



UNITED STATES
POSTAL SERVICE

Network Distribution Center Activations

April 30, 2009



- Plan for Change
 - ◆ Network Distribution Centers (NDC)
 - ◆ Extending Surface Reach

- Executing the Change
 - ◆ Mail Preparation
 - ◆ Operational Impacts
 - ◆ Transportation Impacts
 - ◆ Implementation



Plan for Change – NDC Responsibilities

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

■ **11 - Tier 1 NDC**

- ◆ Distribution of local (turnaround) and destination Standard Mail, Periodicals, and Package Services

■ **6 - Tier 2 NDC**

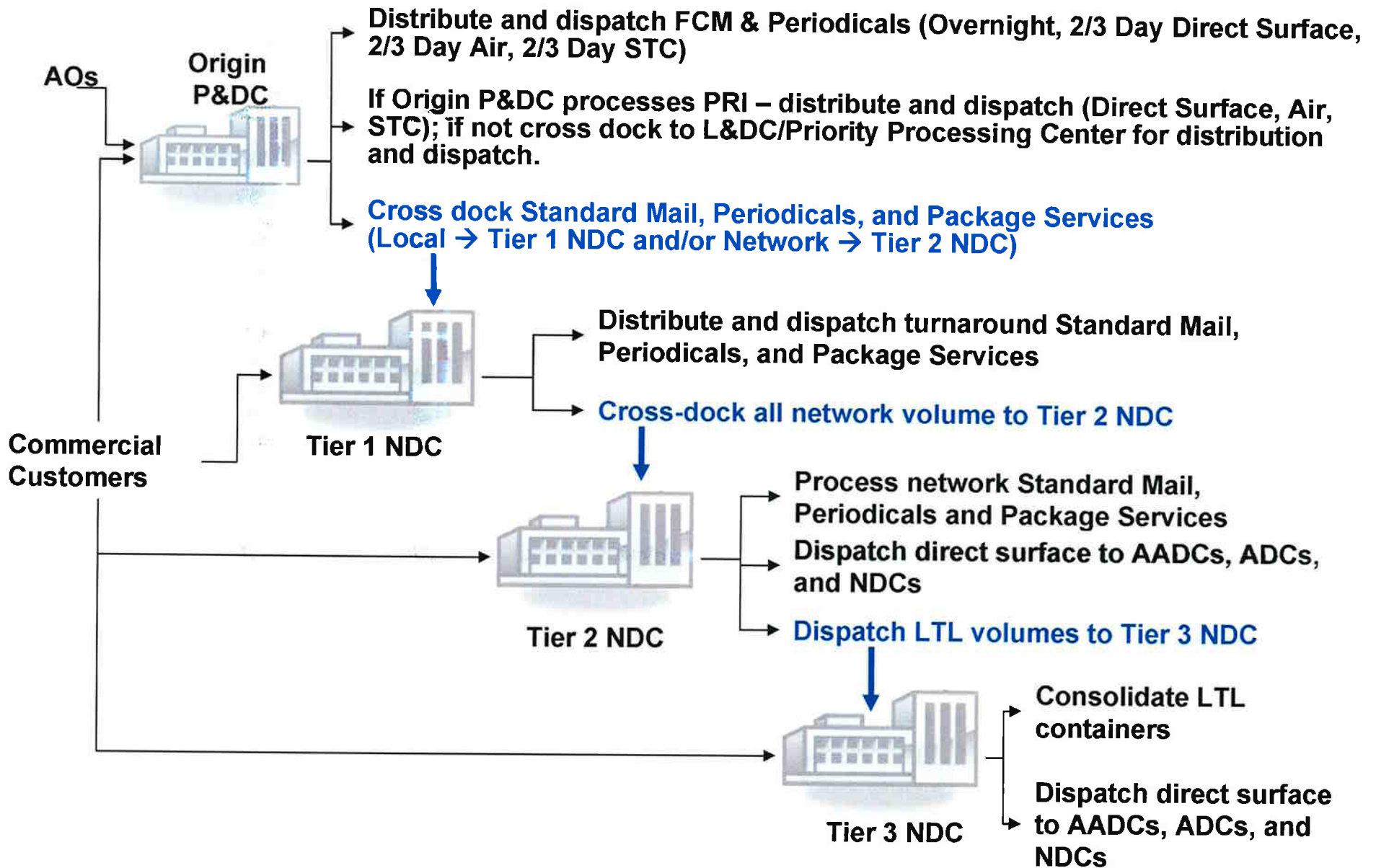
- ◆ Tier 1 responsibilities
- ◆ Distribution of outgoing Standard Mail, Periodicals, and Package Services to the network
 - Including, MXD States Outgoing single piece sort
- ◆ STC containerization and dispatch operations – outgoing / incoming Priority Mail, First Class Mail, Periodicals, Standard Mail

