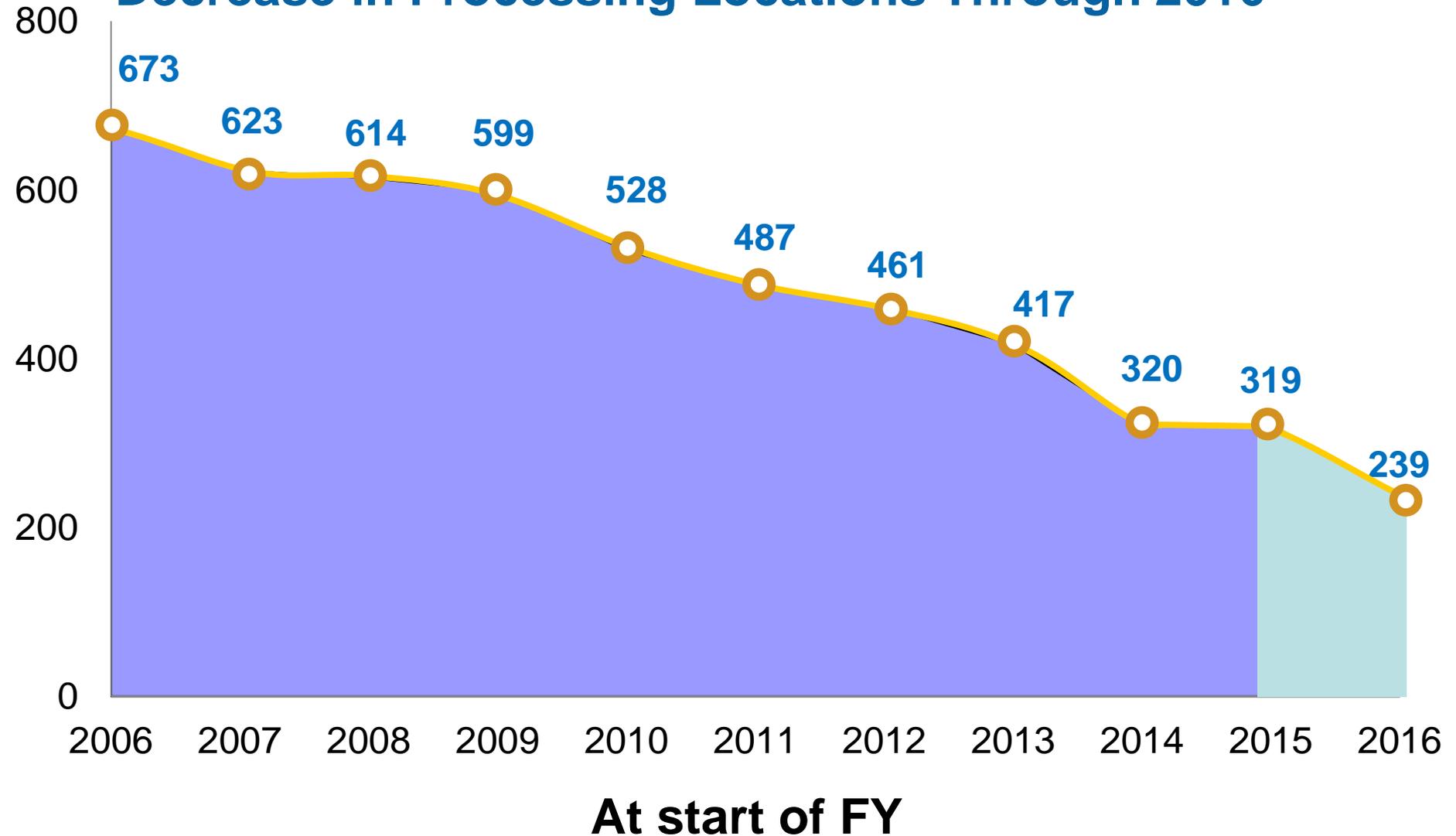
## Plan to consolidate processing at 82 mail processing sites in 2014



