

# Network Modernization under Delivering for America (DFA) Plan

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# Outline

1. Overview of the DFA
2. Modernization of the USPS Network
  - Mail Processing
  - Delivery
  - Transportation
3. Mail Processing Facility Review
4. Commission Review of the DFA Plan
5. Q&A?

# Overview of the DFA

3

- ▶ A 10-year Postal Service's plan was published in March 2021
  - ▶ Describes key strategies and goals at a high level
  - ▶ Aims to achieve financial stability and service excellence
  - ▶ \$40 billion will be invested in staff and infrastructure over 10 years
- ▶ Network modernization is a major part of the DFA plan:
  - ▶ \$7.6 billion (approximately 19 percent of the overall budget)
  - ▶ Improve mail processing, transportation and delivery
  - ▶ Create new types of facilities
    - ▶ Larger, centrally located sorting and delivery centers (S&DCs) to provide faster and more reliable mail and package delivery over a greater geographic area.
    - ▶ New regional processing and delivery centers (RPDCs) — over a million square feet and purpose-built — shall enable more effective workflows that simplify the movement of all classes of mail and packages.
- ▶ Plan projected breaking even by FY 2023 Actual losses: \$6.5B

# DFA Objectives: Delivery, Processing, and Transportation

## ▶ **Delivery:**

- ▶ Delivery unit consolidations
- ▶ Electric delivery fleet

## ▶ **Mail Processing:**

- ▶ Accelerate investment in package sorting and material handling equipment
- ▶ Expand & align facility footprint and size to market demand
- ▶ Transform old facilities to handle increased package demand

## ▶ **Transportation:**

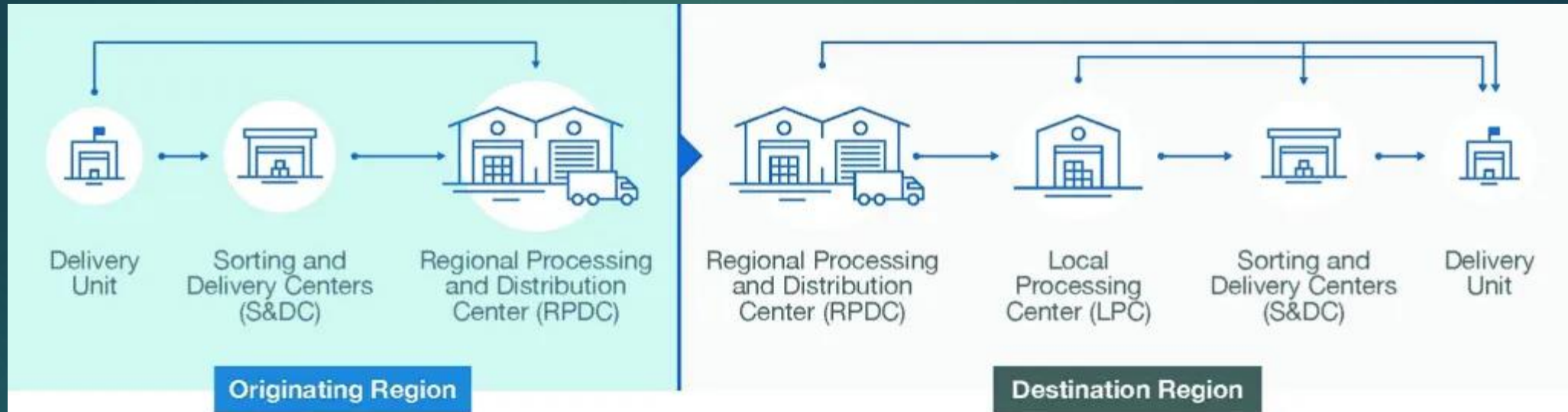
- ▶ An optimized surface transportation network
- ▶ “A best-in-class” integrated mail and package delivery network
- ▶ A transformed network of Post Offices designed as go-to destinations