■ **4 - Tier 3 NDC**

- ◆ 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 4 NDCs (noted by *)**
 - ◆ Reduces backtracking
 - ◆ Improves service
- **Highlighted indicates Phase I sites**
- **ASFs will be Tier 1 NDC for package processing**

Tier 1	Tier 2	Tier 3
New Jersey	New Jersey	Pittsburgh
Philadelphia	New Jersey	Pittsburgh
Springfield	New Jersey	Pittsburgh
Detroit	Pittsburgh	Pittsburgh
Pittsburgh	Pittsburgh	Pittsburgh
Chicago *	Pittsburgh	Pittsburgh
Cincinnati*	Pittsburgh	Pittsburgh
St. Louis*	Pittsburgh	Pittsburgh
Washington DC	Greensboro	Memphis
Greensboro	Greensboro	Memphis
Dallas	Dallas	Memphis
Jacksonville	Jacksonville	Memphis
Atlanta	Memphis	Memphis
Memphis	Memphis	Memphis
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
Denver	Denver	Denver
Los Angeles	Los Angeles	Denver
San Francisco*	Los Angeles	Denver
San Francisco*	Seattle	Denver
Seattle	Seattle	Denver



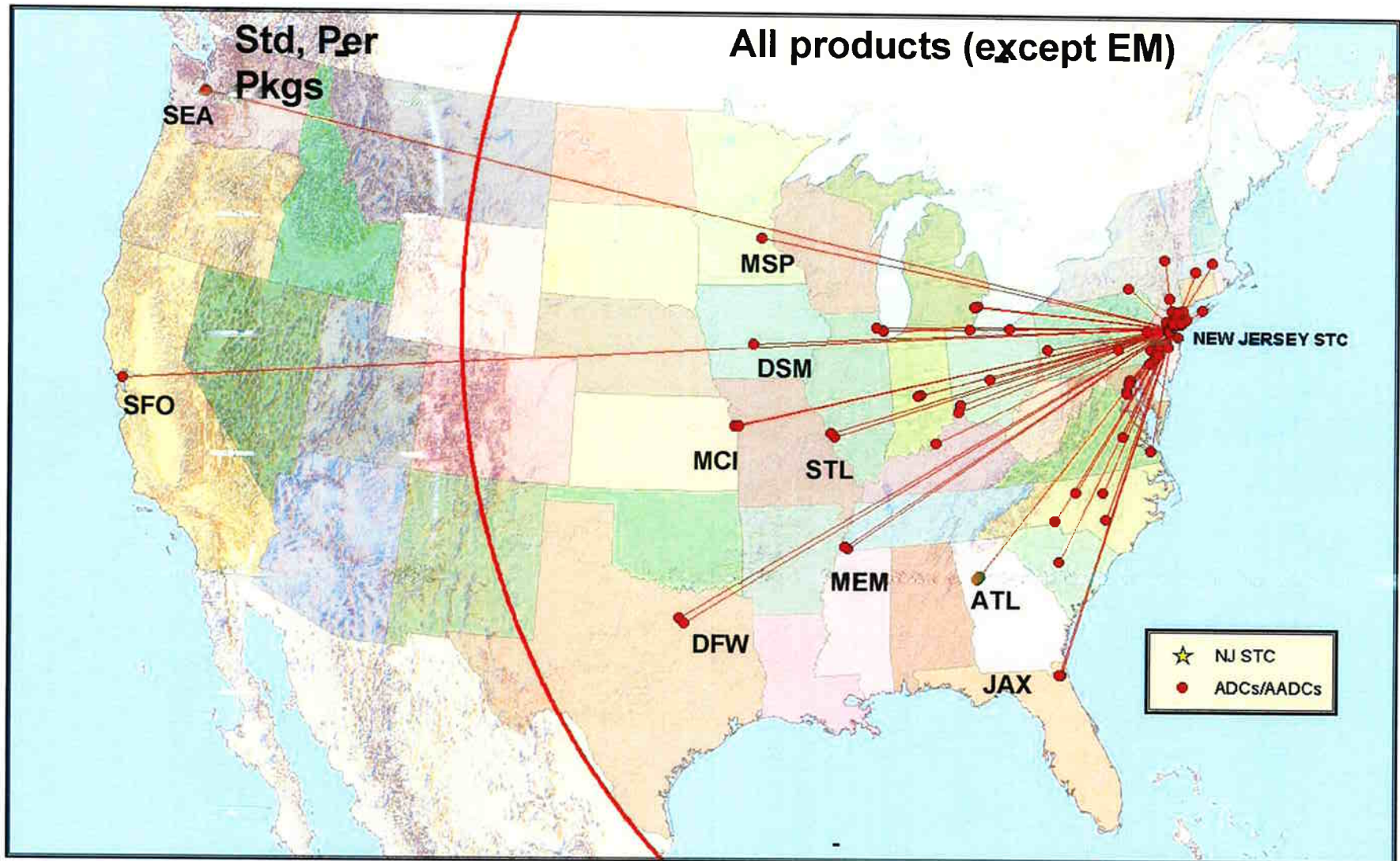
Plan for Change - Network Reach

- **Expanded surface reach due to:**
 - ◆ Consolidation of outgoing distribution
 - ◆ Combination of FC and STD mail to improve utilization
 - ◆ Adjust internal operating plan
 - ◆ Building tandem trailer

- **Improved service and efficiency**
 - ◆ Elimination of Destination BMC handling

