

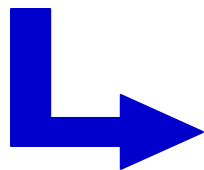
# Network Reengineering

## Agenda

- **Update on Outsourcing**
- **Plan for Change**
- **Executing the Plan**
- **Measuring Success**
- **Next Steps**
- **Discussion**

## Update on Outsourcing

- **Time-Definite Surface Network updates**
  - **Draft RFP released in July 2008**
    - **Significant interest from the industry**
  - **RFP finalized in September 2008, not released**
- **Change in course**
  - **Unprecedented volume drops**
    - **FY08 compared with SPLY: -4% in Standard Mail and -8% in Package Services**
    - **Qtr 1 FY09 compared with SPLY: -11% in Standard Mail and -8% in Package Services**
  - **Difficulties in projecting future workload**



**Internal re-engineering of the network**

## Plan for Change – Overview

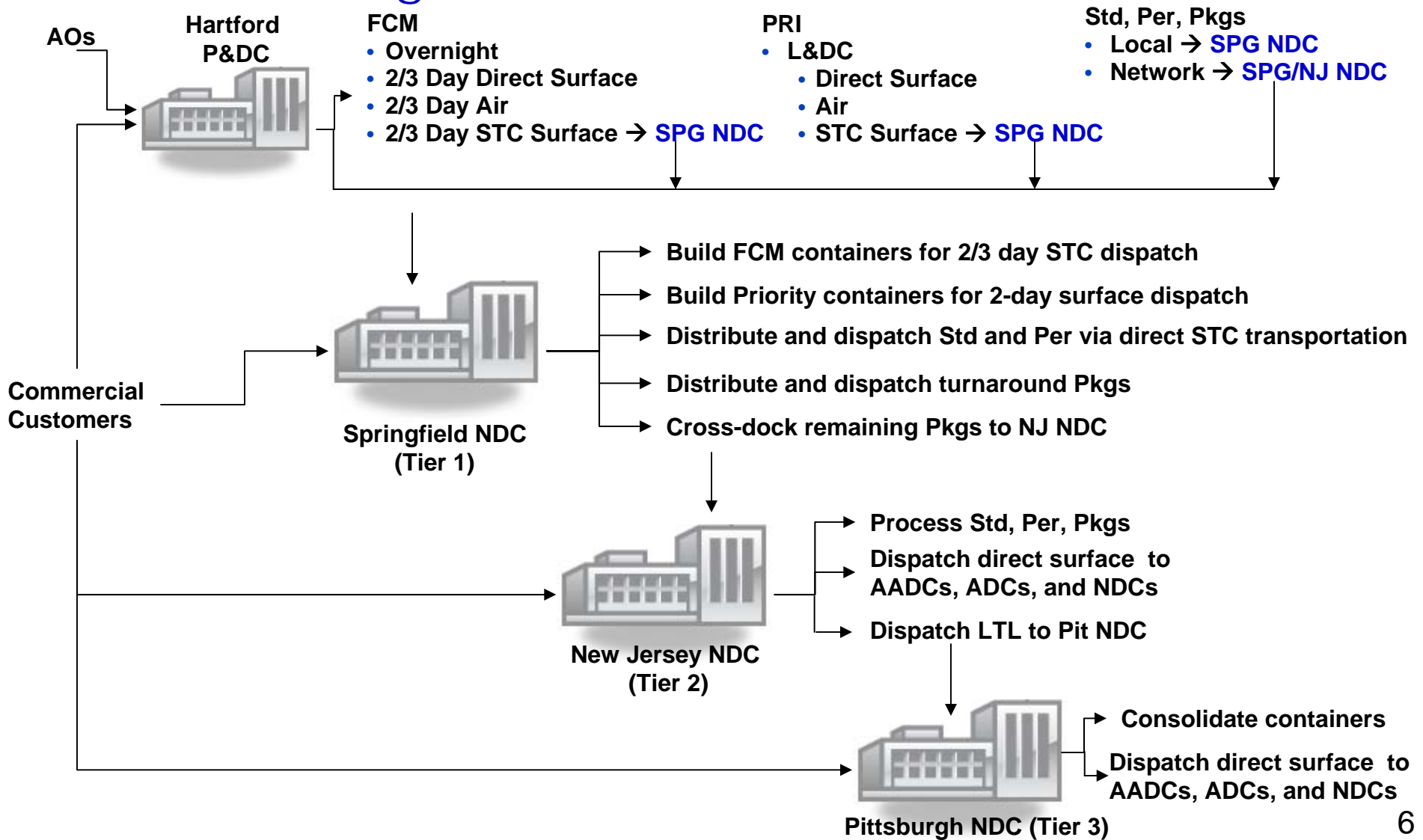
### ***BMCs of the future... Network Distribution Centers (NDCs)***