# DFA: Background and Milestones



# Processing and Delivery – New Network

6



- ▶ RPDC – multifunctional distribution center for network originating mail and packages, and some destinating packages; centralizes mail processing within the region
- ▶ LPC – provides specific management focus on local mail operations (for all shapes) and transferring the aggregate mail on the way to delivery
- ▶ S&DC – aggregates multiple delivery units and consolidates delivery functions; centralizes delivery by removing delivery units from surrounding facilities

# Quick Facts

- ▶ RPDCs
  - ▶ to replace some Network Distribution Centers (NDCs) and transform some Processing & Distribution Centers (P&DCs)
  - ▶ To serve a distinct region
  - ▶ USPS plans to open 60 RPDCs in the coming years (13 should be fully designed by the end of 2024; at least 10 are already opened)
- ▶ LPCs
  - ▶ To replace most P&DCs that do not become RPDCs or S&DCs
  - ▶ Some LPCs will be collocated with an RPDC or S&DC
  - ▶ USPS plans to have 180-200 LPCs (there are currently at least 23 LPCs and 5 are collocated with an RPDC)
- ▶ S&DCs
  - ▶ Will serve as transfer hubs for smaller delivery units and mail entered at post offices
  - ▶ S&DCs network with target the busiest markets
  - ▶ There are at least 29 operational and 18 known planned S&DCs

# Transportation Changes Under DFA

- ▶ Transportation Network:
  - ▶ Reduce dependence on air transportation
  - ▶ Optimize ground transportation network
  - ▶ Eliminate redundant processing operations
- ▶ Local Transportation Optimization (New initiative, also called Optimized Collections, was first implemented in FY 2024):
  - ▶ Improve the efficiency of the local transportation network under the existing First-Class Mail service standards
    - ▶ Reduce the overall number of transportation trips and stops
    - ▶ Improve utilization
    - ▶ Reduce carbon emissions
  - ▶ Potentially applies only to locations that are more than 50 miles from LPCs
  - ▶ Different optimization Levels:
    - ▶ Full Optimization (Single Stop – Drop Off/Pick-up Same Time)
    - ▶ Hybrid Optimization (Return Stop – Drop Off, Then Pick-up on Return)
    - ▶ No Optimization (Exceptions)