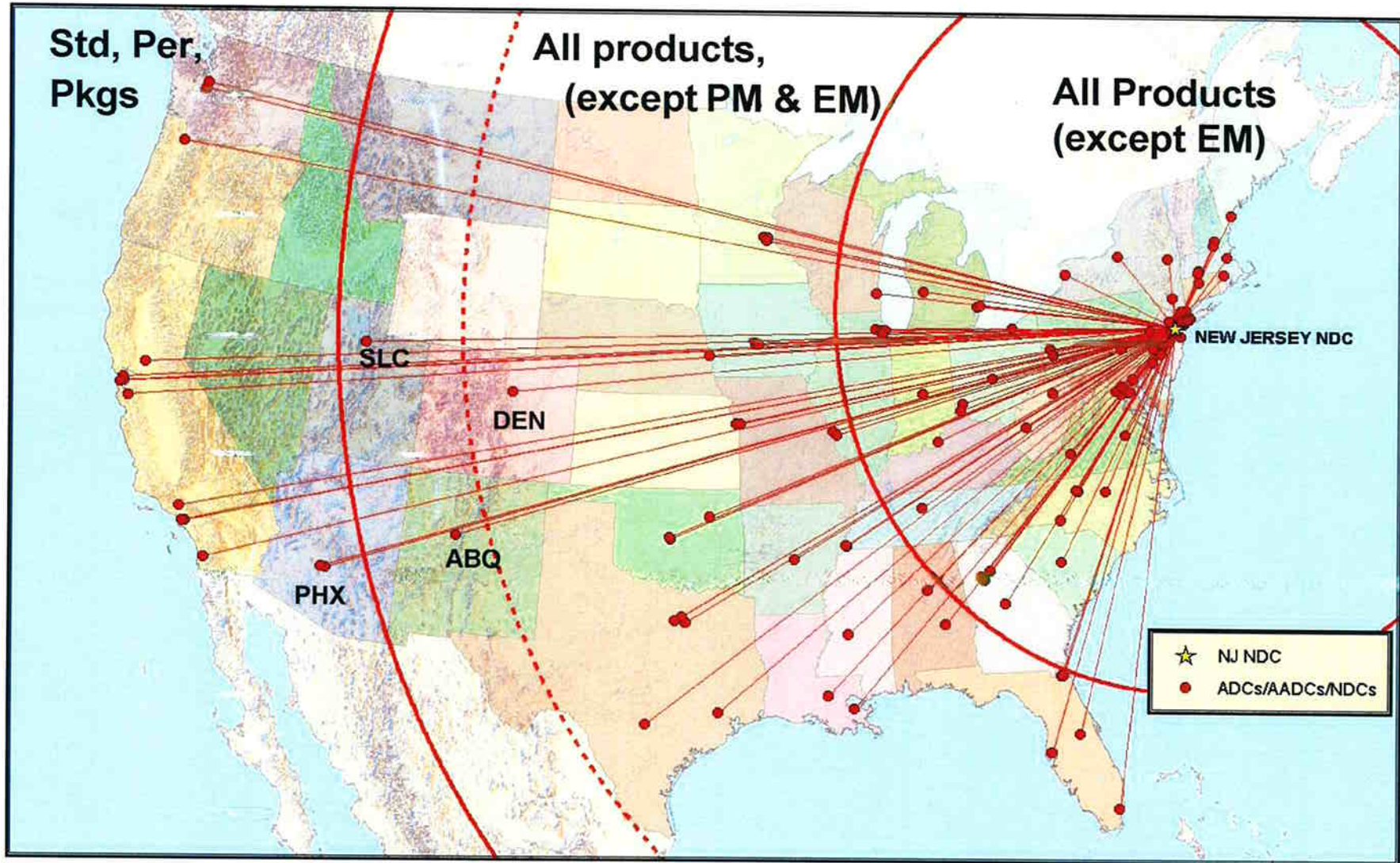


Plan for Change – Current NJ STC & BMC Surface





Plan for Change – Future NJ NDC Surface





- **Retail & BMEU Separations**
 - ◆ **Streamline the number of separations**
 - ◆ **Sort will be based on**
 - Product Type
 - Originating ZIP Code
 - Destination ZIP Code
 - Network
 - ▲ Local NDC service area
 - ▲ Network NDC split(s)
 - ✦ Multiple splits required for directional dispatch sites
 - ◆ **Facilitate more efficient and service responsive network movement to downstream processing facilities**



■ Mailer Separations

- ◆ **Establish customer supplier agreements to mirror required make-ups during implementation**
 - Local NDC service area
 - Network NDC split(s)
 - ▲ Multiple splits required for directional dispatch sites

- ◆ **Requirements will vary based on origin entry location and destination**

- ◆ **Separations for mailers not participating will be made at the P&DC or NDC**



Executing the Change - Operational Impacts

- **NDCs operate like a P&DCs**
 - ◆ Tight schedules
 - ◆ Distribution lights out period
 - ◆ Multiple classes of mail
 - ◆ Single piece distribution

- **Live loads and unloads at all NDCs**
 - ◆ All vans must go directly to the dock door in order to meet distribution and dispatch plan

- **Tier 2 NDC operating plan changes required to coincide with STC containerization & dispatch plan**
 - ◆ Additional separations for Standard/Periodical letter trays, flat tubs, and sacks

