

You are receiving this newsletter from the Postal Service as you have registered your interest to do business with the Postal Service or your e-mail is on file as a point of contact for a current or past contract. Please share this newsletter with your colleagues within your company as it contains important supplier related information about the Postal Service.



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New Business Plan Charts Path to Financial Stability *Return to Profitability and Better Serve the American Public*

The Postal Service has released an important update to its business plan for returning to profitability and long-term financial stability. While fundamentally consistent with the approach advanced by the Postal Service over the past year, the plan released last week incorporates important refinements of financial projections and recommended legislative reforms.

“The plan we have developed requires a combination of aggressive cost reduction, rethinking the way we manage our healthcare costs, and comprehensive legislation to reform the business model of the Postal Service,” said Postmaster General, Patrick Donahoe. “If provided the flexibility to quickly implement this plan, we can return to profitability and better

serve the American public. If not, we risk becoming a significant burden to the American taxpayer.”

At its core, the plan requires the reduction of annual costs by at least \$20 billion by 2015, rising to more than \$22 billion by 2016. This cost reduction is necessary given projected declines in First-Class Mail volume, which already has dropped by 25 percent since 2006. However, the Postal Service can achieve only a portion of these reductions under current business model constraints; legislative changes are needed to achieve the full \$20 billion in cost reductions.

The comprehensive five-year plan provides an achievable roadmap to long-term financial stability and independence from taxpayer support, and provides for full repayment of \$12.9 billion in debt currently owed to the U.S. Treasury. A central tenet of the plan is that success is not dependent upon achieving a mix or subset of reforms: the scale of the financial challenge requires that all of the major elements be pursued concurrently and fully executed within a short window of opportunity.

For more detailed information on the 5-year business plan, go to http://about.usps.com/news/national-releases/2012/pr12_029.htm

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Optimizing Our Mail Processing Network *Reducing Costs to Sustain Affordable Mail Service*

The Postal Service today announced most Area Mail Processing and other facility consolidation studies begun more than five months ago have been completed. All employees of the affected facilities have been notified.

Specific dates have not been set for any network changes, because any closure or consolidation is contingent upon the adoption by the Postal Service of a final rule to change delivery service standards. Also, in December 2011, the Postal Service agreed to impose a moratorium on closing or consolidating post offices and mail processing facilities until May 15, 2012, to give Congress and the Administration the opportunity to enact an alternative plan.

This seamless transition will create a more efficient processing network to better serve our customers. The Postal Service:

- Will routinely communicate about its planning process to provide ample time for its customers and suppliers to prepare for service changes.
- Is committed to providing logistical solutions for business customers.
- Expects the transition to be transparent to its more than 138 million residential customers.

More information about network optimization and a list of the affected facilities can be found at <http://about.usps.com/streamlining-operations/area-mail-processing.htm>.

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Supplier-Focused Q & A's about Network Optimization

Understanding the Impacts

The following Q & A's will help you better understand the impacts Network Optimization may have on the Postal Service supplier community. The Q & A's are organized into general questions, facility questions, transportation / logistics questions and vehicle / equipment questions.

GENERAL QUESTIONS

1. What is Network Optimization?

For decades the Postal Service expanded its network and infrastructure to accommodate a growing nation and an exponential increase in mail volume. The nationwide expansion resulted in more vehicles, more processing facilities, more processing equipment and more employees. Through network optimization, the Postal Service can adapt its network and infrastructure to the realities it's facing today — that for the first time in its history, the Postal Service must significantly reduce capacity across the board.

2. Why are these Area Mail Processing studies happening?

On September 15, 2011, the Postal Service announced more than 250 Area Mail Processing (AMP) studies, as part of Network Optimization, to determine if there are opportunities to increase efficiency and improve productivity.

We have to match our resources to the volume of mail we have to process. Improving efficiencies has become increasingly important, given the significant reduction in the amount of First-Class Mail that enters the postal system. In fact, since 2006, First-Class Mail has declined by 25 percent. To that end, the Postal Service is conducting Area Mail Processing and other studies to evaluate its mail processing infrastructure needs.