<i>Today</i>	<i>Tomorrow</i>
<b>Process</b> <ul style="list-style-type: none"> <li>• <b>Standard Mail</b></li> <li>• <b>Package Services</b></li> <li>• <b>Some Periodicals</b></li> </ul>	<b>Process</b> <ul style="list-style-type: none"> <li>• <b>Standard Mail</b></li> <li>• <b>Package Services</b></li> <li>• <b>Some Periodicals</b></li> <li>• <b>Some facilities will only distribute destinating mail</b></li> </ul>
<b>Inter-BMC Transportation</b> <ul style="list-style-type: none"> <li>• <b>53-foot trailers</b></li> <li>• <b>Containerized</b></li> </ul>	<b>Inter-NDC Transportation</b> <ul style="list-style-type: none"> <li>• <b>Shared product transportation to maximize trailer utilization</b> <ul style="list-style-type: none"> <li>– <b>All classes except Express Mail</b></li> </ul> </li> <li>• <b>Existing dispatches to all current STC and BMC sites</b></li> <li>• <b>New dispatches to ADC, AADC and SCFs due to expanded reach and volume</b></li> <li>• <b>Using:</b> <ul style="list-style-type: none"> <li>– <b>53-foot trailers, tandems, and triples</b></li> <li>– <b>More efficient containers and possibly floor loading</b></li> </ul> </li> </ul>

## Plan for Change – NDC Responsibilities

- **Tier 1 NDC**
  - **Distribution of local and destination Standard Mail, Periodicals, and Package Services**
  - **STC containerization and dispatch operations – outgoing and incoming**
- **Tier 2 NDC**
  - **Tier 1 responsibilities**
  - **Distribution of outgoing Standard Mail, Periodicals, and Package Services to the network**
- **Tier 3 NDC – Gateways**
  - **Tier 1 and Tier 2 responsibilities**
  - **Consolidation points for less than truck load volumes from Tier 2 sites**

# Plan for Change – Network Flow



## Plan for Change – Tiers 1, 2, and 3

- **Directional dispatch for 3 NDCs (noted by \*)**
  - **Eastern destinations through Pittsburgh and western destinations through Des Moines**
  - **Reduces backtracking**
  - **Improves service**
- **Highlighted indicates Phase I sites**

Tier 1 (21 sites)	Tier 2 (11 sites)	Tier 3 (4 sites)
Dallas	Dallas	Memphis
Denver	Denver	Denver
Des Moines	Des Moines	Des Moines
Kansas City	Des Moines	Des Moines
Minneapolis/St. Paul	Des Moines	Des Moines
Chicago*	Des Moines	Des Moines
Cincinnati*	Des Moines	Des Moines
St. Louis*	Des Moines	Des Moines
Greensboro	Greensboro	Memphis
Washington DC	Greensboro	Pittsburgh
Jacksonville	Jacksonville	Memphis
Los Angeles	Los Angeles	Denver
Atlanta	Memphis	Memphis
Memphis	Memphis	Memphis
<b>New Jersey</b>	<b>New Jersey</b>	Pittsburgh
<b>Philadelphia</b>	<b>New Jersey</b>	Pittsburgh
<b>Springfield</b>	<b>New Jersey</b>	Pittsburgh
Detroit	Pittsburgh	Pittsburgh
Pittsburgh	Pittsburgh	Pittsburgh
Chicago*	Pittsburgh	Pittsburgh
Cincinnati*	Pittsburgh	Pittsburgh
St. Louis*	Pittsburgh	Pittsburgh
San Francisco	San Francisco	Denver
Seattle	Seattle	Denver

## Executing the Plan – Overview

- **Phase I begins in the Northeast corridor**
  - **Involves Springfield, Philadelphia, and New Jersey BMC service area facilities**
  