- **Destination ADCs / AADCs will receive mixed product loads from NDCs**



Executing the Change - Transportation Impacts

- **Service changes**
 - ◆ To all types of surface transportation
 - BMC, STC, Inter- and Intra-Area HCR and PVS service
 - ◆ Convert existing rail contracts to HCR

- **Utilize Tandem / Triples**
 - ◆ Suppliers provide transport equipment (trailers/dollies)
 - ◆ Suppliers couple / decouple units upon arrival and departure
 - ◆ GPS on all units

- **Day of Week scheduling**

- **Management and training**



Executing the Change – Transportation Impacts

- **Testing new MTE**
 - ◆ 28” containers, triple stacked
 - ◆ 44” containers, double stacked
- **Cubic capacity comparison for one 40 X 48 position**



New MTE

- 94.8 cu ft



Postal Pak

- One high in trailer
- 72 cu ft



Wire Cages (84C)

- Stacked 2 high in open configuration: 82.3 cu ft



Executing the Change - Implementation

- **Phase I Activation occurs during 12 week period**
- **P&DC Implementation beginning May 11**
 - ◆ Low volume P&DCs activated first
 - ◆ On site for a total of 3 weeks
 - Week 1 – Conduct readiness assessment
 - Week 2 – Activation - observe/collect data
 - Week 3 – Assess compliance
- **NDCs & STCs Implementation beginning May 11**
 - ◆ On site for the entire Phase I implementation period plus additional 4-6 weeks, as needed
 - ◆ Establish standardized work processes



Executing the Change - Implementation

Preliminary activation schedule

Week 1	Week 2	Week 3
Eastern Maine (ME) P&DF Portland (ME) P&DC Lehigh Valley (PA) P&DC Staten Island (NY) P&DC	Providence (RI) P&DC Springfield (MA) P&DC Delaware (DE) P&DC Stamford (CT) P&DC	Middlesex-Essex (MA) P&DC Burlington (VT) P&DF Williamsport (PA) P&DF Trenton (NJ) P&DC
Week 4	Week 5	Week 6
Brockton (MA) P&DF Boston (MA) P&DC Westchester (NY) P&DC	Portsmouth (NH) P&DF White River JCT (VT) P&DC South Jersey (NJ) P&DC Mid-Hudson (NY) P&DC	Cape Cod (MA) P&DF Southern CT (CT) P&DC Scranton (PA) P&DF Western Nassau (NY) P&DC
Week 7	Week 8	Week 9
Binghamton (NY) P&DF Harrisburg (PA) P&DC Brooklyn (NY) P&DC	Lancaster (PA) P&DC Manchester (NH) P&DC NNJ Metro (NJ) P&DC	Central Mass (MA) P&DC Wilkes Barre (PA) P&DC Dominick V Daniels (NJ) P&DC
Week 10	Week 11	Week 12
Southeastern (PA) P&DC Philadelphia (PA) P&DC Kilmer (NJ) P&DC	Plattsburgh (NY) Albany (NY) P&DC Reading (PA) P&DF Mid-Island (NY) P&DC	Hartford (CT) P&DC Queens (NY) P&DC Morgan Station (NY) P&DC



■ **Managing Success**

◆ **Track service**

- Use Delivery Confirmation barcodes
- Seed mail with PLANET Codes

◆ **Measure financial impacts**

- Track and monitor total operating expenses
- Isolate non-recurring costs for implementation

