

Docket No. N2012-1

USPS Library Reference N2012-1/4

PREFACE

USPS PAEA Section 302 Network Plan Annual Reports to Congress

This Category 3 library reference consists of previously published material provided for the convenience of the reader.

It consists of copies of the fiscal year 2008, 2009 and 2010 annual reports of the Postal Service regarding implementation of USPS PAEA Section 302 Network Plan.

Predecessor Material: None.



**POSTAL ACCOUNTABILITY
AND ENHANCEMENT ACT § 302
NETWORK PLAN
FISCAL YEAR 2008 SUMMARY REPORT**

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TRADEMARKS

The following are among the trademarks owned by the United States Postal Service: First-Class Mail®, Post Office™, Parcel Post® Postal Service™, Standard Mail®United States Postal Service®, U.S. Mail™, U.S. Postal Service®, USPS®. This is not a comprehensive list of all Postal Service trademarks.

I. INTRODUCTION

Subchapter VII of the Postal Accountability and Enhancement Act (PAEA), Public Law 109-435, 120 Stat 3198, identified a series of objectives which the United States Postal Service, after consultation with the Postal Regulatory Commission, was required to meet in relation to service standards for its market dominant products. The first objective, reflected in 39 U.S.C. § 3691(a), required the establishment and publication of modern service standards for these products and was accomplished on December 19, 2007. See 72 *Federal Register* 72216. Subsections 3691(b)(1)(D) and (b)(2) mandated that the Postal Service establish external service performance measurement systems for these products or obtain Commission approval of internal measurement systems. This was accomplished recently, as reflected in Docket No. PI2008-1, Order Concerning Proposals for Internal Service Standards Measurement Systems, Postal Regulatory Commission Order No. 140 (November 25, 2008). Uncodified PAEA section 302(a) also directed the Postal Service, no later than six months after establishing its modern service standards, to submit to Congress a plan for meeting those standards and for rationalizing its processing, transportation and distribution networks. The Postal Service submitted its PAEA § 302 Network Plan to Congress on June 19, 2008.

The Network Plan contains three integrated core elements. The first is the continuation of the closure of redundant postal Airport Mail Centers. The second component, using the Postal Service's recently enhanced Area Mail Processing guidelines, involves a review of the mail processing network as a whole to identify mail processing plants where all outgoing and/or incoming mail processing operations could be consolidated into nearby plants. The third element of the plan is the transformation of the postal Bulk Mail Center network.

PAEA subsection 302(c)(4) requires the Postal Service, no later than 90 days after the end of each fiscal year, to prepare and submit to Congress a report on how postal decisions have impacted or will impact its rationalization plans. Fiscal year 2008 concluded on September 30, 2008. Accordingly, the Postal Service hereby submits this report on progress made toward accomplishment of the aforementioned three core network rationalization objectives during the period between the publication of its Network Plan in June 2008 and the end of fiscal year 2008. Successive annual reports can be expected to reflect full-year summaries.

II. CORE COMPONENTS OF THE NETWORK RATIONALIZATION PLAN

A. AIR MAIL CENTER CLOSURES

A total of 12 postal Air Mail Centers (AMCs) were closed in fiscal year 2008. As explained on pages 17-21 of the June 2008 Network Plan, operations at many of these facilities have been made redundant by changes in the handling of mail subject to transportation by air. In each instance, postal mail processing operations were relocated to other facilities. Four AMC closures have been implemented since the Network Plan was submitted. These facilities were located in or near Dallas TX, Jacksonville FL, Fort Myers FL and Salt Lake City UT. These closures avoid the unnecessary expense of leasing and maintaining facilities on costly airport property. As indicated in the Network Plan, the Postal Service intends to continue AMC closures through 2009 and expects an estimated \$113 million in savings from the entire AMC closure program.

B. AREA MAIL PROCESSING CONSOLIDATIONS

Pages 21-30 of the Network Plan describe the Postal Service's Area Mail Processing (AMP) guidelines and procedures for identifying, analyzing and approving opportunities for the consolidation of local mail processing plant operations throughout its network. AMP consolidations are a critical element of the Network Plan. In 2008, the Postal Service initiated the consolidation of originating operations at the St. Petersburg FL mail processing plant into the Tampa FL plant, approximately 20 miles away.¹ An annual expected savings of \$4.7 million is projected to result from the transfer of operations from St. Petersburg, including cancellation of stamped First-Class Mail from collection boxes plus the sortation and dispatch of outgoing mail. The Postal Service will conduct periodic post-implementation reviews (PIRs) of the St. Petersburg consolidation to monitor the achievement of projected cost savings.