- **Will evaluate the following:**
  - **Mail Preparation**
  - **Package distribution capacity in NJ**
  - **NDC mail processing operating plan changes**
  - **Combine BMC / STC containerization and dispatch plan**
  - **Dispatch discipline**
  - **Multiple trailer loading and dispatching techniques (tandems/triples)**
    - **GPS tracking and monitoring**
    - **Test more efficient containers**
    - **Live loads/unloads**



## Executing the Plan – Mail Preparation

### • Retail Separations

<i>Example of Today</i>	<i>Tomorrow</i>
<ul style="list-style-type: none"><li>• Express Air</li><li>• Express Surface</li><li>• Priority Flats -Overnight</li><li>• Priority Flats - Network</li><li>• Priority Parcels - Overnight</li><li>• Priority Parcels - Network</li><li>• Priority NMOs - Overnight</li><li>• Priority NMOs - Network</li><li>• FCM Letters &amp; Flats</li><li>• Machinable Parcels for BMC</li><li>• NMOs for BMC</li> <li>• Others – based on local and seasonal needs</li></ul>	<ul style="list-style-type: none"><li>• Express</li><li>• Priority Flats</li><li>• Priority Parcel / FCM SPRS- Overnight (includes Parcel Post to local P&amp;DC overnight service area)</li><li>• Priority Parcel – Network</li><li>• FCM Letters, Flats &amp; SPRS</li><li>• Parcel Post Separations different by origin:<ul style="list-style-type: none"><li>–Tier 1 (SPG &amp; PHL) NDC service area</li><li>–Tier 2 (NJ) NDC network volume</li><li>–Tier 3 (PIT) NDC network volume</li></ul></li></ul>

## Executing the Plan – Mail Preparation (cont'd)

- **Retail Units**
  - **Level 18 offices and above**
  - **Provide placards to each retail unit**
    - **MTEL capability needed eventually**
  - **POS machines identify the splits**
    - *Similar solution will be implemented for IRTs, CPUs and APCs*



**This field will be programmed to make Network  
distribution splits at Retail**

## Executing the Plan – Mail Preparation (cont'd)

### • Mailer Separation

<i>Today</i>	<i>Tomorrow</i>
<p><b>Pallets not required but if palletized:</b></p> <ul style="list-style-type: none"><li>– 5 digit – Required</li><li>– 3 digit – Optional</li><li>– SCF – Required</li><li>– ASF – Required</li><li>– BMC – Required</li><li>– MXD BMC – Required (not allowed for bundles)</li></ul> <p>If not palletized no container separations required</p>	<p><b>Pallets and container separations are required for:</b></p> <ul style="list-style-type: none"><li>• 5 digit</li><li>• 3 digit</li><li>• SCF</li><li>• ASF</li><li>• NDC</li><li>• Tier 1 (SPG &amp; PHL) NDC service area</li><li>• Tier 2 (NJ) NDC network volume</li><li>• Tier 3 (PIT) NDC network volume</li></ul>

