



UNITED STATES
POSTAL SERVICE

Mail Prep and Entry Steering Committee

July 12, 2016

- Welcome
- Recent Activities
- Change / Improvement Templates
- Ideas Log
- Open Discussion
- Closing

Recent Activities

- Follow up activities on Origin Entry Separation**
- Follow up activities on Removal of Origin Sack Mail**
- Follow up activities on First Class Mail Flats – 5 Digit Scheme**
- Follow up activities on Optimum Work Share Signals in Flats Price Structure**

- #23 - Origin Entry Separation

Issue: Origin entry (local mail) separation requirements are not aligned across 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.

Possible Resolution: Require origin entry separation with minimums that avoid creating more trays and little volume.

Additional Information: Separations with a minimum volume requirement should allow MSP efficiencies. If you ask MSP to make separations (i.e., tier approaches or CSA's that did not work) not likely to happen. Consider remaining pieces to be working mail.

- Have researched the archives to find original submission
- Several internal discussions on this matter within USPS
- The idea as written is too vague and not clear for OIS to functionally work the concept.
- Originally submitted as a USPS idea

- #23 - Origin Entry Separation

Issue: Origin entry (local mail) separation requirements are not aligned across 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.

Recommendation – Request Committee Close item

- #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 is attached to the holder and the sack is tied. The USPS has to remove the ties, open the sack and remove bundles.

- Item discussed with Committee at the January meeting
- Committee requested to re-look at this item for Standard mail only
- Industry Data has been collected

2014 Periodical Flats:

Periodicals Flats									
Table A1: Outside County Sack & Pallet Counts By Entry Point & Container Presort (FY14)									
Container		Entry Point							Presort
Type	Presort	DDU	DSCF	DADC	DBMC	OBMC	OADC	OSCF/OAC	Totals
Sacks	MADC	0	0	0	2,778	15,045	2,554,467	217,152	2,789,442
	ADC	0	0	20,770	3,601	4,765	584,878	122,928	736,942
	3-D/SCF	0	805,785	75,719	14,337	10,739	2,488,984	625,089	4,020,653
	FSS Facility	0	9,455	1,048	245	743	39,482	3,364	54,337
	FSS Scheme	0	21,557	1,368	1,671	318	30,885	688	56,487
	5-d	41,655	219,288	17,337	2,437	4,442	550,072	210,494	1,045,725
	5-d CR	130,662	148,898	5,558	511	1,140	44,729	105,655	437,153
	CR	196,243	265,356	28,021	222	798	144,558	166,825	802,023
Entry Totals		368,560	1,470,340	149,821	25,801	37,990	6,438,057	1,452,193	9,942,762

2015 Periodical Flats:

Periodicals Flats										
Table A1: Outside County Sack & Pallet Counts By Entry Point & Container Presort (FY15)										
Container		Entry Point								Presort
Type	Presort	DDU	DFSS	DSCF	DADC	DNDC	ONDC	OADC	OSCF/OAO	Totals
Sacks	MADC	0	0	0	0	13,487	9,707	2,397,086	254,758	2,675,038
	ADC	0	0	0	15,077	3,383	5,246	464,920	54,455	543,081
	3-D/SCF	0	0	611,436	44,892	10,777	8,328	2,412,631	442,201	3,530,265
	FSS Facility	0	0	8,039	1,290	261	414	42,841	6,730	59,575
	FSS Scheme	0	265	20,249	1,921	1,071	6	37,109	3,238	63,859
	5-d	73,731	0	145,918	8,983	1,877	2,761	502,954	82,496	818,720
	5-d CR	75,902	0	106,861	2,954	270	280	206,451	56,177	448,895
	CR	222,053	0	210,616	12,038	103	206	224,830	77,219	747,066
Entry Totals		371,685	265	1,103,120	87,155	31,229	26,948	6,288,822	977,274	8,886,498

2014 Standard Flats:

Standard Flats										
Table A2: Standard Mail Flats Sack Counts By Entry Point & Container Presort (FY14)										
Container		Entry Point								
Type	Presort	DDU	DSCF	DFSS	DADC	DBMC	OBMC	OADC	OSCF/OAO	Presort Totals
Sacks	MADC	0	0	0	0	110,138	1,173,652	1,024,381	303,539	2,611,710
	ADC	0	0	0	58,675	338,145	1,528,226	1,012,027	297,159	3,234,232
	SCF	0	13	0	0	0	1	0	0	14
	3-DIGIT	0	1,700,808	0	57,689	1,814,221	1,178,162	1,052,078	323,354	6,126,313
	FSS Facility	0	95,794	0	1,302	186,179	48,668	52,868	9,087	393,899
	FSS Scheme	0	335,786	128	2,298	318,593	25,156	102,767	11,665	796,393
	5-DIGIT	27,811	1,429,693	0	21,398	986,196	205,193	368,068	92,977	3,131,338
Entry Point Total		27,811	3,562,095	128	141,363	3,753,472	4,159,059	3,612,190	1,037,781	16,293,897

