UNITED STATES
POSTAL SERVICE

Mail Prep and Entry Steering Committee

January 12, 2016

Agenda

- Welcome
- Committee Members
- Change/Improvement Templates
- Ideas Log
- Open Discussion
- Closing

Committee Members

Committee Members

Name	Company / Organization
John Whittington	Time Inc.
Phil Thompson	Quad Graphics
Bob Schimek	Satori Software
Jack Widener	American Business Media
Erv Drewek	Graphie Communications
John Stark	Conde Nast
Sharon Harrison	AT &T
Hamilton Davison	ACMA
Brad Hill	Interlink / NNA
Max Heath	Athlon Media Group
Nancy Cushman	ACMA - Crate & Barrel
Susan Pinter	Arandell
Michelle Zalewski	ALG Worldwide
Robert Galaher	NAPM
Mury Salls	DST Mailing Services
Steve Krejcik	Pitney Bowes
Dale Miller	RR Donnelley
John Medeiros	DHL
Jack Widener	ABM Postal Counsel
Leo Raymond	Epicomm
Rose Flanagan	Data-Mail Inc
P Miller	Catalog Mailers
Todd Black	Intelisent
Dane Coleman	Manager, Operations, Integration & Support
Steve Monteith	Manager, Pricing, Human Capital Enerprise System, USPS
Karen Key	Manager, Shipping Product Services, USPS
Lizabeth Dobbins	Manager, Product Classification, USPS
Rick Baxter	Operations Specialist , USPS (Being Replaced)
Chuck Tricamo	Manager, Pricing & Classification Service Center

Committee Members

- **Continue to work on email distribution list as well as a concise list of committee members**

- **Proposed - Moving from monthly meetings / webinars to quarterly meeting aligning with MTAC**

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Change/Improvement Templates

FCM Flats – 5D Scheme

Problem Statement - Describe the issues, the impact to the USPS/Mailer, or other reasons for change.
FCM Flats do not enable 5 Digit Scheme sortation. It isn't clear why - since other mail classes offer the opportunity to optimize presentment of flats utilizing schemes. The USPS initially reviewed this but indicated they weren't planning to offer further discounts. This seems contrary to this teams efforts -since having FCM presented with schemes seems it would also benefit the USPS. Can we please investigate this further to align on what value there is with this approach?

Potential Solution - Detail the ideas/suggestions for improvement or resolution to the problem.
Modify the DMM to allow FCM Flats to enable 5 Digit Scheme sortation for qualifying discounts.

Mailer Effort Analysis – Select the appropriate involvement and level of effort to make changes.
Time for Mailer to Implement Change <**3 months** / 3-6 months / 6-12 months / >1 year
Costs for Mailer to Implement <**100K /** 100-500K / 500k-1M / >1M
Involves Mailer IT/System Changes None / **1 System** / Multiple Systems / New System & Process Change
Additional Comments for Analysis: Requires modification to vendor sortation processes to enable this as an option.

FCM Flats – 5D Scheme

FY 2013 First Class Mail - FLATS
(thousands)

Total ALL Flats	34,807,710	
Total FC Flats	**1,898,586**	**5.45%**
Single Piece	1,273,026	67.05%
NonAuto Presort	31,824	1.68%
MXD ADC Auto Presort	60,336	3.18%
ADC Auto Presort	101,192	5.33%
3-Digit Auto Presort	282,215	14.86%
5-Digit Auto Presort	149,993	7.90%

FY 2013	Automation	Revenue per Piece* (1 oz.)	Cost per Piece**	Total Revenue	Total Cost
ADC	101,192,000	0.64	0.50411	$64,762,880.00	$51,011,967.58
3-Digit	282,215,000	0.594	0.46774	$167,635,710.00	$132,003,959.28
5-Digit	149,993,000	0.406	0.32651	$60,897,158.00	$48,974,871.93
	533,400,000		**Total**	$293,295,748.00	$231,990,798.79

*Notice 123 (January 27, 2013)
**Information from PRC webpage for Mail Processing unit cost: FY2013 FCM_Prsrt_Flats_PRC

Assumption	Automation	Revenue per Piece (1 oz.)	Cost per Piece**	Total Revenue	Total Cost
ADC***	96,132,400	0.64	0.50411	$61,524,736.00	$48,461,369.20
3-Digit****	253,993,500	0.594	0.46774	$150,872,139.00	$118,803,563.35
5-Digit Sch	183,274,100	0.406	0.32651	$74,409,284.60	$59,841,629.78
	533,400,000		**Total**	$286,806,159.60	$227,106,562.33