# Mail Processing Facility Review (MPFR)

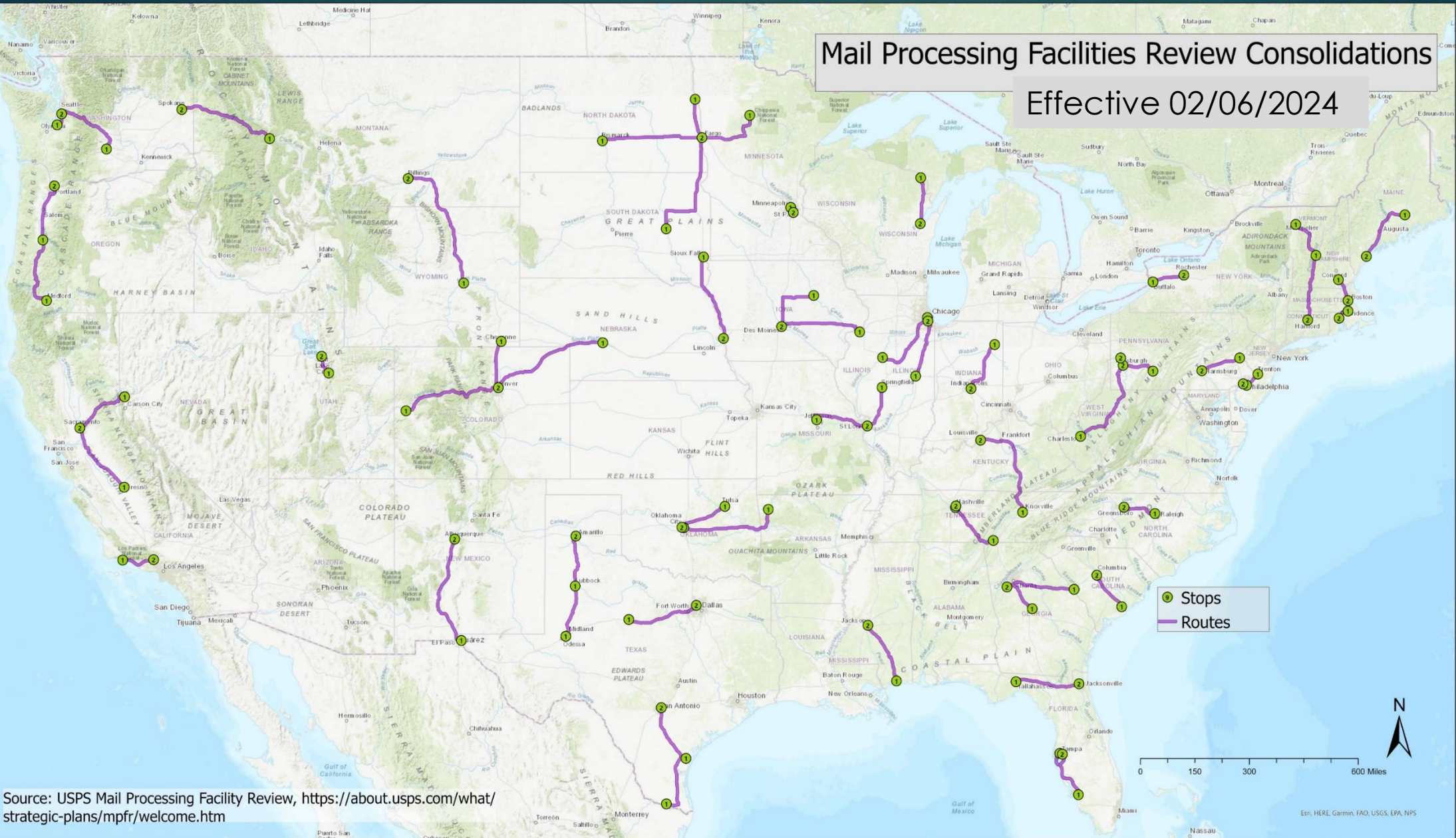
- ▶ Formerly, Area Mail Processing
- ▶ MPFR determines the feasibility of changing mail processing operations for operational efficiency improvements
- ▶ In most cases originating operations are moved from P&DCs to an RPDC before converting the P&DC into LPC
- ▶ The Process:
  - ▶ Feasibility study: determines if consolidation of processing operations should occur
  - ▶ Public Input
  - ▶ Final Decision
- ▶ 59 reviews have been opened and 35 completed (effective 04/15/24):
  - ▶ For 33 completed reviews the decision to proceed has been made
  - ▶ Only for one completed review the decision was not to proceed
  - ▶ Status for one review changed to “not implemented” after receiving the public input