## Executing the Plan – Mail Preparation (cont'd)

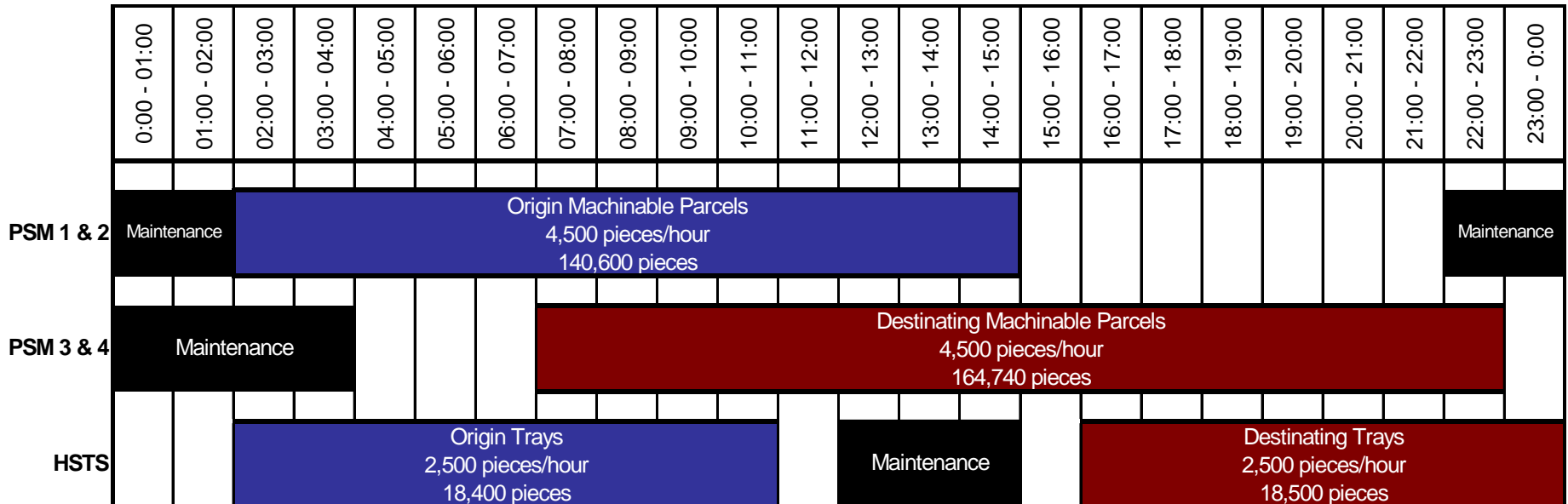
- **Mailers**
  - **Establish customer supplier agreements to mirror required make-ups during implementation**
  - **Requirements will vary based on origin drop location and destination**
  - **For Phase I**
    - **Request mailers in Springfield, Philadelphia, and NJ areas to make splits**
    - **Splits for mailers not participating will be made at the P&DC or BMC**

# Executing the Plan – Operating Plan Changes

**Origin flow to NJ NDC** →



Facility	Arrival
DOMINICK V DANIELS (NJ) P&DC	01:37
NEWARK (NJ) P&DC	01:43
NNJ METRO (NJ) P&DC	01:43
STATEN ISLAND (NY) P&DC	01:48
BRONX (NY) P&DC	01:49
WESTCHESTER (NY) P&DC	01:49
QUEENS (NY) P&DC	01:55
MORGAN STATION (NY) P&DC	01:57
KILMER (NJ) P&DC	02:04
BROOKLYN (NY) P&DC	02:09

Facility	Arrival
WESTERN NASSAU (NY) P&DC	02:13
STAMFORD (CT) P&DC	02:13
MID-ISLAND (NY) P&DC	02:19
TRENTON (NJ) P&DC	02:27
MONMOUTH (NJ) P&DC	02:34
MID-HUDSON (NY) P&DC	02:43
SOUTH JERSEY (NJ) P&DC	03:01
HARTFORD (CT) P&DC	03:28
<b>PHILADELPHIA (PA) BMC</b>	<b>05:20</b>
<b>SPRINGFIELD (MA) BMC</b>	<b>05:28</b>



**Springfield and Philadelphia NDCs will operate in a similar manner for destinating parcels; no processing of originating parcels (only cross-dock)**

# Executing the Plan – Dispatch Plan Origin NJ NDC

Arrives Day 1 from	Latest Arrival	 <b>New Jersey NDC (Tier 2)</b>	DEPARTURE		Total Dispatches	
			EARLIEST	LATEST		
DOMINICK V DANIELS (NJ) P&DC	01:37	 <b>New Jersey NDC (Tier 2)</b>	SPRINGFIELD (MA) BMC	05:51	19:00	6
NEWARK (NJ) P&DC	01:43		ATLANTA (GA) BMC	08:55	19:00	6
NNJ METRO (NJ) P&DC	01:43		CHICAGO (IL) BMC	09:22	19:00	5
STATEN ISLAND (NY) P&DC	01:48		CINCINNATI (OH) BMC	09:32	19:00	4
BRONX (NY) P&DC	01:49		DETROIT (MI) BMC	09:32	19:00	4
WESTCHESTER (NY) P&DC	01:49		PITTSBURGH (PA) BMC	10:56	19:00	6
QUEENS (NY) P&DC	01:55		DENVER (CO) BMC	10:56	19:00	3
MORGAN STATION (NY) P&DC	01:57		KANSAS CITY (KS) BMC	10:56	19:00	2
KILMER (NJ) P&DC	02:04		SOUTHERN (MD) BMC	10:56	19:00	6
BROOKLYN (NY) P&DC	02:09		SEATTLE (WA) BMC	11:51	19:00	3
WESTERN NASSAU (NY) P&DC	02:13		DALLAS (TX) BMC	12:56	19:00	7
STAMFORD (CT) P&DC	02:13		JACKSONVILLE (FL) BMC	12:56	19:00	8
MID-ISLAND (NY) P&DC	02:19		LOS ANGELES (CA) BMC	12:56	19:00	6
TRENTON (NJ) P&DC	02:27		MEMPHIS (TN) BMC	12:56	19:00	5
MONMOUTH (NJ) P&DC	02:34		GREENSBORO (NC) BMC	12:56	19:00	5
MID-HUDSON (NY) P&DC	02:43		DES MOINES (IA) BMC	12:56	19:00	3
SOUTH JERSEY (NJ) P&DC	03:01		SALT LAKE CITY (UT) ASF ANNEX	12:56	19:00	2
HARTFORD (CT) P&DC	03:28		ST PAUL (MN) BMC	12:56	19:00	2
PHILADELPHIA (PA) BMC	05:20		SAN FRANCISCO (CA) BMC	12:56	19:00	4
SPRINGFIELD (MA) BMC	05:28		PHILADELPHIA (PA) BMC	12:56	19:00	4
		PHOENIX (AZ) P&DC	14:56	19:00	2	
		SAINT LOUIS (MO) BMC	14:56	19:00	2	
		ALBUQUERQUE (NM) ASF ANNEX	14:56	19:00	2	