During FY 2008, final post-implementation reviews were completed on four previously implemented AMP consolidations: Newark NJ to DV Daniels NJ and Northern NJ Metro; Pasadena CA to Santa Clarita CA; Monmouth NJ to Trenton NJ and Kilmer NJ; and Greensburg PA to Pittsburgh PA. The PIRs validated that the savings targets were achieved.

¹ Originating operations are those associated with the acceptance and initial processing of mail that, for example, is either tendered at postal retail windows or bulk entry units, or is deposited in street corner collection boxes. Irrespective of the geographic location of the origin and destination of a mail piece, generally speaking, originating processing marks the beginning stages of its journey in the mail stream.

Analysis of other potential future mail processing plant operational consolidation opportunities was underway at the conclusion of FY 2008 and is ongoing. The FY 2009 annual report can be expected to provide an update on subsequent AMP progress.

The Government Accountability Office (GAO) recently reported to the United States House of Representatives and U.S. Senate Appropriations Subcommittees on Financial Services and General Government regarding the Postal Service's improved AMP guidelines and communications plan. See, *Progress Made Toward Implementing GAO's Recommendations to Strengthen Network Realignment Planning and Accountability and Improve Communication* (GAO-08-1134R: September 25, 2008). This report was a follow-up to GAO studies in 2005 and 2007 which evaluated the Postal Service's network realignment plans and processes; it also included a detailed review of the USPS Handbook PO-408: *Area Mail Processing Guidelines*, which had been comprehensively revised in March 2008.² The September 2008 GAO report found that the Postal Service has taken steps to address the GAO's earlier recommendations for strengthening the planning and accountability for its network realignment and mail processing consolidation efforts. In addition, the report found that significant steps had been taken to improve communications with postal stakeholders, allowing for improved public notification, engagement, and transparency.

C. BULK MAIL CENTER TRANSFORMATION

The third element of the Network Plan is the evaluation of alternatives to ensure that the Postal Service's Bulk Mail Center (BMC) network remains responsive to evolving customer needs. See June 2008 Network Plan at 30-34. The BMC network was designed over three decades ago to accommodate end-to-end surface transportation and processing of parcels and bulk mail. Postal customer mail entry patterns and use of the surface network have changed significantly over time. In the past, most Parcel Post and Standard Mail was deposited at origin and transported by the Postal Service to its destination. However, by 2007, 52 percent of Parcel Post was dropped at destination delivery units and 45 percent of Standard Mail was dropped at destination processing plants, bypassing postal BMC processing completely.

² A top-down approach for initiating an AMP feasibility study was added to the traditional bottom-up approach for identifying opportunities for operational consolidation and improved efficiency. The revised AMP guidelines assure accountability at all levels of postal management and utilize standardized analytical tools in creating the business case for consolidation. Other additions to the handbook involved improvements to the post-implementation review process. To convey clear and timely information on AMP consolidations to stakeholders, the AMP Communications Plan was also revised. There were several improvements such as rewriting notification templates, scheduling the public meeting earlier in the process and increasing stakeholders access to AMP information through the internet (<http://www.usps.com/all/amp.htm>).

As indicated in the June 2008 Network Plan, the Postal Service conducted market research to better understand industry best practices and capabilities that could help address postal needs for distribution and long-haul surface transportation. The Postal Service is currently evaluating alternatives to leverage these industry best practices within its own network and plans to test various network concepts in mid-2009.

III. CONCLUSION

In the three months of fiscal year 2008 remaining after the submission of its PAEA § 302 Network Plan to Congress in June, the Postal Service took significant steps toward implementation or further development of these key network initiatives. The need to analyze opportunities for network rationalization continues to be a high priority of postal management. Building on its previous successes, the Postal Service is committed to making its mail processing and transportation networks more efficient, economical, and environmentally sound. As this effort progresses, the Postal Service will follow its well-established processes for keeping external stakeholders and local communities informed and for providing opportunities for public input. The Postal Service will continue to work closely with its employee unions and associations. Further progress will be discussed in the FY 2009 annual report.