***Shift 5% of ADC from ADC to 5-Digit
****Shift 10% of 3-Digit from 3-Digit to 5-Digit

Change	-$6,489,588.40	-$4,884,236.46
Net Savings per FY	**-$1,605,351.94**	

FCM Flats – 5D Scheme

FY 2014 First Class Mail - FLATS (thousands)

Total ALL Flats	33,620,678	
Total FC Flats	**1,782,673**	**5.30%**
Single Piece	1,184,001	66.42%
NonAuto Presort	28,796	1.62%
MXD ADC Auto Presort	59,009	3.31%
ADC Auto Presort	102,791	5.77%
3-Digit Auto Presort	270,898	15.20%
5-Digit Auto Presort	137,179	7.70%

FY 2014	Automation	Revenue per Piece* (1 oz.)	Cost per Piece**	Total Revenue	Total Cost
ADC	102,790,619	0.691	0.56456	$71,028,317.73	$58,031,471.86
3-Digit	270,898,383	0.634	0.52439	$171,749,574.82	$142,056,403.06
5-Digit	137,178,743	0.451	0.37242	$61,867,613.09	$51,088,107.47
	510,867,745		**Total**	$304,645,505.64	$251,175,982.39

*Notice 123 (January 26, 2014)
**Information from PRC webpage for Mail Processing unit cost: FY2014 FCM_Prsrt_Flats_PRC

Assumption	Automation	Revenue per Piece (1 oz.)	Cost per Piece**	Total Revenue	Total Cost
ADC***	97,651,088	0.691	0.56456	$67,476,901.84	$55,129,898.27
3-Digit****	243,808,545	0.634	0.52439	$154,574,617.34	$127,850,762.76
5-Digit Sch	169,408,112	0.451	0.37242	$76,403,058.62	$63,090,969.16
	510,867,745		**Total**	$298,454,577.81	$246,071,630.19

***Shift 5% of ADC from ADC to 5-Digit
****Shift 10% of 3-Digit from 3-Digit to 5-Digit

Change	-$6,190,927.84	-$5,104,352.20
Net Savings per FY	**-$1,086,575.63**	

FCM Flats – 5D Scheme

FY 2015 First Class Mail - FLATS (thousands)

Total ALL Flats	33,055,903	
Total FC Flats	**1,668,897**	**5.05%**
Single Piece	1,057,409	63.36%
NonAuto Presort	27,031	1.62%
MXD ADC Auto Presort	61,784	3.70%
ADC Auto Presort	92,534	5.54%
3-Digit Auto Presort	291,575	17.47%
5-Digit Auto Presort	138,563	8.30%

FY 2013	Automation	Revenue per Piece* (1 oz.)	Cost per Piece**	Total Revenue	Total Cost
ADC	92,534,249	0.691	0.62130	$63,941,166.06	$57,491,528.90
3-Digit	291,575,089	0.634	0.57103	$184,858,606.43	$166,498,123.07
5-Digit	138,563,343	0.451	0.41190	$62,492,067.69	$57,074,240.98
	522,672,681		**Total**	$311,291,840.18	$281,063,892.96

*Notice 123 (September 7, 2014) Price change did not occur until May 2015
**Information from PRC website page for Mail Processing unit cost: USPS-FY15-11 FCM flats

Assumption	Automation	Revenue per Piece (1 oz.)	Cost per Piece**	Total Revenue	Total Cost
ADC***	87,907,537	0.691	0.62130	$60,744,107.76	$54,616,952.46
3-Digit****	262,417,580	0.634	0.57103	$166,372,745.78	$149,848,310.76
5-Digit Sch	172,347,564	0.451	0.41190	$77,728,751.52	$70,989,961.76
	522,672,681		**Total**	$304,845,605.06	$275,455,224.98

***Shift 5% of ADC from ADC to 5-Digit
****Shift 10% of 3-Digit from 3-Digit to 5-Digit

Change	-$6,446,235.12	-$5,608,667.98
Net Savings per FY	**-$837,567.14**	

FCM Flats – 5D Scheme

- The gap between revenue loss and cost saving has been reduced almost 50% since FY 13

Net Savings FY13	-$1,605,351.94

Net Savings FY15	-$837,567.14

- Cost per pieces only reflects for mail processing
  - It in composes both bundle and tray handling by presort level
  - More in-depth analysis on the cost for FC flats could be found in the PRC's website
- Volume shift from ADC/3-Digit to 5-Digit Sch is based on estimation
  - Seeking assistance from Industry to perform a mock job using L007 to see the actual shift.

Optimize Work Share Signals

Problem Statement - Describe the issues, the impact to the USPS/Mailer, or other reasons for change.
Price structure is as important as price itself to signal optimal work share. Since the USPS processes all flat mail on the same processing equipment, optimal work share could be attained if the price structure of all flats signaled the same prep and entry result. Today's price structures are not aligned in their signals increasing USPS costs.

