

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

- ▶ 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:**

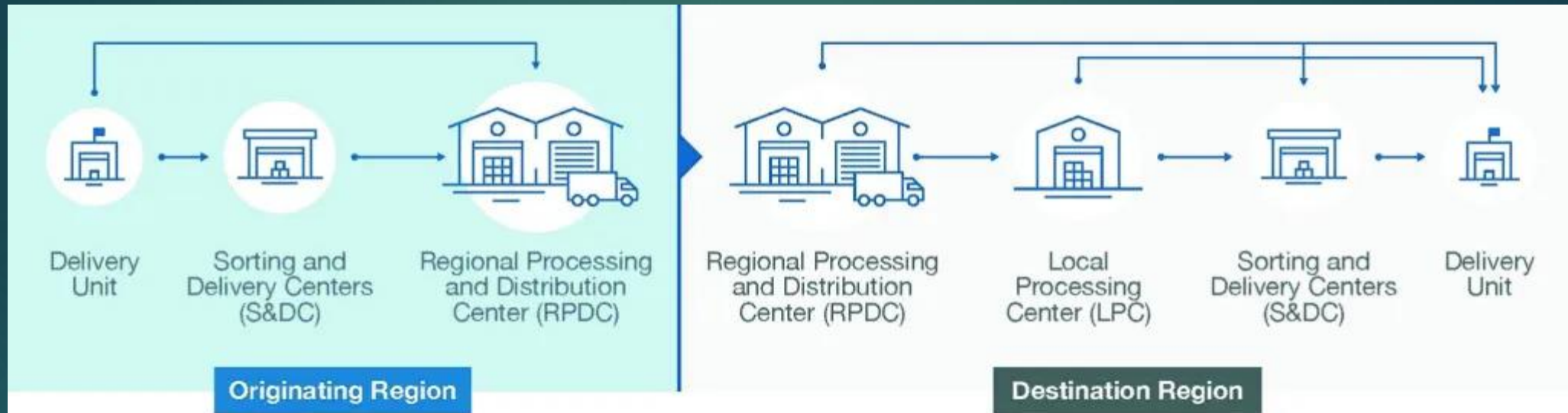
- ▶ An optimized surface transportation network
- ▶ “A best-in-class” integrated mail and package delivery network
- ▶ A transformed network of Post Offices designed as go-to destinations

DFA: Background and Milestones



Processing and Delivery – New Network

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- ▶ 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)

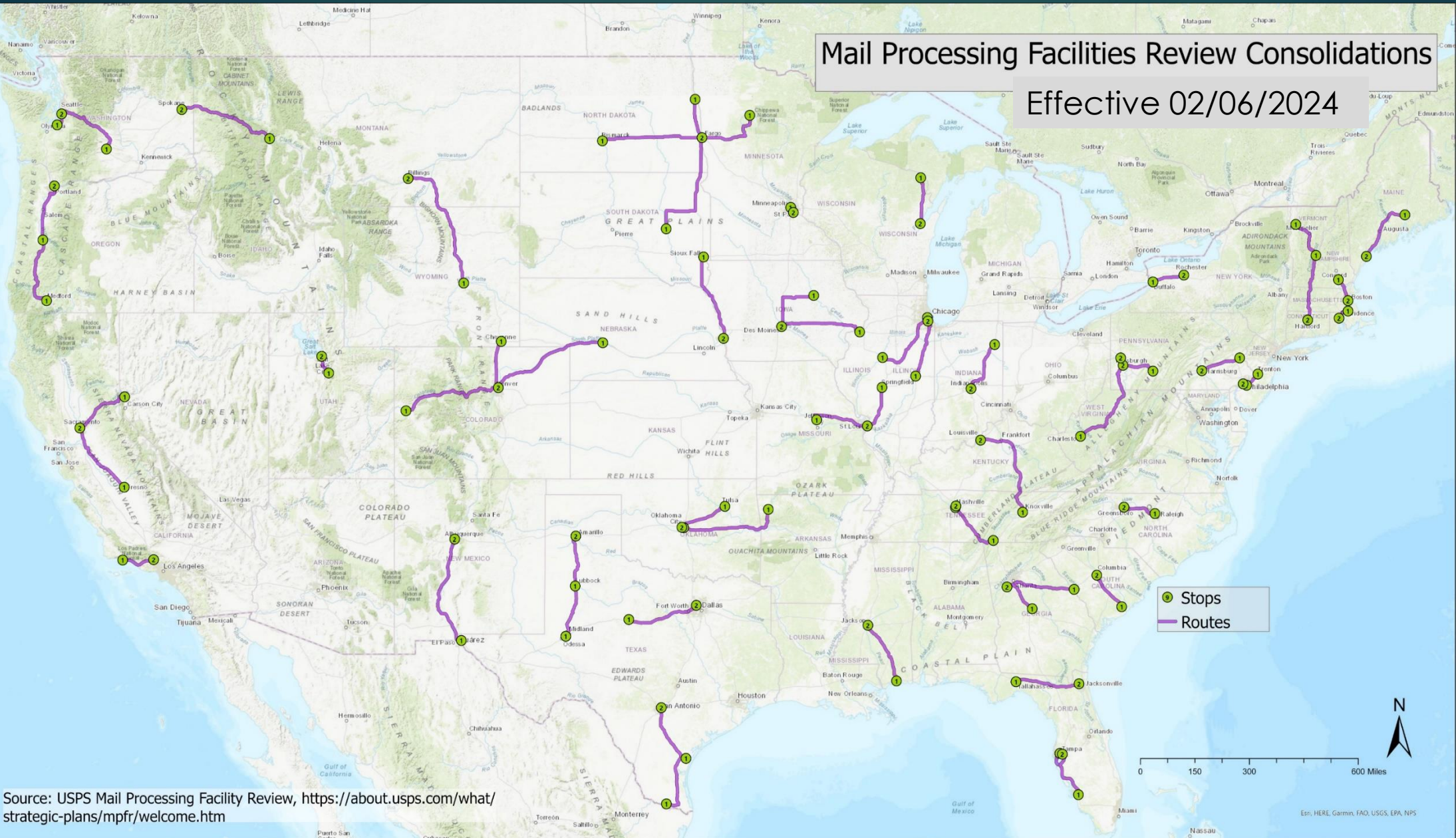
Mail Processing Facility Review (MPFR)