**POSTAL ACCOUNTABILITY
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TRADEMARKS

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I. INTRODUCTION

Subchapter VII of the Postal Accountability and Enhancement Act (PAEA), Public Law 109-435, 120 Stat 3198, identified a series of objectives which the United States Postal Service, after consultation with the Postal Regulatory Commission, was required to meet in relation to service standards for its market dominant products.

The first objective, reflected in 39 U.S.C. § 3691(a), required the establishment and publication of modern service standards for market dominant products and was accomplished on December 19, 2007. See 72 *Federal Register* 72216. Subsections 3691(b)(1)(D) and (b)(2) mandated that the Postal Service establish external service performance measurement systems for these products or obtain Commission approval of internal measurement systems. This was accomplished recently, as reflected in Docket No. PI2008-1, Order Concerning Proposals for Internal Service Standards Measurement Systems, Postal Regulatory Commission Order No. 140 (November 25, 2008).

Uncodified PAEA section 302(a) also directed the Postal Service, no later than six months after establishing its modern service standards, to submit to Congress a plan for meeting those standards and for rationalizing its processing, transportation and distribution networks. The Postal Service submitted its Network Plan to Congress on June 19, 2008.

The Network Plan contains three integrated core elements. The first is the continuation of the closure of redundant postal Airport Mail Centers. The second component, using the Postal Service's enhanced Area Mail Processing guidelines, involves a review of the mail processing network to identify mail processing plants where all outgoing and/or incoming mail processing operations could be consolidated into nearby plants. The third element of the plan is the transformation of the postal Bulk Mail Center network.

PAEA subsection 302(c)(4) requires the Postal Service, no later than 90 days after the end of each fiscal year, to prepare and submit to Congress a report on how postal decisions have impacted or will impact its rationalization plans. Fiscal Year 2009 concluded on September 30, 2009. Accordingly, the Postal Service submits this report on progress made toward accomplishment of the aforementioned three core network rationalization objectives during FY 2009.

II. CORE COMPONENTS OF THE NETWORK RATIONALIZATION PLAN

A. AIR MAIL CENTER CLOSURES

A total of 9 postal Air Mail Centers (AMCs) were closed in FY 2009. These facilities were located in or near Cleveland OH, Fort Lauderdale FL, Las Vegas NV, Milwaukee WI, Minneapolis MN, Newark NJ, Philadelphia PA, San Antonio TX, and Seattle WA. In each instance, postal mail processing operations were relocated to other existing nearby facilities. As explained in the June 2008 Network Plan, operations at many of these facilities are redundant due to changes in the handling of mail transported by air. In each instance, postal mail processing operations were relocated to other nearby facilities. These closures avoid the unnecessary expense of leasing and maintaining facilities on costly airport property. As indicated in the Network Plan, the Postal Service intends to continue AMC closures through 2010 and expects an estimated \$113 million in total savings from the entire program.

B. AREA MAIL PROCESSING CONSOLIDATIONS

The Network Plan describes the Postal Service's Area Mail Processing (AMP) guidelines and procedures for identifying, analyzing and approving opportunities for the consolidation of local mail processing plant operations. AMP consolidations are a critical element of the Network Plan. As single mail volume has declined, the need for processing capacity has also declined, and opportunity exists to consolidate operations to achieve economies of scale while reducing this excess capacity.

As outlined in its Network Plan, the Postal Service has initiated a number of AMP studies, many of which were approved or finalized in FY2009. Additional studies will be initiated or approved in FY2010.

In FY 2009, the Postal Service initiated the consolidation of mail processing operations for the following locations:

- Originating operations at the Binghamton NY mail processing plant into the Syracuse NY mail processing plant, approximately 73 miles away.¹ An annual expected savings of \$1.3 million is projected to result from the transfer of operations.
- Originating operations at the Cape Cod MA mail processing plant into the Brockton MA mail processing plant, approximately 80 miles away. An annual expected savings of \$1.9 million is projected to result from the transfer of operations.
- Originating and destinating² operations at the Wilkes-Barre PA mail processing plant into the Scranton and Lehigh Valley PA mail processing plants, approximately 20 and 65 miles away, respectively. An annual expected savings of \$1.9 million is projected to result from the transfer of operations.
- Originating and destinating operations at the Watertown NY mail processing plant into the Syracuse NY mail processing plant, approximately 71 miles away. An annual expected savings of \$2.7 million is projected to result from the transfer of operations.
- Originating operations at the Detroit MI mail processing plant into the Metroplex MI mail processing plant, approximately 33 miles away. An annual expected savings of \$4.4 million is projected to result from the transfer of operations.
- Originating operations at the Athens GA mail processing plant into the North Metro GA mail processing plant, approximately 48 miles away. An annual expected savings of \$2.4 million is projected to result from the transfer of operations.
- Originating operations at the Long Beach CA mail processing plant into the Santa Ana CA mail processing plant, approximately 19 miles away. An annual expected savings of \$3.2 million is projected to result from the transfer of operations.