Potential Solution - Detail the ideas/suggestions for improvement or resolution to the problem.
The USPS and industry should consider a review of current standard flats mailing requirements and related price structures (not prices) to determine if a more activity based price structure would result in optimal work share. This is the path Periodicals took in 2007 which has resulted in significant work share improvements.

Mailer Benefit Analysis – Select the appropriate range of benefit from the choices provided.	
Improves Productivity/Efficiencies for Mailer	<10% / 10-25% / 25-50% / >50%
Decreases Yearly Operating Costs to Mailer	<100K / 100-500K / 500k-1M / **1M**
Overall Degree of Benefit to Mailers	Negative Benefit / No Benefit / Some Benefits / **Very Beneficial**

Optimize Work Share Signals

Considerations

- Complexity of request
- What would be the Flat structure
  - Large mailers – makes sense
- Maybe make it similar to the Periodicals
- Evaluation from Pricing is needed

Node Based Prep & Entry Rules

Problem Statement - Describe the issues, the impact to the USPS/Mailer, or other reasons for change.
The processing capabilities of each USPS facility vary, yet the upstream preparation rules are "1 size fits all". As a result, a number of USPS facilities are presented mail that requires additional cost to transport, process and deliver. Node based presort would reduce the additional cost.

Potential Solution - Detail the ideas/suggestions for improvement or resolution to the problem.
The USPS possesses various data sources that detail the capabilities of each processing facility. The industry has the manufacturing capability today to create facility-specific preparations. It is the presort software that interfaces with the manufacturing controls that would need to be addressed.

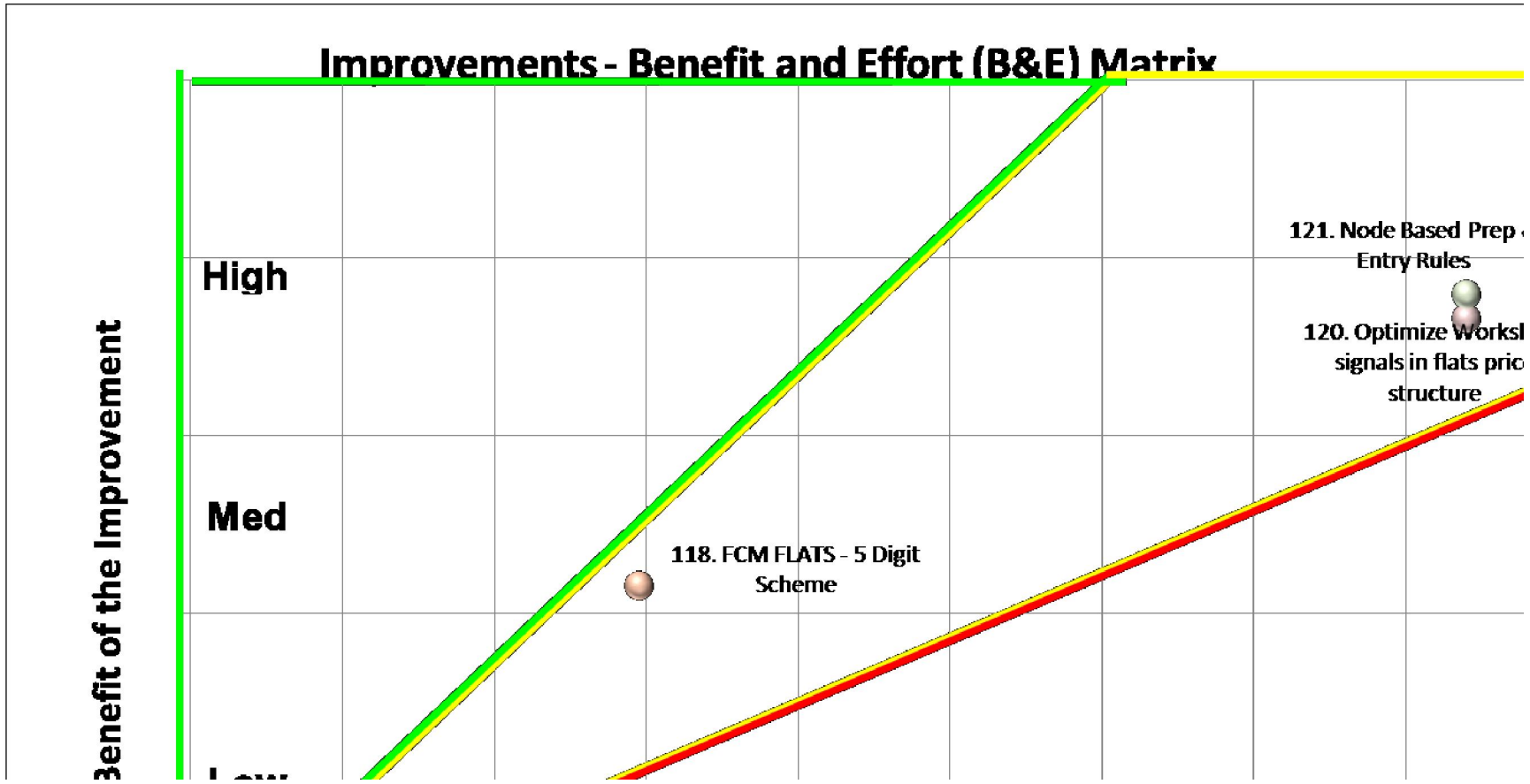
Mailer Benefit Analysis – Select the appropriate range of benefit from the choices provided.	
Improves Productivity/Efficiencies for Mailer	<10% / 10-25% / 25-50% / >50%
Decreases Yearly Operating Costs to Mailer	<100K / 100-500K / 500k-1M / **1M**
Overall Degree of Benefit to Mailers	Negative Benefit / No Benefit / Some Benefits / **Very Beneficial**

