



UNITED STATES
POSTAL SERVICE

Mail Prep and Entry Steering Committee

November 17, 2015

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

Committee Members

- Email sent to gather names and contact information for all MP&E Committee members
 - Respond to Joe Eagle if unable to attend this meeting
 - *Received one response*
- Create membership database
- Re-establish email distribution list

Newspapers

- Completed 9 Kaizen events, covering 6 Areas
- Conducted National OMX webinar (Oct 22)
 - Addressed findings from Kaizen events
 - Reemphasized policy and procedures for processing Origin Entry Periodicals
- Scheduling follow-up meeting with NNA during MTAC
 - Formalize joint training for publishers/printers on OMX/MXD mail preparation requirements
- Preparing standard work instructions and revised SOP for national implementation

Kaizen Events Publication List

Publication	City	State	ZIP	Daily /Weekly	Drop Location	Drop Day	Origin Plant (Kaizen Location)	Area	HQ - Team Lead	Kaizen Event
Decatur Daily Democrat	Decatur	Indiana	46733	Daily	Decatur PO	Daily	OMX Fort Wayne IN	Great Lakes	Brian Ebersole	29-Sep
Mountain Enterprise	Frazier Park	California	93225	Weekly	Frazier Park PO	Thursday	OMX Santa Clarita CA	Pacific	Paul Mitchell /Chung Kim	30-Sep
Richfield Reaper	Richfield	Utah	84701	Weekly	Richfield PO	Tuesday	OMX Provo UT	Western	Brian Ebersole	5-Oct
ASM	Victor	New York	14564	Weekly	Buffalo BMEU	Monday Tuesday	OMX Buffalo NY	Eastern	Paul Mitchell /Joe Eagle	5-Oct
Calhoun County, The Journal	Bruce	MS	38915	Weekly	Bruce PO	Wednesday	OMX Jackson MS	Southern	Chung Kim	6-Oct
Central Virginian	Louisa	Virginia	23093	Weekly	Louisa PO	Thursday	OMX Richmond VA	Capital Metro	Christian Rivera	6-Oct
Blackshear Times	Blackshear	Georgia	31516	Weekly	Waycross	Tuesday	OMX Jacksonville FL	Southern	Rick Baxter	13-Oct
Tioga Tribune	Tioga	North Dakota	58852	Weekly	Minot PO	Tuesday	OMX Bismarck ND	Western	Chung Kim	19-Oct
Wilton-Durant Advocate News	Wilton	Iowa	52778	Weekly	Wilton PO Durant PO	Wednesday	OMX Quad Cities IL	Western	Brian Ebersole	19-Oct