3. What is an Area Mail Processing study?

An Area Mail Processing study is the review of mail processing operations to improve operational efficiency and/or service. An Area Mail Processing study may review the consolidation of originating operations (canceling and sorting locally generated mail at a facility close to where the mail originates), destination operations (sorting and preparing mail received from more distant areas for local delivery) or both. The intent is to more efficiently use Postal Service equipment, facilities, staff, work hours and transportation.

Additional information can be found at <http://about.usps.com/streamlining-operations/area-mail-processing.htm>.

4. Where is the list of processing facilities being studied and the results of the studies?

The list of facilities and their study status can be found at <http://about.usps.com/streamlining-operations/area-mail-processing.htm>.

5. When is each facility on the list closing?

Implementation of this consolidation is contingent upon the outcome of pending rulemaking for a proposal to revise existing service standards. This announcement is provided in advance so that appropriate planning and notification can be made in accordance with existing employee agreements. Specific dates have not been set for the transition. Until a specific date has been announced, residential and business mailers will continue to be served through the current facilities.

6. What contracts will be affected by the closings of these facilities?

Depending on its size and mission, a Postal Service facility site may require a number of different contracts and suppliers to support its activities. These can include cleaning services, armored courier services, food services, mail transportation, trash and recycling services, landscaping and snow removal services, etc. Some contracts are national in scope while others are site specific.

7. How can potentially impacted suppliers find out whether their contracts will be impacted?

Potentially impacted suppliers should contact the appropriate Contracting Officer with any questions concerning the status of their contract. Only Postal Service Contracting Officers have the authority to change the requirements or terms and conditions of the contract.

8. Who is my Contracting Officer?

The Contracting Officer's name and office location is located on your base contract and subsequent modification documents.

9. If the Postal Service proceeds with consolidating sites, are you going to consolidate suppliers?

If sites are consolidated, there may be some consolidation of suppliers in certain commodity areas. The Postal Service has processes in place to assess the level of contractual support that is needed in various commodity areas and we will use appropriate sourcing strategies to deliver best value to the organization.

10. How will updates regarding the Network Optimization be provided to suppliers?

Suppliers should check the www.usps.com website for updates. Supply Management will also periodically issue supplier/contract-related updates via the supplier newsletter.

11. What is the process for notifying suppliers once the decision to close a site is made and a date for closure is scheduled?

If you are a supplier impacted by a site consolidation or closure, the Contracting Officer for your contract will provide you with formal instructions. The Contracting Officer is the only individual who can modify your contract or direct you to stop work.

12. To address my employees' concerns and plans for the future, when will we know if the impacted site is closing or not?

Implementation of these consolidations is contingent upon the outcome of pending rulemaking regarding a proposal to revise existing service standards. In addition, the Postal Service has committed to members of the U.S. Senate that it will not close or consolidate any postal facility prior to May 15, 2012. Accordingly, if service standard changes are adopted, any related operational changes and facility closures will occur after that date.

13. What is a service standard?

A *service standard* is the number of days between the acceptance and delivery of a piece of mail that the Postal Service considers to be timely delivery. It is a stated goal for service achievement for a mail class. It represents the number of days it takes to deliver mail between specific 3-digit ZIP Codes within the United States and its territories. Service standards are based on, among other things, origin and destination locations and the particular mail product within the U.S. postal system.

14. What service standards could change?

The Postal Service is proposing to modify existing service standards for First-Class Mail and Periodicals. The principal impact of the proposal, if adopted, would be to eliminate the expectation of overnight service.

Current Standards

Priority Mail:	1 - 3 days
First-Class Mail:	1 - 3 days
Periodicals:	1 - 9 days
Package Services:	1 - 8 days
Standard Mail:	3 - 10 days

Proposed Standards

Priority Mail:	1 - 3 days
First-Class Mail:	2 - 3 days
Periodicals:	2 - 9 days
Package Services:	1 - 8 days
Standard Mail:	3 - 10 days

15. Will my contract end prematurely? Will my contract be terminated?

This depends upon the needs of the Postal Service after the Network Optimization process has been completed. If a site is consolidated, the need for contractual support may no longer be needed and the contract may be terminated in accordance with the terms and conditions of the contract.