¹ Originating operations are those associated with the acceptance and initial processing of mail that, for example, is either tendered at postal retail windows or bulk entry units, or is deposited in collection boxes. Irrespective of the geographic location of the origin and destination of a mail piece, generally speaking, originating processing marks the beginning stages of its journey in the mail stream.

² Destinating operations are those associated with the final processing of mail that, for example, is either dropshipped at various facilities or received from the network. Irrespective of the geographic location of the origin and destination of a mail piece, generally speaking, destinating processing marks the end stages of its journey in the mail stream.

- Originating operations at the Queens NY mail processing plant into the Brooklyn NY mail processing plant, approximately 13 miles away. An annual expected savings of \$6.7 million is projected to result from the transfer of operations.
- Originating and destinating operations at the Winchester VA mail processing plant into the Dulles VA mail processing plant, approximately 48 miles away. An annual expected savings of \$1.5 million is projected to result from the transfer of operations.
- Originating operations at the Flint MI mail processing plant into the Metroplex MI mail processing plant, approximately 40 miles away. An annual expected savings of \$1.3 million is projected to result from the transfer of operations.
- Originating operations at the Western Nassau NY mail processing plant into the Mid-Island NY mail processing plant, approximately 15 miles away. An annual expected savings of \$2.9 million is projected to result from the transfer of operations.
- Originating operations at the South Florida FL mail processing plant into the Fort Lauderdale FL and Miami FL mail processing plants, approximately 13 and 14 miles away, respectively. An annual expected savings of \$3.0 million is projected to result from the transfer of operations.
- Originating operations at the Portsmouth NH mail processing plant into the Manchester NH mail processing plant, approximately 42 miles away. An annual expected savings of \$1.3 million is projected to result from the transfer of operations.
- Originating operations at the Lakeland FL mail processing plant into the Tampa FL mail processing plant, approximately 40 miles away. An annual expected savings of \$1.5 million is projected to result from the transfer of operations.
- Originating operations at the Manasota FL mail processing plant into the Tampa FL mail processing plant, approximately 50 miles away. An annual expected savings of \$3.2 million is projected to result from the transfer of operations.

In FY 2009, the Postal Service completed the consolidation of mail processing operations for the following locations:

- Originating and destinating operations at the Kansas City KS mail processing plant into the Kansas City MO mail processing plant, approximately 11 miles away. An annual expected savings of \$9.3 million is projected to result from the transfer of operations.
- Originating operations at the Staten Island NY mail processing plant into the Brooklyn NY mail processing plant, approximately 22 miles away. An annual expected savings of \$2.1 million is projected to result from the transfer of operations.
- Originating operations at the Canton OH mail processing plant into Akron OH mail processing plant, approximately 20 miles away. An annual expected savings of \$2.2 million is projected to result from the transfer of operations.

The Postal Service will conduct periodic post-implementation reviews (PIRs) of each of the consolidations to monitor the achievement of projected cost savings. During FY 2009, a final PIR was completed on the transfer of origin operations from Saint Petersburg FL to Tampa FL. The PIR validated that the targeted savings were achieved.

C. BULK MAIL CENTER TRANSFORMATION

The third element of the Network Plan is the evaluation of alternatives to ensure that the Postal Service's Bulk Mail Center (BMC) network remains responsive to evolving customer needs. See June 2008 Network Plan. The BMC network was designed over three decades ago to accommodate end-to-end surface transportation and processing of parcels and bulk mail. Postal customer mail entry patterns and use of the surface network have changed significantly over time. In the past, most Parcel Post and Standard Mail was deposited at origin and transported by the Postal Service to its destination. However, by 2007, 52 percent of Parcel Post was dropped at destination delivery units and 45 percent of Standard Mail was dropped at destination processing plants, bypassing postal BMC processing completely.

As indicated in the June 2008 Network Plan, the Postal Service conducted market research to better understand industry best practices and capabilities that could help address postal needs for distribution and long-haul surface transportation.