- Facility Type**
- Annexes
  - + Customer Service Facilities
  - × DDC
  - \* P&DC/P&DF

Facility Type	Total
Annexes	2
Customer Service Facilities	16
DDC's	1
P&DC/P&DF's	63
<b>Total</b>	<b>82</b>

## Decrease in Processing Locations Through 2016



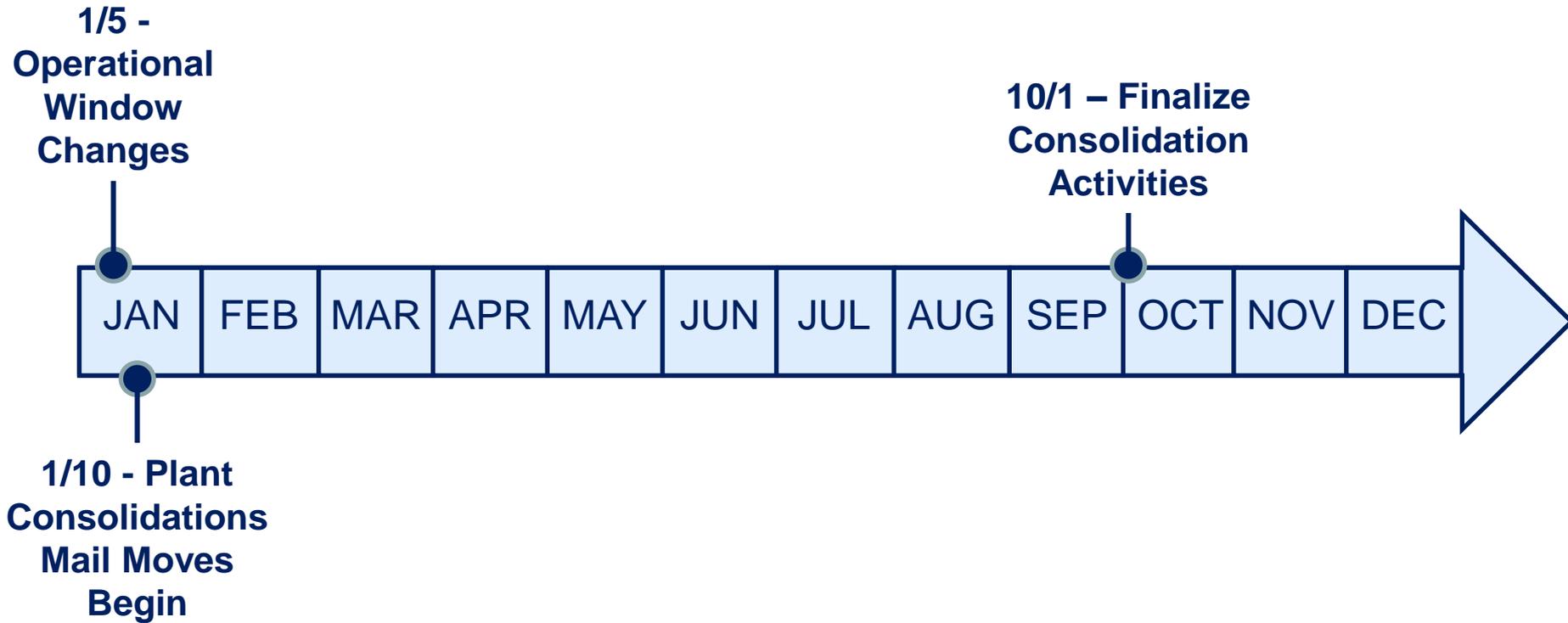
**82 Consolidation Opportunities Identified****82 Moves**