- ▶ 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

Mail Processing Facilities Review Consolidations

Effective 02/06/2024

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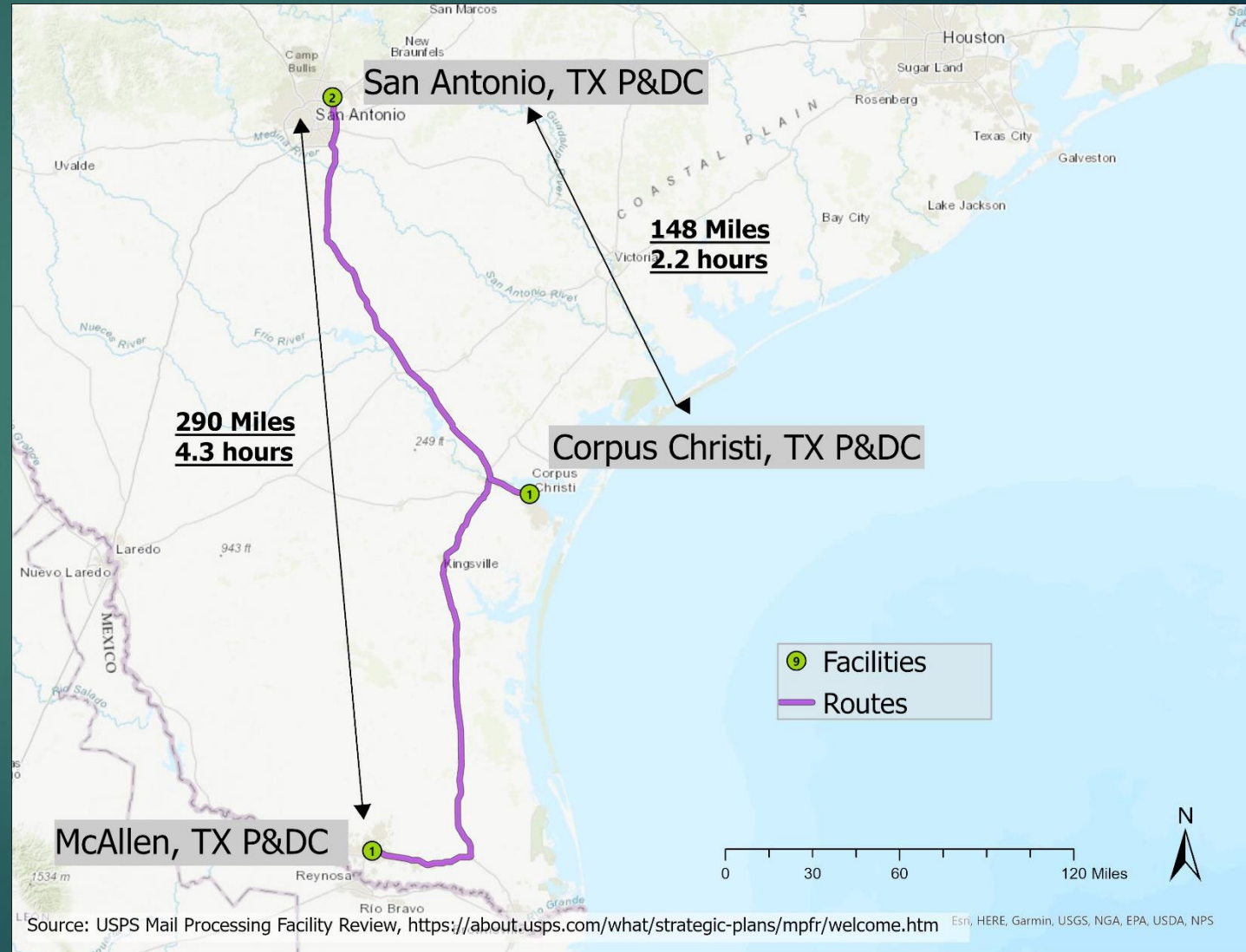