In July 2008, the Postal Service issued a draft Request for Proposals to explore the feasibility of outsourcing some of the work currently performed in the Bulk Mail Center (BMC) network. Due to the unprecedented precipitous decline in mail volume, which began in 2008, and the current economic environment, it became virtually impossible to confidently forecast future volumes. Without sufficient volume guarantees, potential suppliers would have increased the price at which they would have been willing to perform the requested services. By late 2008, it was apparent it was not the right time to consider outsourcing a network of this size and scope.

Still facing significant cost reduction targets and excess capacity, the Postal Service turned its attention to an internal reengineering effort aimed at creating more efficient and cost effective use of the BMC network. Based on evaluation of industry best practices and capabilities, the Postal Service began implementation of its BMC network redesign in FY 2009, with completion expected in FY 2010. The BMCs of the future will be called Network Distribution Centers (NDC). Each of the 21 NDCs will be categorized by their future distribution and processing role.

- Eleven Tier 1 NDCs will be responsible for distribution of local (turnaround) and destination Standard Mail, Periodicals, and Package Services.
- Six Tier 2 NDCs will have Tier 1 responsibilities, and will also perform distribution of outgoing Standard Mail, Periodicals, and Package Services to the network (including the Mixed States Outgoing single piece sort) and Surface Transfer Center containerization and dispatch operations.
- Four Tier 3 NDCs will have the Tier 1 and Tier 2 responsibilities, and also act as consolidation points for less than truck load network volumes from Tier 2 sites.

This redesign will allow work hours to better align with workload, and improve utilization on long-haul transportation.

The NDC concept has already improved service by 15% nation-wide and transportation utilization by over 15% in the Northeast corridor. The NDC redesign will continue to yield significant service improvements nationwide and help reduce cost, creating a viable network for the future.

III. CONCLUSION

In FY 2009, the Postal Service took significant steps toward implementation and further development of these key network initiatives. The need to analyze opportunities for network rationalization continues to be a high priority of postal management. Building on its previous successes, the Postal Service is committed to making its mail processing and transportation networks more efficient, economical, and environmentally sound. As this effort progresses, the Postal Service will follow its well-established processes for keeping external stakeholders and local communities informed, and for providing opportunities for public comment. The Postal Service will continue to work closely with its employee unions and associations.

**POSTAL ACCOUNTABILITY
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PAEA subsection 302(c)(4) requires the Postal Service, no later than 90 days after the end of each fiscal year, to prepare and submit to Congress a report on how postal decisions have impacted or will impact its rationalization plans. Fiscal Year 2010 concluded on September 30, 2010. Accordingly, the Postal Service submits this report on progress made toward accomplishment of the aforementioned three core network rationalization objectives during FY 2010.

II. CORE COMPONENTS OF THE NETWORK RATIONALIZATION PLAN

A. AIR MAIL CENTER CLOSURES

A total of 11 postal Air Mail Centers (AMCs) were closed or repurposed in FY 2010. These facilities were located in or near Saint Paul MN, New York NY, Spokane WA, Anchorage AK, El Paso TX, Orlando FL, Atlanta GA, Honolulu HI, Hartford CT, Chicago IL, and San Francisco CA. In each instance, postal mail processing operations were relocated to other existing nearby facilities. As explained in the June 2008 Network Plan, operations at many of these facilities are redundant due to changes in the handling of mail transported by air. These closures avoid the unnecessary expense of leasing and maintaining facilities on costly airport property.

Total program savings to date are approximately \$99 million.

B. AREA MAIL PROCESSING CONSOLIDATIONS

The Network Plan describes the Postal Service's Area Mail Processing (AMP) guidelines and procedures for identifying, analyzing and approving opportunities for the consolidation of local mail processing plant operations. AMP consolidations are a critical element of the Network Plan. As mail volume has declined, the need for processing capacity has also declined, and opportunity exists to consolidate operations to achieve economies of scale while reducing this excess capacity.

As outlined in its Network Plan, the Postal Service has initiated a number of AMP studies, many of which were approved or finalized in FY 2010. Additional studies will be initiated or approved in FY 2011.

In FY 2010, the Postal Service approved and is pending completion of the consolidation of mail processing operations for the following locations:

Operations	Consolidated Location	Consolidation Location	Distance	Estimated Savings
Originating ¹	Tupelo MS	Memphis TN	107 miles	\$180 thousand
Originating / destinating ²	Houston TX	North Houston TX, pending capital to expand the building	14 miles	\$31.7 million

¹ Originating operations are those associated with the acceptance and initial processing of mail that, for example, is either tendered at postal retail windows or bulk entry units, or is deposited in collection boxes. Irrespective of the geographic location of the origin and destination of a mail piece, generally speaking, originating processing marks the beginning stages of its journey in the mail stream.