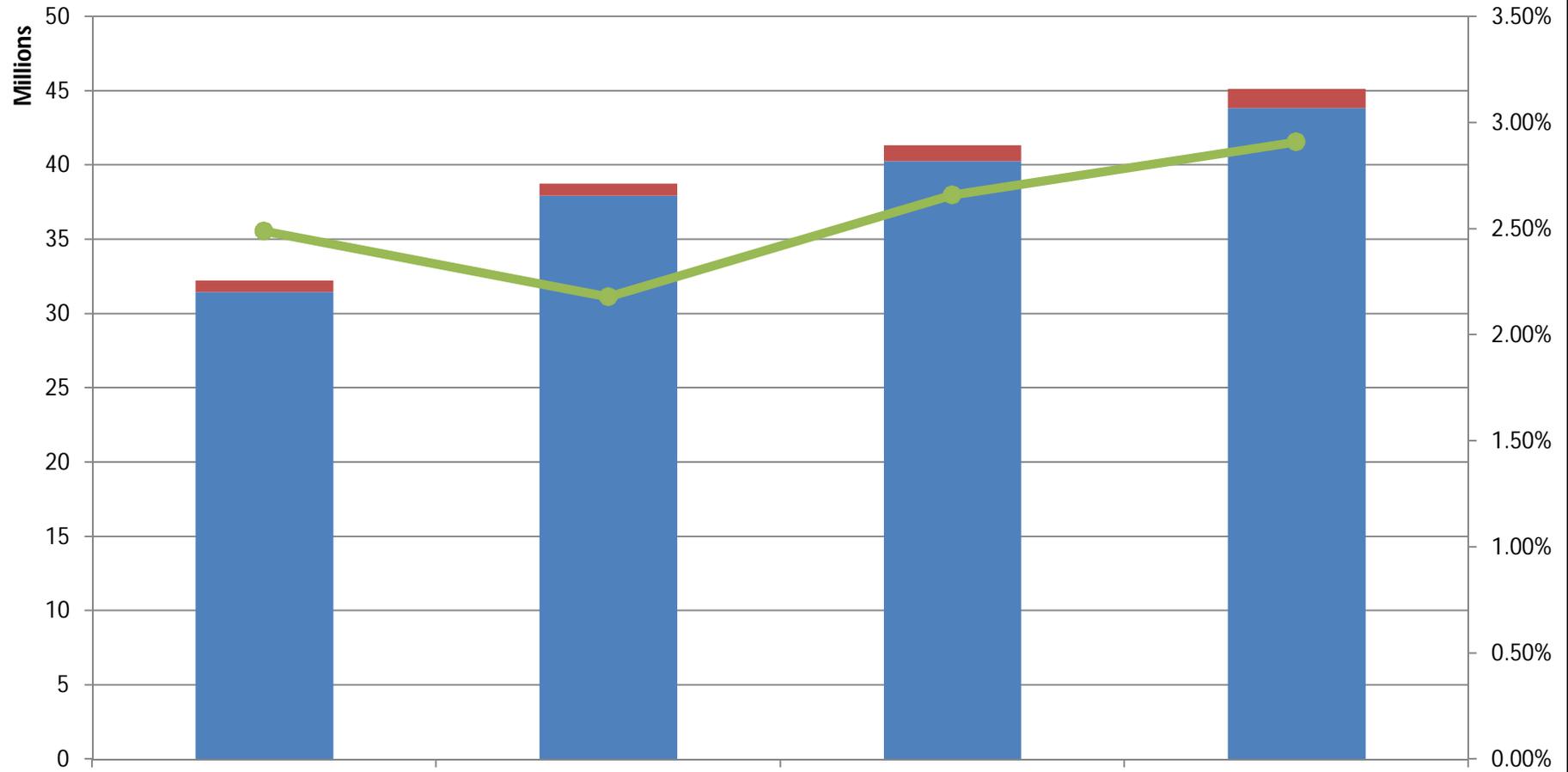
- Inconsistent adherence to National Periodical SOP
- Offloads to alternate L201 sites
- Mailer prep opportunities
 - Use of outdated list or lists non-compliant with L201 or L009
 - Results in misdirected mail in wrong bundles/sacks
- Transit impacts
 - Volume dropped early in DDU, but arrives late to L201 site
 - Volume cross-docked from DDU to transportation hub then to one or more plants

- Complete national improvement opportunities
 - Standard work instructions
 - Revised SOP
- Communicate with NNA leadership
 - Follow up meeting during MTAC week
- Report out to USPS senior leadership
- Update progress with PMO