Source: USPS Mail Processing Facility Review, <https://about.usps.com/what/strategic-plans/mpfr/welcome.htm>

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

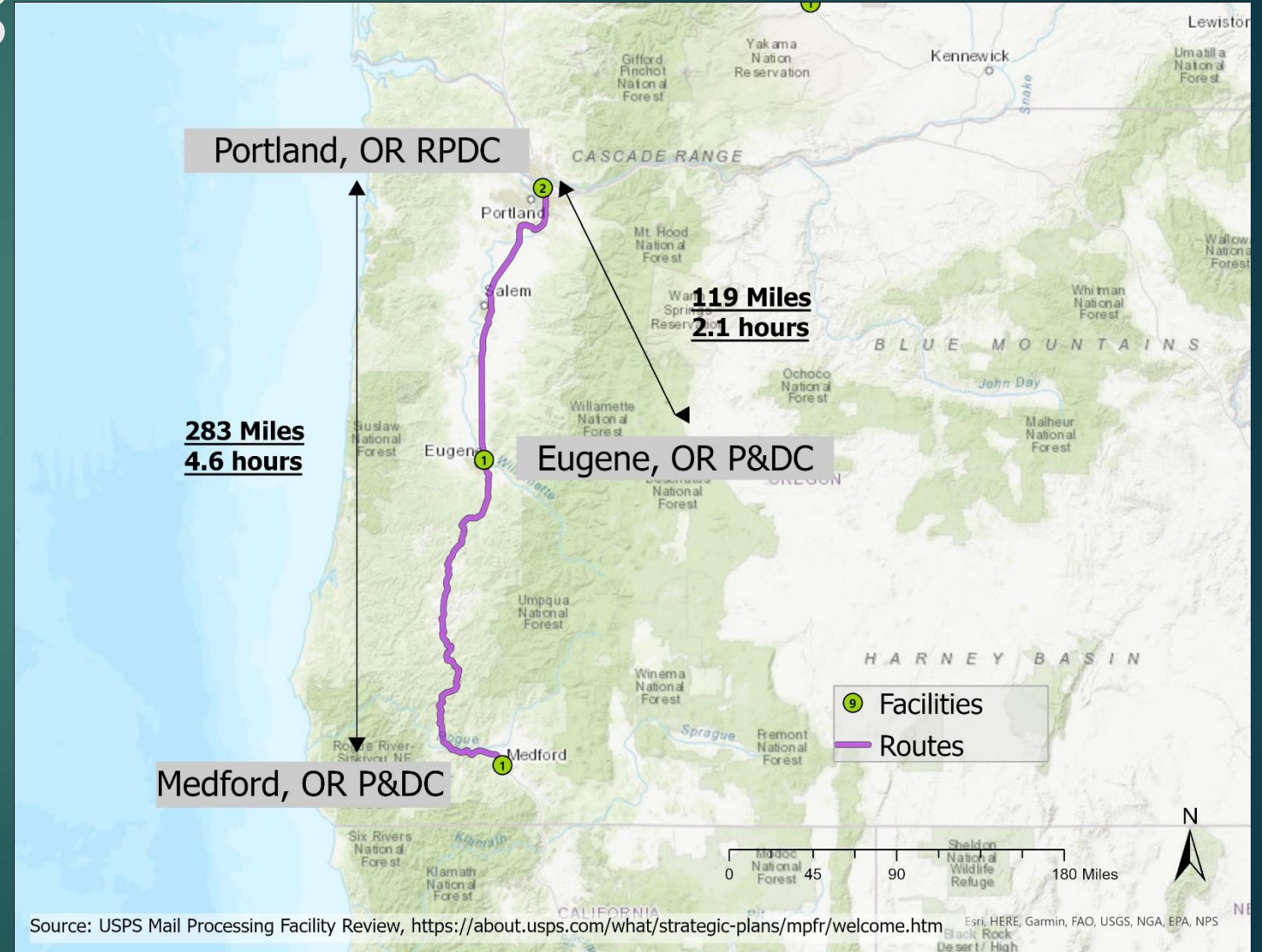
Longest Distance Between Current Facilities

- ▶ **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

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- ▶ 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!