*Proceeding with January 10, 2015  
Employee Move Date*

**Savings within the “four walls”  
of the facility**

**Optimization  
Opportunities**

- Realignment of operating windows commensurate with earlier availability of committed volume
- Realignment of transportation
- Delivery opportunities through the earlier availability of mail volume



## OUR COMMITMENT TO EMPLOYEES

- ➔ **Methodical, measured transition**
- ➔ **Options available for staying with the Postal Service**
- ➔ **Proven track record of working vigorously to avoid lay-offs; success through attrition**



## Changes

- **Planning for new mail processing footprint and transport pattern**
- **Revised Critical Entry Times**

## Our Approach

- **Industry-specific solutions, as needed**
- **Ongoing communication and collaborative mitigation of issues**

**“Mailers at both last week’s MTAC meeting and this week’s IDEAlliance Print Distribution Conference confirmed that overall, there have been few significant industry issues arising from the USPS’ network optimization effort”**

**“We thought 18 months ago that this effort would be a disaster,” remarked one service provider at the IDEAlliance conference, “but it has been a remarkably smooth process.”**

*- Postal Operations Update, News on Postal Operations Issues, 2/28/13*

**“The big story is... there is no story.”**

*- Northeast Area Focus Group Industry Co-Chair, 6/20/13*

**“The USPS examined transportation networks, internal plant cycle times, and the interface of caller operations for possible remittance delivery improvements. It did this despite an already full agenda including the resumption of accelerated Network Rationalization activities. The net result, measured by the 213-1 Postal Survey, was a broad spectrum of remittance delivery improvement.”**

*- Phoenix-Hecht Postal Survey Executive Summary, July 2013*

## Flawless Execution

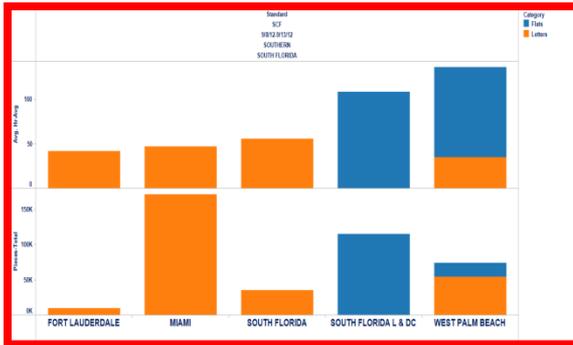
**Early Warning System**

**Recovery “Tiger Team”**

**Tools &  
Processes in  
place to  
ensure High  
Level of  
Service  
Performance**

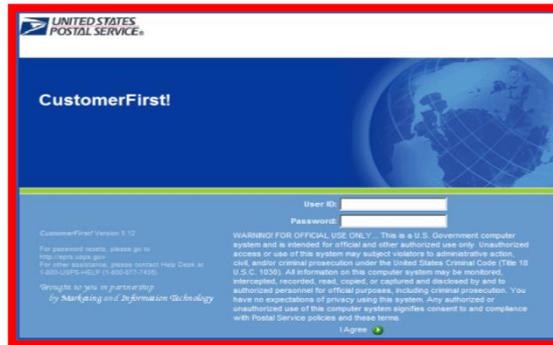
- Early Warning System well established
- Mail move plan updated and posted on RIBBS
- Continued communication with the mailing industry
- Site Intervention based on Early Warning System
- Feedback system in place to address customer issues:
  - CustomerFirst! System
  - BSN eService

## AVAILABLE TOOLS



### EWS Reports

- **Daily Monitoring of plant inventory levels**
  - First Class
  - Periodicals
  - Standard Letters
  - Standard Flats
- **Weekly Monitoring of:**
  - Work in Process (WIP) cycle time
  - Pieces processed after clearance time
  - Mail Conditions



### CustomerFirst! System

- **Business Service Network's (BSN) repository of mailer customer issues**
- **Issues tracked as Service Requests (SR)**
- **SRs handled as open tickets needing resolution in order to be closed**