Depending on the needs of the Postal Service, the contract may continue until the period of performance has ended or the contract may be modified due to changed requirements. If a contract is modified, the Postal Service Contracting Officer will notify the supplier.

16. If my contract is terminated, will I get compensated for my losses?

If the contract is terminated, the supplier may be eligible for some compensation under the terms of the individual contract. Compensation for losses due to contract termination is determined based on the terms and conditions of the contract.

17. Can the Postal Service pay its bills? Will I be paid for the supplies and/or services rendered?

Yes. The Postal Service will abide by the terms of the contract and suppliers will be paid.

FACILITY RELATED QUESTIONS

18. Could an impacted site remain partially open? If yes, will my company be able to continue providing the contractual support required?

Yes, a site could remain partially open. If contractual support continues to be required at an impacted site after the Network Optimization process has been completed, the Postal Service will re-assess what contractual support will be needed and determine the appropriate course of action (e.g., negotiate a reduced scope of services and/or supplies, compete the newly revised requirements, or consolidate multiple sites and compete the newly revised requirements.)

19. If a contract for services at an affected facility site is about to expire or a solicitation for services has been issued for services at a facility, what should suppliers do to determine the status?

All questions concerning contracts or solicitations for contracts should be directed to the appropriate Contracting Officer.

20. How many of the processing facilities on the list are owned by the Postal Service?

A majority of the facilities on the list are owned by the Postal Service.

21. Regarding the leased facilities, will the Postal Service break the leases?

The Postal Service will work with the facility owners and within the terms of the contractual agreements.

22. Will the facilities be sold?

Decisions will be made based on the needs of the service. The Postal Service has entered into a contract with CBRE to represent postal interests regarding the sale of any and all postal-owned properties. More information can be found at <http://uspspropertiesforsale.com/>

23. Will facility design and construction services be needed in FY 2012 and FY 2013 to support this consolidation?

Design services are expected to be required in FY 2012. Construction services will continue through FY 2013.

TRANSPORTATION / LOGISTICS RELATED QUESTIONS

24. How will the potential closing of hundreds of processing facilities impact transportation? Logistics?

It is expected that the Postal Service will be able to better optimize transportation across the board. The transportation network will be realigned to meet the needs of a new mail processing network. The logistics network will be set up to take advantage of the new operational window and will meet new critical entry times based on that new processing window.

25. Will the Postal Service be increasing its use of contract transportation? If so, by how much?

During the study phase, the Postal Service will assess each contract to determine whether it aligns with the new mail processing network, as well as whether the routing in place supports the new service standards. At this time, the full quantification of contract impacts has not been finalized.

26. Will my transportation route be automatically changed to another route in the new realignment?

The Postal Service is currently determining the mail transportation routes that will need to be eliminated and/or modified. Depending on the level of mail transportation service required after Network Optimization, the Postal Service will use a sourcing strategy that provides the best value to our organization; for example, negotiating a reduced scope of services with the incumbent supplier, competing the new revised requirement, or consolidating multiple services and competing the requirement.

27. Will the new network require re-designing all of the current routes or will just some of the routes be eliminated?

Initially, there may be some sites that will not be impacted (or impacted on a limited basis) by Network Optimization. In such cases, existing services may remain in place. However, there may be consolidation of services in the near future even if the facility is not impacted.

28. Will we have the opportunity to bid on the new realignment routes?

The Postal Service currently is prequalifying suppliers for Network Optimization mail transportation services. The prequalification event closes March 2, 2012. For additional information, send an email to pqnetop@usps.gov.

29. Will the Network Optimization require larger capacity trucks?

The new service standard requirements may require a vehicle that is larger or smaller based on the Postal Service's needs.

30. Will the Network Optimization require longer distance routes?

The new service standard requirements may require routes of longer or shorter distances based on Postal Service needs.