## Executing the Plan – Staffing

- **Changes in staffing to support site activations**
  - **Adjust staffing within each facility to align with adjusted workload**

- **For example – Estimated PSM daily run time**

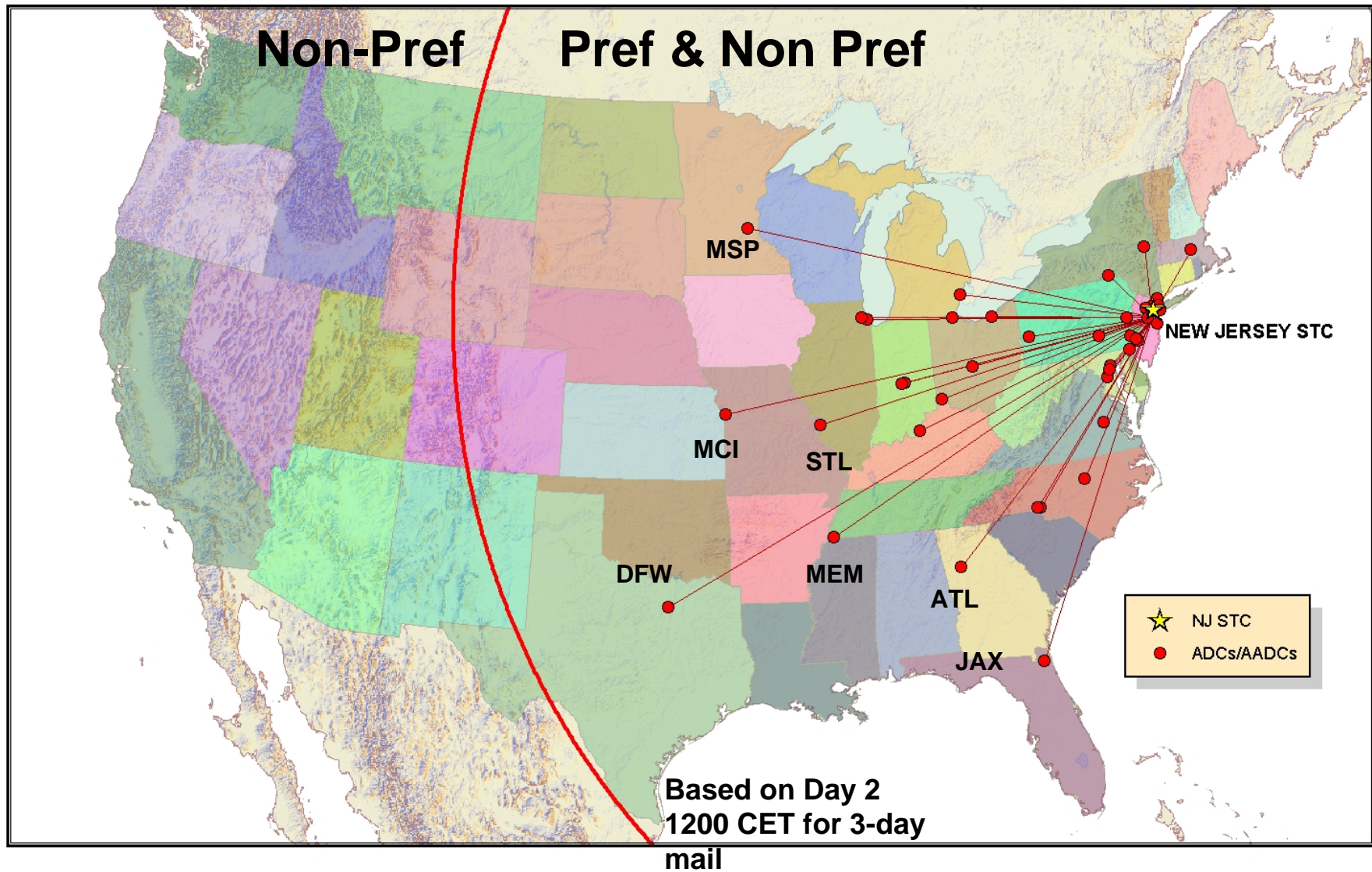
<u>Site</u>	<u>Today</u>	<u>Model</u>
– NJ	49 hrs	68 hrs
– SPG	53 hrs	28 hrs
– PHL	61 hrs	25 hrs