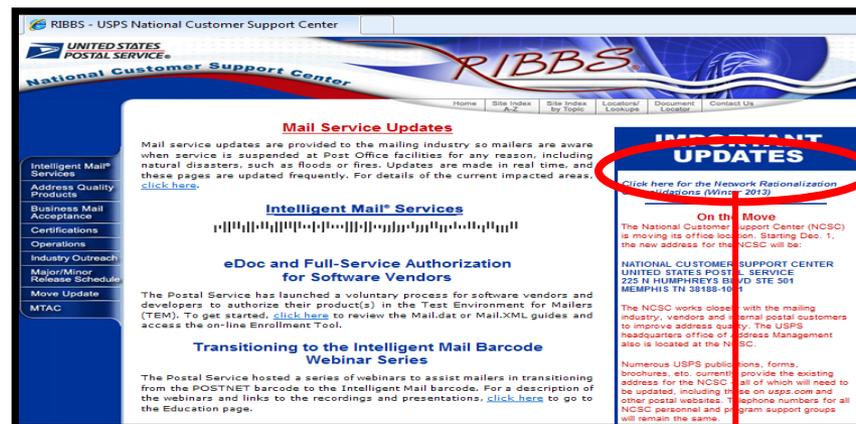
### BSN eService

- **Customer-facing access point for CustomerFirst!**
- **BSN customers can submit electronic inquiries and can learn status of inquiry from web account**
- **Non-BSN customers may contact a local BSN representative by phone or email for support**

## Mail Move Plan is updated and posted on RIBBS <https://ribbs.usps.gov>

### RIBBS

- Enables mailers to plan consolidation implementation progress



### Mail Move Plan File

- File provides targeted mail move consolidation site information, type, and date

AREA Key	De-Activation Plant	Mail								Activation Plant
		Originating			Destinating			DPS		
		O-Letter	O-Flat	O-Package	D-Letter	D-Flat	D-Package	DPS-Letter	DPS-Flat	
GL GL	Terre Haute P&DF	N/A	N/A	N/A	4/1/13	4/1/13	4/1/13	4/1/13	N/A	Indianapolis P&DC
GL EA	Terre Haute P&DF	6/1/13	6/1/13	6/1/13	6/1/13	6/1/13	6/1/13	N/A	Evansville P&DF	
WE WE	Colby CSMPC	2/26/13	2/26/13	2/26/13	2/26/13	2/26/13	2/26/13	N/A	North Platte P&DF	
WE WE	Hays CSMPC	3/9/13	3/9/13	3/9/13	3/9/13	3/9/13	3/9/13	N/A	Wichita P&DC	
WESA	Liberal CSMPC	1/5/13	1/5/13	1/5/13	1/5/13	1/5/13	1/5/13	N/A	Amarillo P&DF	
WE WE	Topoka P&DF	2/23/13	2/23/13	2/23/13	3/9/13	3/9/13	3/9/13	N/A	Kansas City P&DC	
EAEA	Bowling Green KY P&DF	N/A	N/A	N/A	2/23/13	2/23/13	2/23/13	N/A	Nashville TN P&DC	
EAEA	London P&DF	N/A	N/A	N/A	1/27/13	1/27/13	1/27/13	N/A	Lexington KY P&DC	
SASA	Lafayette LA P&DF	2/23/13	2/23/13	2/23/13	N/A	N/A	N/A	N/A	Baton Rouge P&DC	
NE NE	Northwest Boston P&DF	N/A	N/A	N/A	N/A	N/A	N/A	N/A	TBD	
NE NE	Wareham CSMPC	N/A	N/A	N/A	2/21/13	2/21/13	2/21/13	N/A	Providence P&DC	
CM CM	Suburban MD Annex	N/A	N/A	3/22/13	N/A	N/A	3/22/13	N/A	Southern Maryland Capital	
GL GL	Gaylord P&DF	N/A	N/A	N/A	2/2/13	2/2/13	N/A	N/A	Traverse City P&DF	