2015 Standard Flats:

Standard Flats										
Table A2: Standard Mail Flats Sack Counts By Entry Point & Container Presort (FY15)										
Container		Entry Point								
Type	Presort	DDU	DSCF	DFSS	DADC	DBMC	OBMC	OADC	OSCF/OAO	Presort Totals
Sacks	MADC	0	0	0	0	97,886	1,299,421	1,019,338	287,542	2,704,187
	ADC	0	40	0	49,368	297,856	1,411,383	712,362	218,274	2,689,284
	SCF	0	154	0	0	0	0	0	0	154
	3-DIGIT	0	1,440,994	0	52,316	1,476,933	1,149,124	775,354	317,001	5,211,723
	FSS Facility	0	88,463	19,717	1,377	214,923	69,943	58,949	15,519	468,892
	FSS Scheme	0	311,953	75,218	3,125	256,034	28,815	74,425	17,462	767,033
	5-DIGIT	20,004	1,054,481	4	22,725	610,053	143,625	203,637	91,041	2,145,569
Entry Point Total		20,004	2,896,086	94,939	128,911	2,953,686	4,102,310	2,844,065	946,840	13,986,842

- Industry is currently using sacks
- With possible elimination of origin sacks, product would be placed on pallets
- May be service issues with the movement of the product from one facility to another
- We also know that not all USPS facilities have bundle sort capabilities
- Added cost for transportation for USPS

- Internal discussions have taken place since last meeting
- Many discussions with the Pricing & Classification Center (NY) and with the Great Lakes Area as well as the Chicago NDC
- The Standard Mail that is accepted at the Chicago NDC (Bolingbrook) on pallets has done so based on local agreements

- #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 is attached to the holder and the sack is tied. The USPS has to remove the ties, open the sack and remove bundles.

- Recommendation – Request Committee Close item

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.

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_Prstt_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	

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_Prst_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	

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 webpage 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	

- 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.

FY 2015 First Class Mail - FLATS (thousands)

ADC Auto Presort	92,534	15.13%
3-Digit Auto Presort	291,575	47.68%
5-Digit Auto Presort	138,563	22.66%

FY 2015	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 webpage for Mail Processing unit cost: USPS-FY 15-11 FCM flats

Assumption	Automation	Revenue per Piece (1 oz.)	Cost per Piece**	Total Revenue	Total Cost
ADC***	92,487,982	0.691	0.62130	\$63,909,195.48	\$57,462,783.14
3-Digit****	283,848,349	0.634	0.57103	\$179,959,853.36	\$162,085,922.81
5-Digit Sch	146,336,350	0.451	0.41190	\$65,997,693.84	\$60,275,942.56
	522,672,681		Total	\$309,866,742.67	\$279,824,648.51

***Shift 0.05% of ADC from ADC to 5-Digit

****Shift 2.65% of 3-Digit from 3-Digit to 5-Digit

Change	-\$1,425,097.50	-\$1,239,244.45
Net Savings per FY	-\$185,853.05	

- Received Data from Industry as well as Postal Service
 - Based on actual data, the volume shift from 3 Digit to 5 Digit was less than 2.25%
 - As a result the gap would be substantially significant
 - Would not be a benefit for the Postal Service to move forward with this suggestion

- # 118 – FCM – 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?

Recommendation – Request Committee Close item

120 – Optimize Work Share Signals in Flats Price Structure

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

Concepts / Considerations

- ACD actions – Flats Working Committee
- Future price changes for FSS
- Consideration – wait until these actions are complete to work this issue?



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Change/Improvement Templates

- High priority
 - 0 items

- Medium priority
 - 6 items

- Low priority
 - 4 items

Issue/ Resolution	Current Resolution
<p>#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.</p>	<p>Recommend Closing</p>
<p>#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 is attached to the holder and the sack is tied. The USPS has to remove the ties, open the sack and remove bundles.</p>	<p>Recommend Closing</p>
<p>#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 presentation of flats utilizing schemes. The USPS initially reviewed this but indicated they weren't planning to offer further discounts. This seems contrary to this team's 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?</p>	<p>Recommend Closing</p>
<p>#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.</p>	<p>Discussion 7/12/16</p>
<p>#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.</p>	<p>New Issue</p>
<p>#122: Eliminate minimums for ADC / SCF sortation for service reasons - Eliminate minimums at ADC and SCF sorts for those that wish to take advantage of them. Magazines that do not want to produce low-volume containers would of course be permitted to continue their practices as they desire under the current or future rules.</p>	<p>New Issue</p>

Item / Suggestion	Current Resolution
#84: Re-evaluate non-machineable barcoded rates (PER & BPM over 20oz)	Requires Further discussion
#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

- **Committee Charter:**
 - Identify and implement mail preparation & entry solutions to eliminate non-value added mailing requirements, increase efficiencies to contain costs and drive service improvements for the mailing industry and Postal Service.

- 6/6/2012

- Committee has worked / processed over 122 ideas since 2012
- After today's meeting, there will be approximately 7 ideas in the Ideas Log
- Many of the remaining ideas could be sent to MTAC to be worked as a Task Team or even a Work Group
- Next steps for committee?

Open Discussion

- Next Meeting
 - Headquarters, USPS
 - Tuesday, November 1, 2016
 - Time - 9:00 - 12:00 PM EST

- Wrap-up

Closing