² Destinating operations are those associated with the final processing of mail that, for example, is either dropshipped at various facilities or received from the network. Irrespective of the geographic location of the origin and destination of a mail piece, generally speaking, destinating processing marks the end stages of its journey in the mail stream.

Originating	Kilmer NJ*	Dominick V Daniels NJ and Trenton NJ	28 and 30 miles, respectively	\$2.7 million
Destinating	West Jersey NJ	Northern NJ Metro and Kilmer NJ*	23 miles and 38 miles, respectively	\$9.4 million
Originating / destinating	Lima OH	Toledo OH	80 miles	\$2.3 million

**The consolidation of originating operations out of Kilmer NJ resulted in not only the economies of scale and cost savings when merged into DVD and Trenton, but also created space which enabled a full consolidation of the West Jersey NJ plant by absorbing a portion of its destinating operation.*

In FY 2010, the Postal Service completed the consolidation of mail processing operations for the following locations:

Operations	Consolidated Location	Consolidation Location	Distance	Estimated Savings
Originating / destinating	Charlottesville VA	Richmond VA	93 miles	\$6.5 million
Originating / destinating	Winchester VA	Dulles VA	48 miles	\$1.6 million
Originating / destinating	Wilkes-Barre PA	Scranton PA and Lehigh Valley PA	16.7 and 70 miles, respectively	\$6.1 million
Originating / destinating	Watertown NY	Syracuse NY	63 miles	\$2.7 million
Originating / destinating	Marysville CA	Sacramento CA	40 miles	\$5.1 million
Destinating	Newark NJ	Dominick V Daniels NJ	5 miles	\$3.5 million
Destinating	Mojave CA	Bakersfield CA	69 miles	\$2.7 million
Originating	Dulles VA	Northern VA	23 miles	\$2.7 million
Originating	Frederick MD	Suburban MD	29 miles	\$1.1 million
Originating	Hickory NC	Greensboro NC	81 miles	\$1.3 million
Originating	Kinston NC	Fayetteville NC	88 miles	\$1.1 million
Originating	London KY	Lexington KY	79 miles	\$1.2 million
Originating	New Castle PA	Pittsburgh PA	46 miles	\$1.5 million
Originating	Wheeling WV	Pittsburgh PA	64 miles	\$696 thousand
Originating	Bloomington IN	Indianapolis IN	50 miles	\$1.1 million
Originating	Detroit MI	Michigan Metroplex MI	36 miles	\$4.4 million
Originating	Flint MI	Michigan Metroplex MI	39 miles	\$1.4 million
Originating	Fox Valley IL	South Suburban IL	26 miles	\$1.5 million
Originating	Kalamazoo MI	Grand Rapids MI	52 miles	\$2.6 million
Originating	Palatine IL	Carol Stream IL	18 miles	\$9.5 million
Originating	Binghamton NY	Syracuse NY	81 miles	\$1.3 million

Originating	Cape Cod MA	Brockton MA	29 miles	\$1.9 million
Originating	Portsmouth NH	Manchester NH	45 miles	\$1.2 million
Originating	Queens NY	Brooklyn NY	12 miles	\$6.6 million
Originating	Western Nassau NY	Mid-Island NY	15 miles	\$2.9 million
Originating	Long Beach CA	Santa Ana CA	18 miles	\$3.2 million
Originating	Oxnard CA	Santa Clarita CA	42 miles	\$1.8 million
Originating	Athens GA	North Metro GA	49 miles	\$2.4 million
Originating	Columbus GA	Macon GA	97 miles	\$974 thousand
Originating	Jackson TN	Memphis TN	91 miles	\$878 thousand
Originating	Lakeland FL	Tampa FL	39 miles	\$1.5 million
Originating	Manasota FL	Tampa FL	51 miles	\$3.2 million
Originating	Panama City FL	Pensacola FL	106 miles	\$575 thousand
Originating	South Florida FL	Miami FL and Fort Lauderdale FL	24 miles each	\$2.8 million
Originating	Dallas TX	North Texas TX	20 miles	\$9.4 million

The Postal Service conducts periodic post-implementation reviews (PIRs) of each consolidation to monitor the achievement of projected cost savings. During FY 2010, PIRs were completed on the transfer of origin operations from Portsmouth NH to Manchester NH, Staten Island NY to Brooklyn NY, Western-Nassau NY to Mid-Island NY, Long Beach CA to Santa Ana CA, Oxnard CA to Santa Clarita CA, and Lakeland FL to Tampa FL. Final PIRs were also completed on the transfer of origin and destination operations from Canton OH to Akron OH and Kansas City KS to Kansas City MO. The PIRs validated that the estimated savings were achieved in all cases.