## Mail Move Plan File Includes:

- Consolidation sites scheduled for 2015
- Site address, locale key, and the name of the activation (gaining) facility
- Workload migration “target” dates
- Mail shape effected (e.g. letters, flats, parcels/bundles)
- Process step/entry level ( e.g. originating, destinating, and DPS)

AREA Key	De-Activation Plant	Mail								Activation Plant
		Originating			Destinating			DPS		
		O-Letter	O-Flat	O-Package	D-Letter	D-Flat	D-Package	DPS-Letter	DPS-Flat	
GL GL	Terre Haute P&DF	N/A	N/A	N/A	4/1/13	4/1/13	4/1/13	4/1/13	N/A	Indianapolis P&DC
GL EA	Terre Haute P&DF	6/1/13	6/1/13	6/1/13	6/1/13	6/1/13	6/1/13	6/1/13	N/A	Evansville P&DF
WE VI	Colby CSMP	2/26/13	2/26/13	2/26/13	2/26/13	2/26/13	2/26/13	2/26/13	N/A	North Platte P&DF
WE WE	Haystack CSMP	3/9/13	3/9/13	3/9/13	3/9/13	3/9/13	3/9/13	3/9/13	N/A	Wichita P&DC
WE SA	Liberal CSMP	1/5/13	1/5/13	1/5/13	1/5/13	1/5/13	1/5/13	1/5/13	N/A	Amarillo P&DF
WE WE	Topelka P&DF	2/23/13	2/23/13	2/23/13	3/9/13	3/9/13	3/9/13	3/9/13	N/A	Kansas City P&DC
EAEA	Bowling Green KY P&DF	N/A	N/A	N/A	2/23/13	2/23/13	2/23/13	2/23/13	N/A	Nashville TN P&DC
EAEA	London P&DF	N/A	N/A	N/A	1/27/13	1/27/13	1/27/13	1/27/13	N/A	Lexington KY P&DC
SASA	Lafayette LA P&DF	2/23/13	2/23/13	2/23/13	N/A	N/A	N/A	N/A	N/A	Baton Rouge P&DC
NENE	Northwest Boston P&DF	N/A	N/A	N/A	N/A	N/A	N/A	N/A	TBD	Middlesex Ex P&DC (fits only)
NENE	Wareham CSMP	N/A	N/A	N/A	2/21/13	2/21/13	2/21/13	2/21/13	N/A	Providence P&DC
CM OM	Suburban MD Annex	N/A	N/A	3/22/13	N/A	N/A	3/22/13	N/A	N/A	Southern Maryland Capital
GL GL	Gaylord P&DF	N/A	N/A	N/A	2/12/13	1/26/13	N/A	2/12/13	N/A	Traverse City P&DF
GL GI	Jackson MI CSMP	N/A	N/A	N/A	2/12/13	2/12/13	N/A	2/12/13	N/A	Detroit P&DC
GL GI	Saginaw P&DC	N/A	N/A	N/A	4/1/13	4/1/13	N/A	N/A	N/A	Michigan Metroplex MI P&DC
WE WE	Rochester MN P&DF	2/23/13	2/23/13	2/23/13	2/23/13	2/23/13	2/23/13	2/23/13	N/A	Saint Paul P&DC
SAEA	Tupelo CSMP	1/12/13	1/12/13	1/12/13	1/26/13	1/26/13	1/26/13	1/26/13	N/A	Memphis TN P&DC
WE WE	Kalispell CSMP	2/19/13	2/19/13	2/19/13	2/19/13	2/19/13	2/19/13	2/19/13	N/A	Missoula CSMP
CM OM	Kinston P&DF	N/A	N/A	N/A	2/1/13	2/1/13	2/23/13	2/1/13	N/A	Fayetteville P&DF
WE SA	Alamogordo CSMP	1/5/13	1/5/13	1/5/13	1/5/13	1/5/13	1/5/13	1/5/13	N/A	El Paso P&DC
NENE	Mid-Island NY Annex	N/A	N/A	N/A	N/A	N/A	N/A	3/12/13	N/A	Mid-Island NY P&DC