Broken Bundles

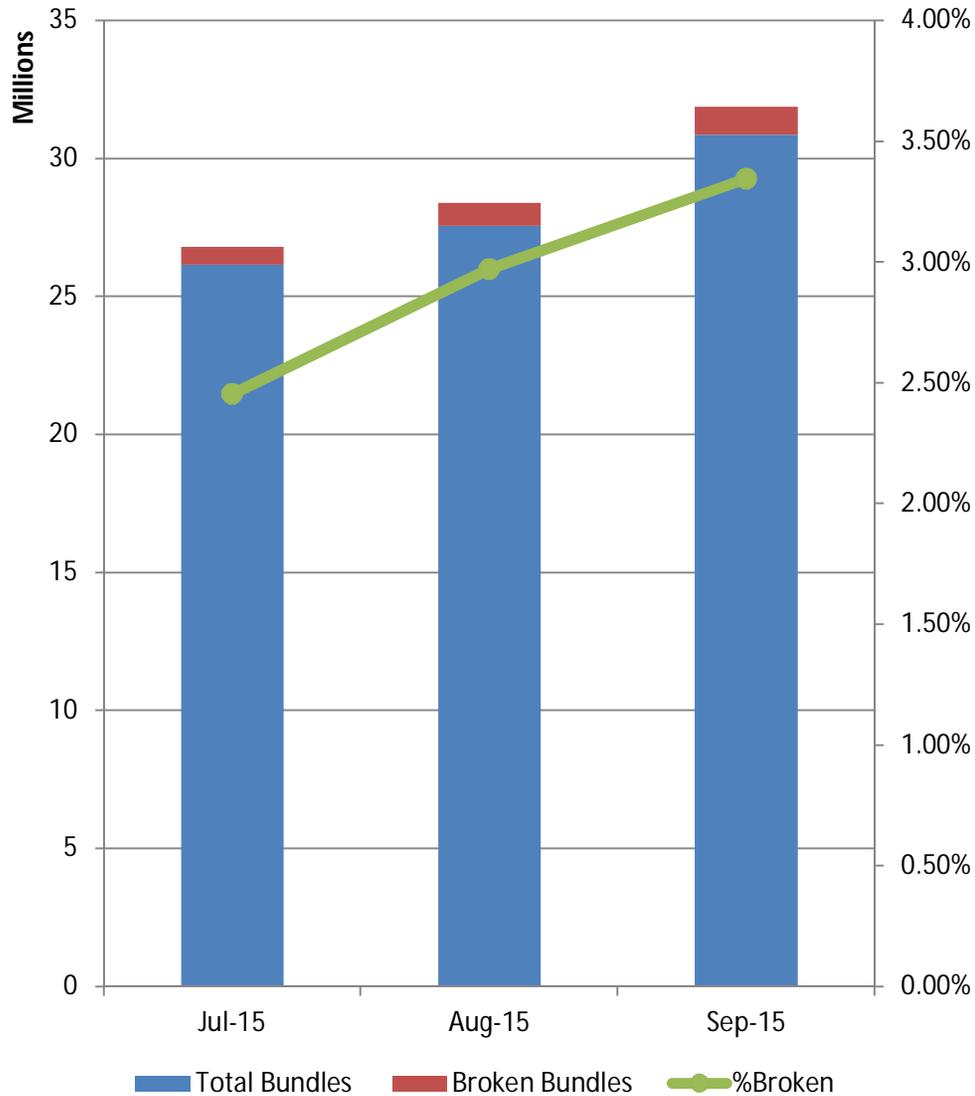
- Data based on:
 - June to September 2015
 - Full service mailers with e-doc
 - Standard and Periodicals, including co-mail
 - Bundle is “broken” when three or more IMbs within a bundle are scanned during bundle processing
 - Does not take into account bundles that are repaired (manual intervention), so projected that true breakage is higher than reported