31. Will most routes be cross country or will there still be a need for local routes?

The Network Optimization mainly affects intra-area routes which tend to be short-hauls versus long-hauls.

VEHICLE / EQUIPMENT RELATED QUESTIONS

32. How are Vehicle Maintenance Facilities (VMFs) impacted? How many are attached to processing facilities being studied?

There are more than 50 Vehicle Maintenance Facilities on the list of facilities to be studied. The VMFs will remain in place until further notice.

33. Will the change result in excess vehicles? If so, what will you do with them?

This change will require the Postal Service to utilize fewer vehicles due to the consolidation across the network. The Postal Service will look to reduce its older vehicles first and then ascertain the best disposition plan for the remaining vehicles not required.

34. I have assets at a site that is on the list of sites to be closed. What is the process for recovering my assets if the site actually closes?

The Contracting Officer identified in your contract will provide written instructions regarding the return of supplier assets. Do not remove any of your assets from the Postal Service until you have received instructions to do so from the Contracting Officer. Until the Contracting Officer notifies you, you must continue to operate under the terms of the existing contract.

35. Where will all the excess mail processing machinery go? Can the Postal Service sell it?

The Postal Service has a responsible disposition plan for all excess mail processing equipment. Part of the plan includes eliminating mail processing equipment that has reached its end-of-life and maintain some equipment for contingency planning purposes. The remainder of the equipment may be utilized for spare parts or sold. If you are interested in purchasing excess USPS equipment send inquiries to HQInvestmentRecovery@usps.gov.

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Diversity Business Owners Give USPS Highest Rank — Again *Attracting Multicultural Businesses*

The Postal Service continues to make progress in ensuring diversity within its supply chain. It is the reason why, in an online survey of more than 1.2 million diversity business owners, the Postal Service has been named “**The #1 Agency for Multicultural Business Opportunities**” by DiversityBusiness.com <http://diversitybusiness.com/> for 2012. This recognition marks the 12th consecutive year the Postal Service has ranked among the top federal agencies for promoting multicultural business opportunities. The Postal Service has claimed the top spot four out of the last five years. More information may be obtained at <http://www.diversitybusiness.com/news/supplierdiversity/45201299.asp>

Small, minority-owned and women-owned businesses (SMWOBs) are critical to the success of the Postal Service. SMWOBs are found throughout our network; they move and deliver mail, support our IT infrastructure and facilities, develop equipment and provide spare parts, repair our vehicles, and provide professional services and other supplies and services. SMWOBs are also critical in the development of new services, new approaches, and profitable new applications that support our organization and keep our business on the path to long-term sustainability.

The Postal Service Supplier Diversity Corporate Plan focuses on continuous improvement in our collaborative relationships and addresses client stakeholder responsibilities through its nine elements:

- Management Involvement
- Communication and Outreach
- Sourcing Considerations
- Innovation and Sustainability
- Subcontract Management
- Training and Development
- Tracking Progress
- Performance Indicators
- Recognition

To read the plan in its entirety, go to: <http://about.usps.com/suppliers/diversity-program.htm>

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Introducing Simplified Competitive Purchasing *Streamlining the Process while Maintaining Best Value*

Late last year, Supply Management established a new, streamlined business practice: Simplified Competitive Purchasing. The new business practice streamlines the competitive purchasing process and reduces cycle time from solicitation to contract award. This is part of the Supply Chain Integration DRIVE (Delivering Results, Innovation, Value, and Efficiency) Initiative.

Simplified Competitive Purchasing is used to purchase commercially available goods and services valued at \$250,000.00 or less in an expedited manner. As with all other Postal Service purchases, Simplified Competitive Purchasing contracts are awarded on a best-value basis. Simplified Competitive Purchasing reduces administrative costs, promotes efficiency and economy in contracting, and lessens unnecessary burdens on both the Postal Service and its suppliers.

Simplified Competitive Purchasing is discussed in Topic 2-43 of the USPS Supplying Principles and Practices (SPs and Ps), which can be accessed on www.usps.com at <http://about.usps.com/manuals/spp/spp.pdf>.