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GL GL	Terre Haute P&DF	N/A	N/A	N/A	4/1/13	4/1/13	4/1/13	4/1/13	N/A	Indianapolis P&DC
GL EA	Terre Haute P&DF	6/1/13	6/1/13	6/1/13	6/1/13	6/1/13	6/1/13	6/1/13	N/A	Evansville P&DF

## **We will continue:**

- Industry Alerts
- Industry, PCC webinars and presentations

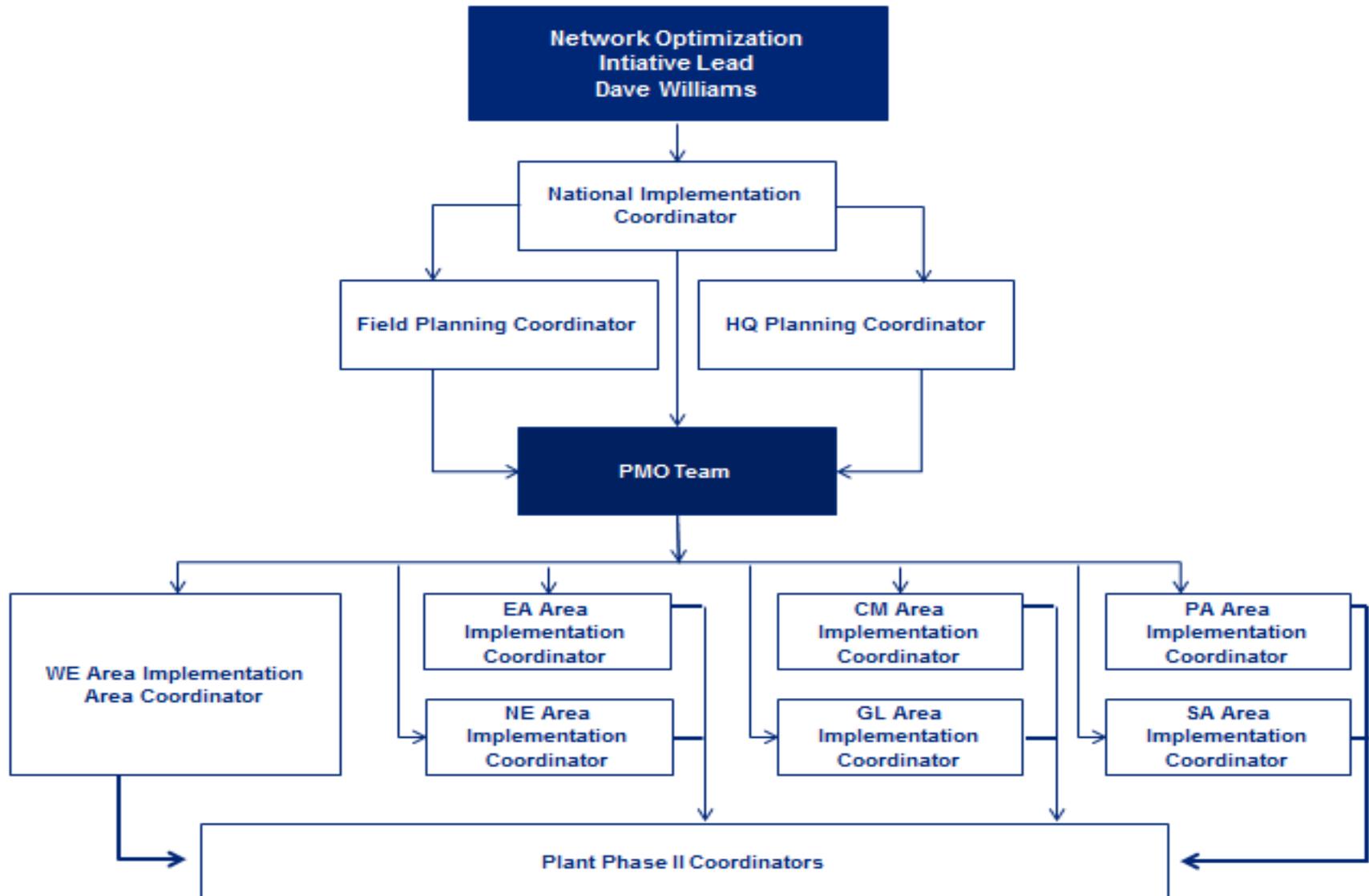
## **PCC and Managed Account messaging from:**

