

Delivery Compliance - Frequently Asked Questions

Despite continuing efforts with our carriers to improve carrier on-time delivery to scheduled appointments, we continue to have outlier carriers that do not schedule appointments and continue to deliver product outside of previously scheduled delivery windows. This impacts product service level and creates supply chain inefficiencies which is expensive for Safeway and is not fair to those vendors and carriers that make the effort to deliver on time as scheduled. An unintended consequence of not having a penalty for not showing up for an appointment is that our loads are compromised so carriers can make appointments with competitors that currently have a missed appointment fee.

In light of these ongoing delivery compliance opportunities, and in order to offset the cost of non-compliant deliveries, Safeway is instituting a fee-based compliance program in 2013.

The fee structure was developed by taking our competitor's policies, plotting them and taking the mid-point. We feel the fee is fair and the intent isn't to generate fees; it is to change the behavior so we can receive the inventory on the same day the carrier committed to delivering it.

Q: Why are we implementing a delivery compliance fee?

A: Today 27% of our loads are late. This adds cost to Safeway. Not knowing when or if 27% of our loads are showing up creates inefficiencies scheduling labor, ties up capacity that goes unused and forces work into overtime. This also forces us to carry more inventory than we need or results in out of stock issues when the carrier is unable to deliver on the same day that they scheduled to arrive on.

Q: Under what scenarios will Safeway charge a carrier delivery compliance fees?

A: Delivery compliance fees will be assessed for the following two (2) scenarios:

- 1) **No Show:** Defined as any truck that does not arrive during the receiving shift of its appointment, as scheduled in One Network, OR any truck that reschedules or cancels its One Network appointment any time less than Two hours before the original appointment time.
- 2) **Unscheduled:** Defined as any truck that arrives at our distribution center without an appointment scheduled in One Network. Every PO on the truck must be scheduled on that appointment.

Q: What are the assessment fees for delivery compliance violations?

A: No Shows are assessed a fee of \$500 per truck

B: Unscheduled arrivals are charged \$300 per truck

Note: If there are multiple violations on the same delivery, that truck will only be charged once.

Q: During transit in the event a carrier is delayed and cannot make the original appointment will they be assessed a penalty?

A: If a carrier reschedules or cancels the One-Network appointment later than the original appointment time a penalty will be assessed.

Q: If a truck arrives late but during the same warehouse receiving hours for the One Network scheduled appointment will they be charged?

A: Not at this time. If the truck arrives late for the appointment they will not be charged as long as they arrive prior to the end of the warehouse receiving hours for the shift that they are scheduled for.

Note: The truck may be pushed to the end of the receiving schedule and will be unloaded as warehouse labor is available.

Q: How will the fees be assessed?

A: The fees will be assessed to the delivering carrier at the time of check-in by Safeway's onsite unloading service partner. There will be no onsite exceptions at this time unless previously determined prior to implementation. Any disagreement from the carriers over the validity of the fees will be the responsibility of the party that hired the carrier for the delivery i.e. Safeway or Safeway supplier.

Note: Safeway's onsite unloading service partner will administer and manage the collection of assessed fees as most carriers already have payment arrangements in place with these unloading service providers.

Q: What are the payment options with Safeway's unloading service partners for payment of the fees assessed?

A: The unloading services currently have two payment options to collect the fees:

- 1) Credit card
- 2) Carrier Comcheck

Q: Will charges be assessed if there is an "act of God" such as a major snowstorm or flood that impacts the receiving DC?

Allowances will be made for *major* "acts of God" occurrences such as a very large snowstorm or flood that effectively closes major highways leading to the receiving DC. In any event, if the delivering carrier realizes that a delay is imminent that will not allow delivery at the original appointment time, the carrier needs to follow the standard re-scheduling process and re-schedule the appointment in One Network. Safeway alone reserves the right to declare an "act of God" event.

Q: What is the implementation schedule for rolling out this program to all US DC's?

A: The tentative implementation schedule is as follows:

- 1) Tempe DC: Live as of 1/07/13
- 2) Denver DC: 1/21/13
- 3) TX and Portland DC's: 2/04/13
- 4) Vons/Tracy/CPS: 2/18/13
- 5) Seattle, Spokane and CPE: 3/04/13
- 6) Dominick's: 3/18/13

Q: Who do I contact if I have any questions?

A: We have an e-mail hotline setup for any questions. The address is Delivery.compliance.info@safeway.com and someone from Safeway will respond within 24 hours of the inquiry.