

MAILING INDUSTRY TASK FORCE

Standardize Mail Preparation, Containerization and Entry Requirements

Recommendation Recap

As recommended in the original October 2001 report of the Mailing Industry Task Force, industry and the Postal Service have collaborated to standardize mail preparation, containerization and entry requirements to drive greater end-to-end system efficiency across classes of mail.

Task Force members, led by William Davis, CEO of R.R. Donnelley, developed a foundation for optimization initiatives and a process for prioritizing activities. Over the past six months, the Task Force has continued to work closely with industry and the Postal Service to pilot implementation of the initiatives, and to plan future efforts.

“The level of collaboration around mail preparation and entry improvement between the Postal Service and the industry remains a best-practice example of cooperation, knowledge-sharing and communication,” stated Davis.

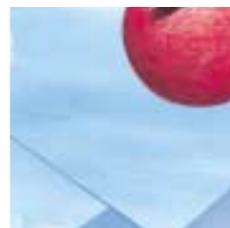
TASK FORCE PROGRESS

- ✓ *Principles of Standardization*
- ✓ *Five-Digit Packaged Flats Scheme*
- ✓ *Three-Digit Container of Value*
- ✓ *Enhanced Dropship Service*
- ✓ *Flexible Minimums for Five-Digit AFSM-100-Compatible Standard Bundles*
- ✓ *Prep Improvement for Large Letters/Small Flats*
- ✓ *Mixed Mail on BMC Containers*
- ✓ *Prep Improvements for Flats in Letter Trays*
- ✓ *Co-Palletization of Periodicals Pilot*
- ✓ *Flats Container Development Program*
- ✓ *Cost-Based Preparation Modeling*
- ✓ *Node-Based Presort Analysis*

Principles of Standardization. Led by Bill Davis, and his co-chair, John Rapp, Senior Vice President of Operations for the Postal Service, the Task Force supported implementation of a set of principles for standardization which represent a framework from which to measure success. The development of initiatives remains aligned with existing industry and USPS partnerships, including the Mailers' Technical Advisory Committee (MTAC) and Product Redesign.

Completed Initiatives. The Task Force has supported implementation of several mail prep and entry initiatives over the past six months:

- Five-digit packaged flats scheme. The five-digit schemes for automation-compatible flats bundles replicates the scheme design combinations successfully used for automated letters. Completed in December, this process will help insure that flat mail is processed in the most efficient manner. “This program,” USPS Vice President for Network Operations Paul Vogel told the Task Force, “responds to industry need to prepare mail in alignment with postal processing on advanced flat sorting machines, allowing mailers to merge five-digit zones in a single bundle.”
- Three-digit container of value. Also finalized in December, the identification of three-digit containers (mostly pallets) which do not add value will help reduce the number of pallets handled, and will help move the mail through the optimum processing stream. This program requires mailers to prepare pallets containing multiple



three-digit ZIPs when the individual three-digit containers would not add value in postal processing. Mailer preparation of the fewest number containers that can still minimize postal handling costs to the greatest extent possible is the objective.

- Enhanced dropship product. Mailers can now use the product to get their mail product entered at the most efficient locations, including annexes, based on the class, shape, and/or presortation of their drop shipments.
- Other initiatives:
 - September 2002 brought implementation of optional 10-16 piece five-digit bundles for AFSM-100 compatible Standard Flats. Using the blended 3/5 Standard rate, mailers have the option to increase bundle size, which reduces overall costs.
 - Last October saw the finalization of procedures to more efficiently prepare 'fletters', which are bulky sized letters with the capability of being processed as a non-automated letter or an automated flat.
 - In November, procedures were also finalized to allow mailers to take pieces that otherwise would have been sacked and entered at origin, and place these pieces on the proper BMC pallet in order to reduce handlings for residual mail.
 - Standardization of procedures to transport certain flat-size mail in letter trays, in lieu of sacks, was also implemented in November. This helped eliminate 'exceptions' and improved tray label barcoding.

Preparation Feasibility Pilots. Two pilot initiatives are ongoing and are being monitored by the Task Force.

- Co-palletization. Periodical co-palletization has moved toward implementation after the submission to the PRC as a niche classification. Periodical volumes transported in sacks will be moved onto pallets and entered at the destination by customers. In late December the PRC recommended an experimental classification and on January 6, the USPS BOG approved a two-year experiment with an April 20 implementation.
- A new container for flats. This would carry from 20 to 60 pounds of mail, loaded at a printer's bindery line and be transported directly to a processing plant for direct induction into the automated flats operation. Testing is underway at the Postal Service's plant in Fort Myers, Florida. The USPS and industry continue collaboration on developing alternatives for mail containers, with emphasis on the efficient end-to-end container movement from mailer production to the USPS processing operation.

Preparation Modeling. Two modeling initiatives are also underway and have the Task Force's support:

- USPS product redesign is working closely with USPS Operations, the Prep and Entry work group, and MTAC work groups to ensure that cost modeling studies – including a cost-based preparation model — use appropriate data. Data collection on bundle/piece handlings in delivery units is complete and the Standard Mail Characteristics study is underway.
- Node-based presort. The Task Force endorsed further study of the concept of a node-based presort scheme that would be: 1) a further enhancement to the existing presort lists and schemes, 2) based upon the concept that the parent container should drive the packaging, 3) aligned with grid pricing and cost-based presort. Plant visits were conducted at two plants each in the New York and Chicago metro areas. The node-based concept was described to local USPS management and the process of collecting the necessary site-specific data was initiated. The information collected — flat sorting machine schemes and bundle/pallet processing schemes — will be used to model the node-based concept for these locations in order to determine the potential cost benefits to the Postal Service. Node-based presort is focused on the preparation of Standard Mail and Periodicals flat-shaped pieces and has two main components: 1) to align the preparation of these flats based strictly on the way these pieces will be handled at the destinating plant, and 2) to move from today's "one size fits all" presorting standards (e.g. six pieces minimum in a package and 250 lbs. minimum on a pallet for Periodicals) to more flexible standards that result in the lowest combination of piece, package, and container handling costs for the Postal Service.

FUTURE ACTIONS

The Task Force intends to support the following next steps:

- Expanded Co-Palletization. The Task Force agrees with the USPS assessment that work done in regard to co-palletization of periodicals has prompted continuing interest in applying those lessons learned to other mail products. The results of these efforts will lead to another positive outcome, a reduction in sacked mail. The expansion program is expected to be announced in May.
- Combined Letter Trays on Pallets. Through discussion among Task Force members and USPS managers, coupled with on-site observations, the Postal Service continues to identify opportunities to better manage and control the preparation, entry and handling of trayed mail volumes combined from multiple mailings. Results and the next steps in this program are expected to be announced in June.
- Three-Digit Scheme for Flats. A three-digit scheme sort for flats is a natural extension of the recently implemented five-digit scheme mentioned earlier. The Task Force acknowledges the benefits - fewer packages, reduced sorting and preparation – associated with the strategy, which are similar to those realized with the existing three-digit scheme for automated letters. The next phase of this effort will be announced in June.

PREPARATION AND ENTRY COMMITTEE MEMBERSHIP

The Task Force subcommittee on preparation and entry has members representing Advance Presort Services, Inc., ADVO, Inc., Capital One, Gruner & Jahr, JC Penney, Mid-America Mailers, Quad Graphics, Quebecor World, R.R. Donnelley & Sons, Pitney Bowes and Time Inc. The committee is co-chaired by William Davis, chairman and CEO of R.R. Donnelley, John Rapp, Senior Vice President, Operations, United States Postal Service, and Paul Vogel, Vice President, Network Operations Management, United States Postal Service.