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Postal Service Progresses With Operational Efficiencies ***Proposal to Change Service Standards Filed with PRC***

The U.S. Postal Service announced on December 5 that it will move forward with its proposal to change service standards. This action is being taken in response to on-going financial challenges caused by the dramatic and continual decline in First-Class Mail volume and the resulting revenue loss.

“The U.S. Postal Service must reduce its operating costs by \$20 billion by 2015 in order to return to profitability,” said David Williams, vice president, Network Operations. “The proposed changes to service standards will allow for significant consolidation of the postal network in terms of facilities, processing equipment, vehicles and employee workforce and will generate projected net annual savings of approximately \$2.1 billion.” This is part of the overall savings expected from the network optimization initiative, which is projected to save up to \$3 billion by 2015.

The size of the existing Postal Service network is dictated by the current overnight transit time in existing service standards. The Postal Service is proposing, through the rulemaking process, to move First-Class Mail to a 2–3 standard for contiguous U.S. destinations; however, there would be an opportunity for mailers who properly prepare and enter mail at the destinating processing facility prior to the day's critical entry time to have their mail delivered the following delivery day.

On September 15, the Postal Service announced it would begin studying 252 out of 487 mail processing facilities for possible closure. At that time, the Postal Service also announced it would be considering changes to service standards in an Advance Notice of Proposed Rulemaking published in the Federal Register. The Advance Notice filing was a formal effort to gather input from the public early in the process to ensure their views can be factored into the service change proposal.

On December 5, the Postal Service filed a request with the Postal Regulatory Commission (PRC) for an advisory opinion regarding service standard changes associated with a significant rationalization of its mail processing network. The Postal Service will also publish a notice in the Federal Register soliciting public comment on the specific proposed changes.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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Postal Service, Two Unions Continue Negotiations to Midnight December 16 *Outcome Critical to Postal Service, Employees, Future*

The Postal Service and two of its major unions have agreed to continue to extend separate labor contract negotiations. Although the contracts with the National Association of Letter Carriers, AFL-CIO (NALC) and the National Postal Mail Handlers Union, AFL-CIO (NPMHU) expired at midnight Sunday, November 20, the Postal Service and the two unions agreed to extend the negotiations deadline until midnight, Wednesday, December 7, 2011. All parties have now agreed to continue negotiations until midnight, Friday, December 16.

The NALC represents more than 195,000 employees who work as letter carriers delivering mail primarily in urban areas. The NPMHU represents more than 45,000 employees who work in mail processing plants and Post Offices. Respectively, wages and benefits for NALC- and NPMHU-represented employees exceeded \$15.7 billion and \$3.5 billion last year. Should negotiations fail, a process begins which could result in a third party determining contract terms and work rules for approximately 240,000 employees.

Unlike the private sector, when negotiations come to an impasse, postal employees are not permitted to strike as Congress has designated the Postal Service as an essential service to the nation. An arbitrator determines the final outcome and is not legally required to consider the Postal Service's financial obligations when rendering a decision.

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A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 151 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With 32,000 retail locations and the most frequently visited website in the federal government, usps.com, the Postal Service has annual revenue of more than \$65 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 35th in the 2011 Fortune 500. In 2011, the U.S. Postal Service was ranked number one in overall service performance, out of the top 20 wealthiest nations in the world, Oxford Strategic Consulting. *Black Enterprise* and *Hispanic Business* magazines ranked the Postal Service as a leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency for six years and the sixth Most Trusted Business in the nation by the Ponemon Institute.

DID YOU KNOW?



**USPS receives
no federal
tax dollars
for its
operations.**

ARE YOU REGISTERED TO DO BUSINESS WITH THE U.S. POSTAL SERVICE?

More than 7,000 suppliers have registered since our launch of the Supplier Registration site in July 2009.

All suppliers interested in doing business with the U.S. Postal Service should register their company in the Postal Service Supplier Registration system.

For more information, please go to
<http://about.usps.com/suppliers/becoming/registration.htm>.

CONTACT US!

We value your questions and feedback to this newsletter. Please feel free to reply to this message with your feedback or mail to:

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