## Executing the Plan – CET Changes

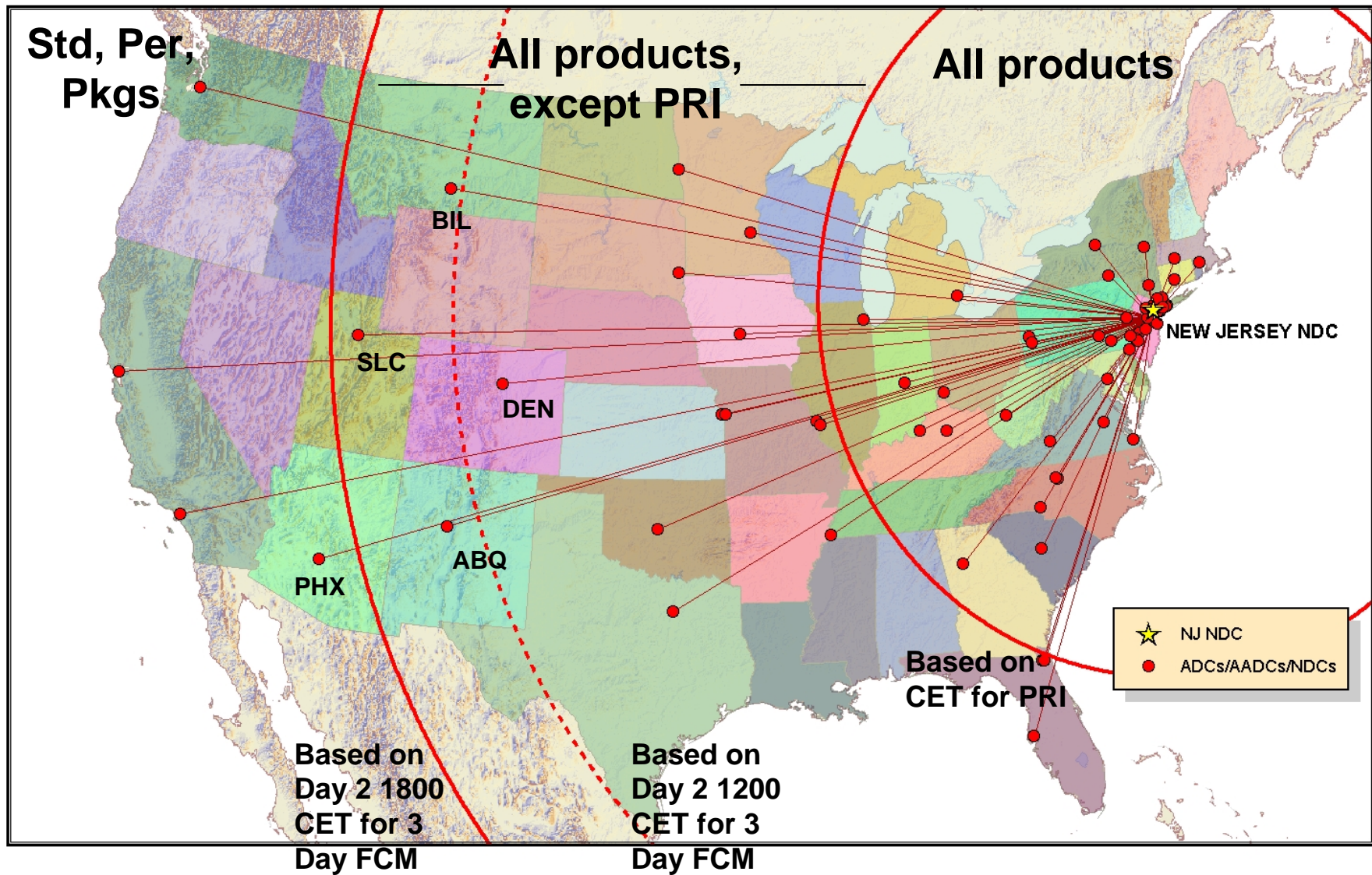
- **Change 3-day FCM CET from 1200 Day 2 to 1800 Day 2**
  - **Additional pairs on surface: 7%**
  - **Additional volume on surface: 23%**
  - **Volume arriving by 1200: 84%**