- PCC program office
- HQ Business Customer Support & Service
- From Area and District BSNs

## **BME messaging to affected customers**

## **Weekly posting of planned operational moves on RIBBS**

## **Structured release cycle for labeling list / mail directional file changes**



## **Project Plans Established for:**

- Consolidated Site
- Gaining Site
- All Sites – Operating Window Changes

% Complete	WBS	Task Name	Duration
0%	0	[-] <b>Operational Window Change</b>	<b>805 d</b>
0%	1	[+] <b>1 Project Planning</b>	<b>60 d</b>
0%	2	[+] <b>2 Communications</b>	<b>60 d</b>
0%	3	[+] <b>3 Mail Processing Strategies</b>	<b>60 d</b>
0%	4	[+] <b>4 Maintenance</b>	<b>149 d</b>
0%	5	[+] <b>5 Transportation</b>	<b>65 d</b>
0%	6	[+] <b>6 Human Resources</b>	<b>804 d</b>
0%	7	[+] <b>7 BMEU</b>	<b>102 d</b>
0%	8	[+] <b>8 Post Office and Delivery Operations</b>	<b>96 d</b>

**All 319 sites will undergo the same set of operating window change tasks. These tasks focus mainly on the items associated with making the transition to:**

- New operating plan changes
- New staffing realignments
- Transportation changes
- Revised maintenance windows

% Comple	WBS	Task Name	Duration
0%	0	[-] <b>IMS</b>	<b>160 d</b>
0%	1	[-] <b>1 Activation</b>	<b>160 d</b>
0%	1.1	+ 1.1 Plan/Prepare	95 d
0%	1.2	+ 1.2 Facility Modification	80 d
0%	1.3	+ 1.3 Transportation Move	60 d
0%	1.4	+ 1.4 Equipment Move	97 d
0%	1.5	+ 1.5 People Move	153 d
0%	1.6	+ 1.6 Mail Move	78 d
0%	1.7	+ 1.7 Site Operational	94 d
0%	2	[-] <b>2 De-Activation</b>	<b>127 d</b>
0%	2.1	[-] <b>2.1 Site</b>	<b>127 d</b>
0%	2.1.1	+ 2.1.1 Plan/Prepare	101 d
0%	2.1.2	+ 2.1.2 Facility Modification	80 d
0%	2.1.3	+ 2.1.3 Transportation Move	76 d
0%	2.1.4	+ 2.1.4 Equipment Move	83 d
0%	2.1.5	+ 2.1.5 People Move	119 d
0%	2.1.6	+ 2.1.6 Mail Move	78 d
0%	2.1.7	+ 2.1.7 Operations Moved	78 d

## Long-term Affordability and High Levels of Service

- We are doing our utmost to maintain the long-term affordability of mail and high level of service

## Seamless Transition

- We are working to make this transition as seamless as possible for our business customers as well as our 150 million residential addresses

## Responsible Solutions

- We value the mail and our employees and will provide responsible solutions throughout the transition