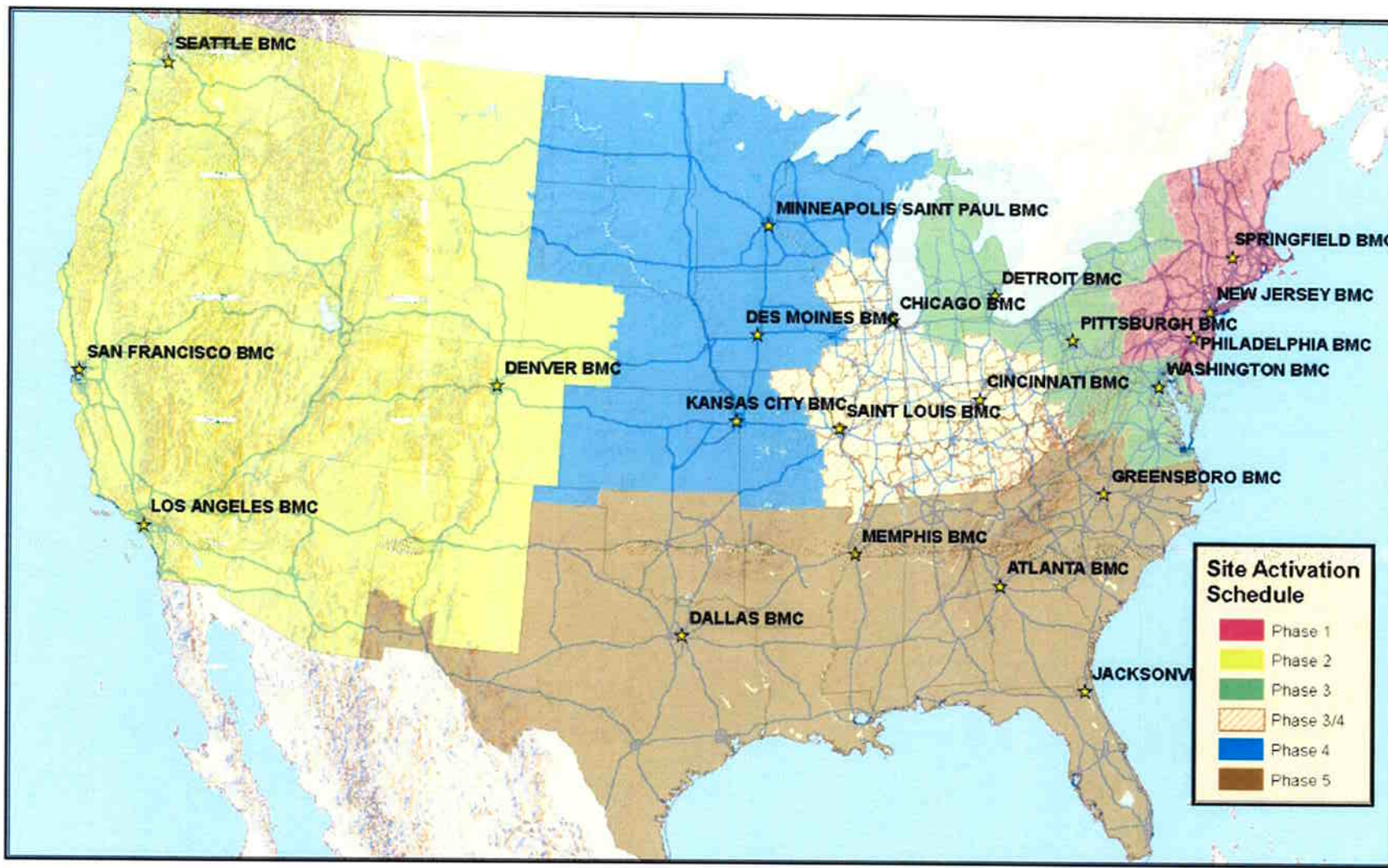
◆ **Monitor quality**

- Exception reporting
- Issue resolution



Executing the Change - Implementation

Preliminary Implementation Schedule - Phases 2 - 5





Executing the Change - Implementation

- **Incremental approach with implementation allows team to react appropriately during ramp-up**

- **Long-term vision**
 - ◆ STC operations will be relocated to Tier 1 NDCs
 - ◆ STC reach will be expanded to bypass destination NDCs
 - ◆ Other process improvement initiatives will be initiated