## Operating Plan Changes – Current NJ STC Pt-Pt Surface



## Operating Plan Changes – Impact of CET Change



## Measuring Success

- **Documented baseline**
  - **Service**
  - **Financials**
  
- **During Phase 1**
  - **Track service**
    - **Use Delivery Confirmation barcodes**
    - **Seed mail with Intelligent Mail barcodes**
  - **Measure financial impacts**
    - **Use of special MODS numbers for workhours incurred during ramp up but not during full network implementation**
  - **Monitor quality**
    - **HQ and field personnel observing operations**
    - **Daily teleconferences with implementation team and Area staff**

## Phase I Implementation Schedule

WEEK 1	WEEK 2	WEEK 3
NW BOSTON (MA) P&DC	CENTRAL MASS (MA) P&DC	SOUTHERN CT (CT) P&DC
WATERBURY (CT) P&DF	CAPE COD (MA) PDF	ALBANY (NY) P&DC
PLATTSBURGH (NY)	PORTSMOUTH (NH) P&DF	BURLINGTON (VT) P&DF
BINGHAMTON (NY) P&DF	SOUTH JERSEY (NJ) P&DC	PHILADELPHIA (PA) P&DC
WILLIAMSPORT (PA) P&DF	READING (PA) P&DF	SCRANTON (PA) P&DF

WEEK 4	WEEK 5	WEEK 6
PROVIDENCE (RI) P&DC	MANCHESTER (NH) P&DC	PORTLAND (ME) P&DC
BROCKTON (MA) P&DF	MIDDLESEX-ESSEX (MA) P&DC	HARTFORD (CT) P&DC
EASTERN MAINE (ME) P&DF	BOSTON (MA) P&DC	SPRINGFIELD (MA) P&DC
	WHITE RIVER JCT (VT) P&DC	SPRINGFIELD (MA) BMC
SOUTHEASTERN (PA) P&DC	HARRISBURG (PA) P&DC	LANCASTER (PA) P&DC
WILKES BARRE (PA) P&DC	DELAWARE (DE) P&DC	LEHIGH VALLEY (PA) P&DC
		PHILADELPHIA (PA) BMC

WEEK 7	WEEK 8	WEEK 9
BRONX (NY) P&DC	MID-ISLAND (NY) P&DC	KILMER (NJ) P&DC
STATEN ISLAND (NY) P&DC	STAMFORD (CT) P&DC	WESTERN NASSAU (NY) P&DC
NEWARK (NJ) P&DC	MONMOUTH (NJ) P&DC	WEST JERSEY (NJ) P&DC

WEEK 10	WEEK 11	WEEK 12
DOMINICK V DANIELS (NJ) P&DC	WESTCHESTER (NY) P&DC	MORGAN STATION (NY) P&DC
BROOKLYN (NY) P&DC	NNJ METRO (NJ) P&DC	QUEENS (NY) P&DC
MID-HUDSON (NY) P&DC	TRENTON (NJ) P&DC	NEW JERSEY (NJ) BMC

### KEY

SPRINGFIELD NDC SITES	PHILADELPHIA NDC SITES	NEW JERSEY NDC SITES
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