Source: <https://about.usps.com/what/strategic-plans/mpfr/welcome.htm>

# Mail Processing Facilities Review Consolidations

Effective 02/06/2024

10

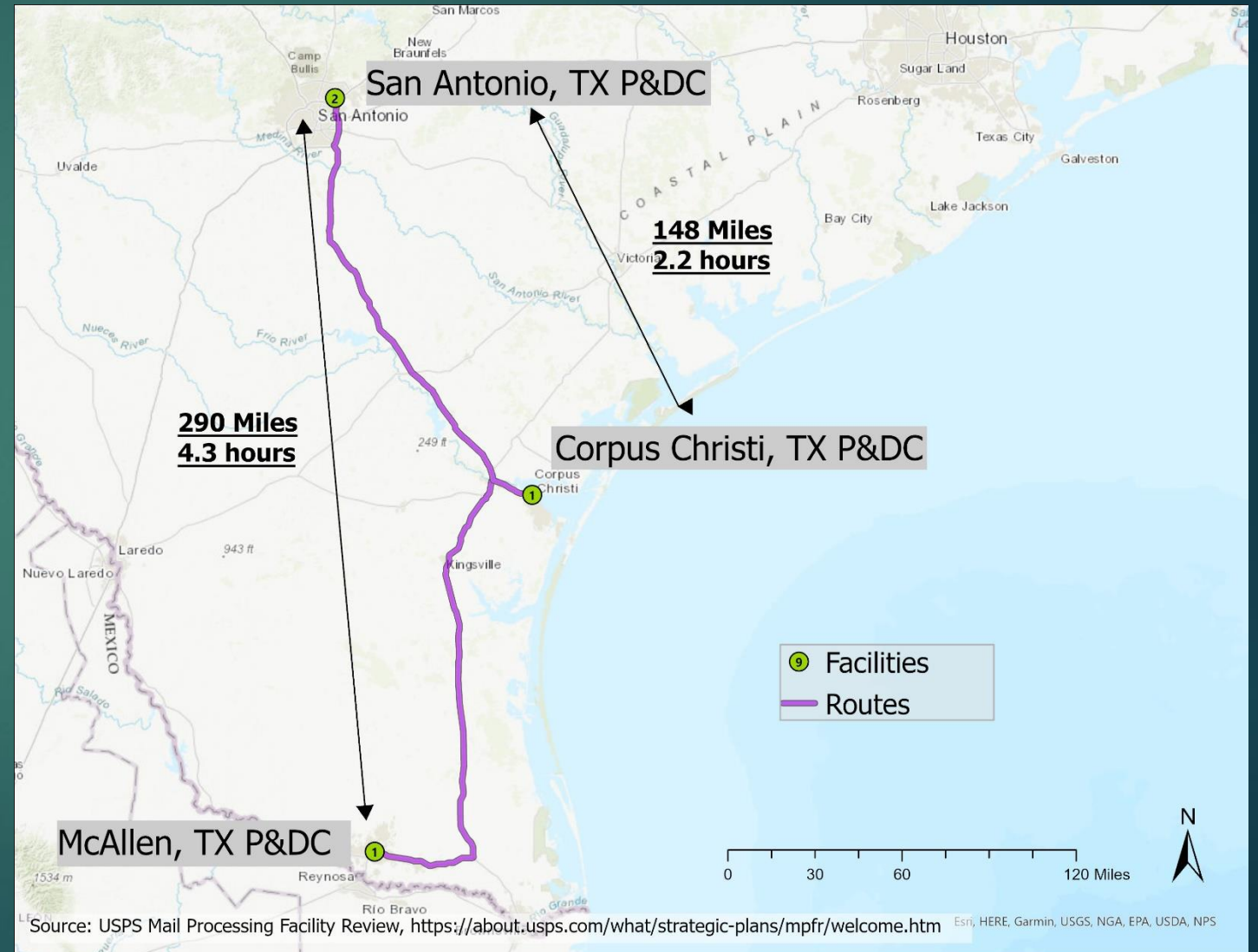


Source: USPS Mail Processing Facility Review, <https://about.usps.com/what/strategic-plans/mpfr/welcome.htm>

Typically involves the consolidation of all originating and/or destinating distribution operations from one or more facility

# Longest Distance Between Current Facilities

- ▶ **Under Review as of 02/06/24, Now Review Complete**
- ▶ McAllen PDC to San Antonio PDC (290 miles)
- ▶ Transferring some mail processing to San Antonio
- ▶ McAllen PDC modernized either to LPC, S&DC, or both



# Longest Travel Time Between Current Facilities

- ▶ **Review Complete**
- ▶ Medford PDC to Portland RPDC (283 miles)
- ▶ Medford PDC modernized into an LPC
- ▶ Originating mail will move from Medford to Portland
- ▶ Remaining operations in Medford PDC focus on destinating mail



# Commission Review of the DFA Plan

13

- ▶ Examining recent and planned network changes
  - ▶ within a Public Inquiry docket opened a year ago
  - ▶ Issuing information requests and analyzing responses
- ▶ Reviewing the USPS Flats Plan Pursuit to Section 206 of the Postal Service Reform Act of 2022
  - ▶ In response to the Commission Flats Operations Study (issued April 2023)
  - ▶ USPS ties implementation of the DFA plan to addressing inefficiencies in flats operations
- ▶ Since the DFA plan was published, USPS requested, and Commission issued four advisory opinions:
  - ▶ Changes to service standards for
    - ▶ First-Class Mail and Periodicals
    - ▶ Package Services
    - ▶ Retail Ground and Parcel Select Ground
  - ▶ Changes to Critical Entry Times for Periodicals

Q&A?

THANK YOU!