C. BULK MAIL CENTER TRANSFORMATION

The third element of the Network Plan was the evaluation of alternatives to ensure that the Postal Service's Bulk Mail Center (BMC) network remained responsive to evolving customer needs. See June 2008 Network Plan at 30-31. The BMC network was designed over three decades ago to accommodate end-to-end surface transportation and processing of parcels and bulk mail. Postal customer mail entry patterns and use of the surface network have changed significantly over time. In the past, most Parcel Post and Standard Mail was deposited at origin and transported by the Postal Service to its destination. However, by 2007, 52 percent of Parcel Post was dropped at destination delivery units and 45 percent of Standard Mail was dropped at destination processing plants, bypassing postal BMC processing completely.

As indicated in the June 2008 Network Plan, the Postal Service conducted market research to better understand industry best practices and capabilities that could help address postal needs for distribution and long-haul surface transportation.

In July 2008, the Postal Service issued a draft Request for Proposal to explore the feasibility of outsourcing some of the work currently performed by the BMC network. Due to the unprecedented precipitous decline in mail volume, which began in 2008, and the current economic environment, it became virtually impossible to confidently forecast future volumes. Without sufficient volume guarantees, potential suppliers would have increased the price at which they would have been willing to perform the requested services. By late 2008, it was apparent it was not the right time to consider outsourcing a network of this size and scope.

Still facing the need to cut costs where appropriate and to eliminate excess capacity, the Postal Service turned its attention to an internal reengineering effort aimed at creating more efficient and cost effective use of the BMC network.

Based on evaluation of industry best practices and capabilities, the Postal Service began implementation of its BMC network redesign in FY 2009. The BMCs have been transformed into Network Distribution Centers (NDCs). Each of the 21 NDCs has been categorized into tiers by its assigned distribution and processing role.

- Eleven Tier 1 NDCs are responsible for distribution of local (turnaround) and destination Standard Mail, Periodicals, and Package Services.
- Six Tier 2 NDCs have Tier 1 responsibilities, and also perform distribution of outgoing Standard Mail, Periodicals, and Package Services to the network.
- Four Tier 3 NDCs have the Tier 1 and Tier 2 responsibilities, and also act as consolidation points for less-than-truckload network volumes from Tier 2 sites.

The NDC network was implemented in four phases, all complete in FY 2010. Surface transfer center operations were migrated into the NDCs at the following locations: Springfield MA, Jersey City NJ, Atlanta GA, Chicago IL and Washington DC. Logistics & Distribution Centers were consolidated in Philadelphia PA and Springfield MA to take advantage of the excess capacity created due to the elimination of outgoing operations within these locations. In addition, mixed states³ single piece distribution was consolidated into 15 NDC city locations. This consolidation of single-piece mixed states allows for denser trays and tubs, and aligns the processing of this volume with the transportation network in place to support its movement.

The NDC concept has improved on-time service performance by approximately 13 points nationwide for package services since the beginning of NDC activation. The NDC redesign will continue to yield significant service improvements nationwide and reduce cost, creating a viable network for the future. Projected annual savings for the NDC network are estimated at \$251 million.

The BMC transformation component of the Network Plan is now complete.

³ Mixed States distribution is the residual volume remaining after a mailer presorts their volume to the depth of sort required by mailing standards. These pieces are for delivery in the service area of more than one ADC or AADC.

III. CONCLUSION

In FY 2010, the Postal Service took significant steps toward implementation and further development of these key network initiatives. The need to analyze opportunities for network rationalization continues to be a high priority of postal management. Building on its previous successes, the Postal Service is committed to making its mail processing and transportation networks more efficient, economical, and environmentally sound. As this effort progresses, the Postal Service will follow its well-established processes for keeping external stakeholders and local communities informed, and for providing opportunities for public comment. The Postal Service will continue to work closely with its employee unions and associations.