Standard & Periodicals

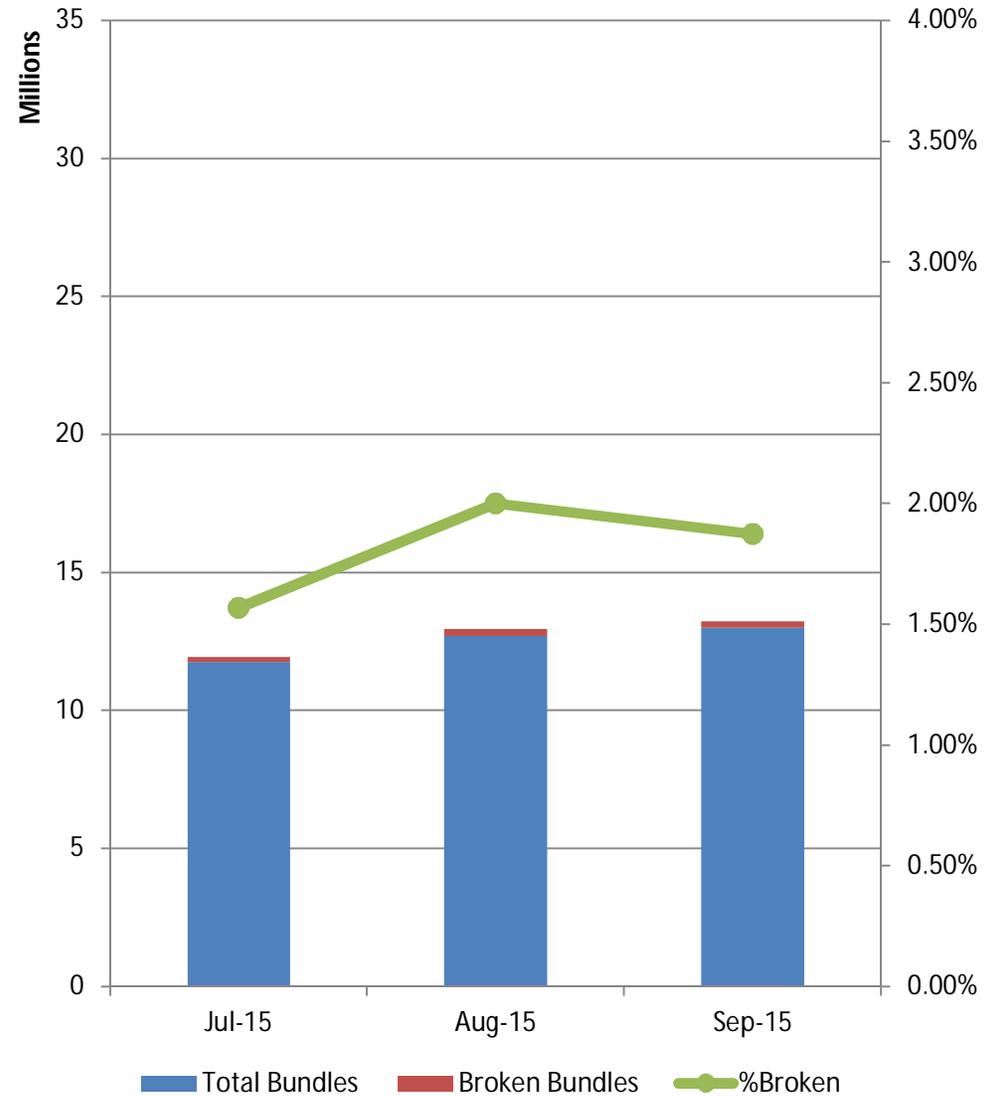


	Jun-15	Jul-15	Aug-15	Sep-15
 Broken Bundles	783,990	827,026	1,073,632	1,276,343
 Total Bundles	31,464,334	37,942,562	40,287,927	43,865,933
 %Broken	2.49%	2.18%	2.66%	2.91%

Standard Mail



Periodicals



Change/Improvement Templates

- First Class Mail flats, 14-15 ounces
- First Class Mail flats, 5 digit schemes
- Eliminate minimums for ADC / SCF sortation for service reasons
- Optimize work share signals in flats price structure
- Node based prep & entry rules

Problem Statement - Describe the issues, the impact to the USPS/Mailer, or other reasons for change.

With increased enclosing automation - and the ability of the USPS to process larger flat mail pieces in an automated way, we are requesting a formal review to determine the opportunity to include 14-15 ounce FCM mail pieces in the FLATS category. This would enable improved automated processing and less manual handling by both the mailer and USPS.

Additional Issues/Concerns – List any other issues or concerns related to the problem.