Node Based Prep & Entry Rules

Considerations

- Reduces operational flexibility and potential offloads
- Increases complexity of acceptance and verification procedures
  - Interface with FAST and seamless environment
- Impacts to revenue and costs
- Potential pallet identifier?

B & E Matrix Measurement



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Ideas Log

Ideas Log

- High priority
  - 0 items
- Medium priority
  - 6 items
- Low priority
  - 4 items

Ideas Log

- #74 - Removal of Origin Sack Mail -

Issue: For Standard & Periodical Mail. The mail preparer produces bundles of flats. The bundles are placed in the sacks. The sack label it attached to the holder and the sack is tied. The USPS has to removal the ties, open the sack and remove bundles.

Discussion: The issue is that not all USPS processing facilities have bundle sort capability. Because of this issue, without the sacks (or tubs) the transportation of this mail to the bundle sort facility becomes an issue.

- Recommendation - Closing

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Medium Priority

Issue/ Resolution	Current Resolution
#21: Eliminate 3-digit CR prep level for Standard and Periodical letters - This prep level requires unnecessary manual handling particularly for letters	USPS will review
#23: Origin Entry Separation - Origin entry (local mail) separation requirements are not aligned across each class/shape. This requirement allows for processing to start deeper in the system. May result in USPS cost savings and promote consistent and predictable service.	Related to #121?
#74: Removal of Origin Sack Mail for Standard & Periodical Flats - The mail preparer produces bundles of flats. The bundles are placed in the sacks. The sack label it attached to the holder and the sack is tied. The USPS has to removal the ties, open the sack and remove bundles.	Recommend Closing
#118: First Class Flats - 5 Digit Scheme - FCM Flats do not enable 5 Digit Scheme sortations. It isn't clear why - since other mail classes offer the opportunity to optimize presentment of flats utilizing schemes. The USPS initially reviewed this but indicated they weren't planning to offer further discounts. This seems contrary to this teams efforts -since having FCM presented with schemes seems it would also benefit the USPS. Can we please investigate this further to align on what value there is with this approach?	Request Industry to provide information
#120: Optimize Work share Signals in Flats Price Structure - Price structure is as important as price itself to signal optimal work share. Since the USPS processes all flat mail on the same processing equipment, optimal work share could be attained if the price structure of all flats signaled the same prep and entry result. Today's price structures are not aligned in their signals increasing USPS costs.	New Issue
#121: Node Based Prep & Entry Rules - The processing capabilities of each USPS facility vary, yet the upstream preparation rules are "1 size fits all". As a result, a number of USPS facilities are presented mail that requires additional cost to transport, process and deliver. Node based presort would reduce the additional cost.	New Issue

Low Priority

Item / Suggestion	Current Resolution
#84: Re-evaluate non-machineable barcoded rates (PER & BPM over 20oz)	Sent to Pricing for review
#85: USPS enhance DPS bundle prep operation (currently SAMP) to be capable of processing facility pallets (today limited to scheme pallet)	MTAC Work Group #168 working this issue related to multi-scheme pallets
#91: Explore pricing methods to strengthen or create uniform signals for FSS prep across each class	Changes made with 2015 Price Changes. Continue to monitor.
#104: Explore new presort options for parcels, including 3-digit at DSCF and PSM schemes at DNDC	Discounts are provided today for machineables - 5 digit and NDC separations. Industry feels SCF separation is needed in order to generate growth in a competitive market

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Open Discussion

Closing

- Next Meeting
  - Webinar
  - Thursday, March 17, 2016
  - Time - 2:00 - 3:00 PM EST

- Wrap-up

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Closing