It is believed there is a current TSA ruling that is established that requires FCM over 13 ounces to be moved to priority mail. Given that both Letters/Flats/and Priority Mail are handled by the TSA - and that it seems the 13 ounce rule may have been more arbitrary - or is currently outdated - we are asking this be relooked and considered for modification.

Potential Solution - Detail the ideas/suggestions for improvement or resolution to the problem.

Modify the DMM and appropriate rates to allow for FCM FLATS to be processed up through 15 ounces - so that the anything 16 ounces and above moves out of FLATS to Priority Mail.

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

Considerations

- Shifting volume from Competitive (Priority Mail) to Market Dominant (First Class Mail)
 - Changes to pricing model – single piece vs. weight/zone
 - Impacts to revenue and costs
- Potential conflicts with existing aviation security procedures and TSA regulations
- Availability of data for 14-15 oz. flats

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

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
			Total	\$293,295,748.00	\$231,990,798.79

*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
			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	

Considerations

- Limited mail volumes
- Reduces operational flexibility
- Impacts to revenue and costs

Eliminate ADC/SCF Minimums

Problem Statement - Describe the issues, the impact to the USPS/Mailer, or other reasons for change.

As USPS has consolidated plants, delivery of newspapers has deteriorated far beyond the service standards. To help alleviate problems, and keep copies out of OMX/MADC sorts, we need to have more flexibility to create ADC or SCF containers below the 24 minimums now required to get service. With the flattening of the processing network, we note fewer stand-alone SCFs, and the territory is now often identical for ADC & SCF. Newspapers are increasingly using Flats Trays (tubs) for newspapers rather than sacks.

Additional Issues/Concerns – List any other issues or concerns related to the problem.

Short-term Kaizen projects initiated by USP HQ Operations in cooperation with NNA found some required changes to make on a very large one-pound or more title. Revisions to presort with our vendor while trying to get all copies out of origin ADC residual sort revealed difficulty in redirecting all copies into containers direct to SCF/ADC Greensboro and Raleigh. The rules block copies under 24 for retention in Charlotte ADC for OMX or MADC processing. We want to move 100% of copies into direct APCs. Other titles could benefit from same change.

Potential Solution - Detail the ideas/suggestions for improvement or resolution to the problem.

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.

Additional Comments for Analysis:

Service is the number one issue of NNA members right now, and has been for some time. We need to work together to get as many pieces of newspaper mail to finest possible sort without adding costs. Allowing more pieces to go to distant SCF or ADC and keeping them from being sorted once or twice or three times more seems mutually advantageous. USPS should add Service to the scale in weighing this request.

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**

Considerations

- Some mailers not adhering to current rules, creating excess handling
 - Increase in handling units (sacks/tubs), but decrease residual piece sort volumes
- No minimums would equate to piece/bundle sorting at primary operations
 - Contractual issues, clearance times, etc.
- Impacts to revenue and costs
- Potential service improvements

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.

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Considerations

- Evaluation from pricing is needed

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**

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

Ideas Log

- High priority
 - 2 items

- Medium priority
 - 3 items

- Low priority
 - 4 items

Item / Suggestion	Current Resolution
#12: Clear authority and responsibility of management of CSA's are not clearly defined	Masters Degree Black Belt project (Nadya) continues to work this issue. Assigned as MTAC Work Group #175. Recommend Closing
#95: DMM vs. CSA sortation & prep requirements as it relates to above items, as well as review and increase of internal USPS understanding of current DMM	Masters Degree Black Belt Project (Nadya) continues to work this issue. Assigned as MTAC Work Group #175. Recommend Closing

Item / Suggestion	Current Resolution
#21: Eliminate 3-digit CR prep level for STD and Periodical letters	USPS will review
#23: Origin Entry Separation. Origin entry (local mail) separation requirements are not aligned across class / shape.	USPS will review
#74: Removal of Origin Sack Mail	USPS LSS project pending

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

Open Discussion

- Next Meeting
 - Tuesday, January 12 from 9:00-12:00 EST
 - In person at USPS Headquarters

- Wrap-up

Closing