

**MTAC Workgroup # 101, Address Placement for Flats
8/1/06 Meeting Notes**

Marc McCrery kicked off the meeting by noting that the bulk of the workgroup's efforts to date have been to become educated through the FSS program office as to the direction of the program, then pull information from constituencies representing each of the subclasses that potentially will be impacted, so that the USPS can begin to draw conclusions about flats address placement needs.

Mr. McCrery reiterated that it is not the FSS equipment that is a driving factor on flats address placement as it can handle pieces with the address in any orientation as long as the bound edges are lined up in the same direction as the pieces are fed into the machine (which means the address could be oriented anywhere on the front or back of the piece as far as the machine is concerned). When the pieces output from the FSS machine, however, there needs to be some consistency on address placement in order to minimize carrier manipulation of the piece during delivery. That is where the USPS is facing program challenges to ensure savings on the street so that the FSS program is economically viable, he noted.

FSS Update

Rosa Fulton and Cathy Samples, FSS program office, provided an update on the status of the FSS testing completed by the USPS in Indianapolis, which a few workgroup members toured earlier in the summer.

Ms. Samples noted that the system tested was a prototype FSS machine, with about half the capacity of a full production machine. The test was performed from April 17 to June 10, and processed mail for one zone. Now that the test has been completed, the FSS machine has been disassembled and removed. The test plan was designed to evaluate can the machine sequence mail; how processes were changed; how to maximize savings on different types of routes; and the impact on the delivery unit.

During the test, machine performance also was measured on several attributes, including sort accuracy and accept rate. Ms. Samples reported that the accept rate during the test fell short of its target, largely due to issues with accurate 11-digit barcodes, polywrap and addressing.

How did FSS change a typical carrier's day? The USPS during the test looked at a non-DPS flats route versus a DPS flat route. Initially, flats were brought to the carrier case during the test so that they could be cased to verify they were output from the FSS in correct route order. Ms. Fulton reported that the FSS was successful sequencing the mail and residual volume was low during the test. Based on carrier feedback, the USPS has decided not to move ahead with the yellow trays used during the test, she noted.

The USPS' next step in the FSS program is to prepare for the placement of a pre-production machine at Dulles. The USPS will build on the things it learned during the prototype test and look more closely at the barcoding and addressing issues that were a challenge during that test. Some mail (carrier route presort) was run for the first time on automated equipment, the USPS noted, and address deficiencies were discovered that could not be resolved by the FSS' OCR, which required the image to be sent to a keyer. During the test, there were a fixed number of keyers on site to process FSS mail, and they were largely untrained casuals hired for the test. Ms. Fulton reported that when the FSS was running the carrier route bundles, the amount of mail needing to be keyed would exceed the capacity of the keyers and the system would shut down.

Carrier route bundles were not the only ones encountered with significant address issues, Ms. Fulton reported. Other problems encountered included small fonts, large gaps between the city/state, extraneous information on the label that would confuse the OCR, print quality of barcodes or address information, and address/barcode match failures. Common print quality issues included dimensions/spacing of bars, reflectance and skew. Common address/barcode match failures included those with incorrect street number, missing apartment number, inaccurate apartment/suite number, directional incorrect, and misspelled street names.

On the polywrap issues, the USPS reported that blocking was a major issue, which should be addressed by the proposed polywrap specification changes that will be published by the USPS in the future. There are issues with polywrap and blocking on the AFSM 100 now, which is why the USPS is moving to one polywrap spec which has tighter restrictions on blocking. In response to questions, the USPS said it plans to allow a six-month transition period before mailers are required to convert to polywrap meeting the new specification. Mailers will have an opportunity to comment on the proposed rules when they are published in the *Federal Register*, Mr. McCrery noted. He said the USPS has worked closely with the polywrap manufacturers and feel that the new poly will be price competitive with existing polywrap after perhaps an initial blip in the marketplace.

Ms. Fulton noted that more information on the test findings will be presented at the General MTAC session. She will be meeting later today with other postal managers to discuss the findings and address quality issues, which become more important with FSS. There are other factors to consider, including PARS deployment for flats, where OCR capability becomes critical, she noted. While carriers may now do a good job getting this mail delivered, she said, with FSS the equipment won't be able to do that.

Ms. Fulton said that there are two things the USPS can do to improve the pre-production test: increase the number of keyers available to resolve the mail; and . During the pre-production test in Dulles, the OCR images will be sent to an offsite REC where the USPS will have the capacity to expand the number of keyers as needed. The USPS would like to resolve more mail on the first handling because there are costs associated with keying images, so it is preferential to finalize the piece using the barcode.

In response to the question of the ramifications of not having an 11-digit barcode, Ms. Fulton said the 11-digit barcode is essential to the equipment's ability to delivery point sequence the piece. Without it, the USPS must apply the fixed label with the 11-digit barcode so as not to go through the recognition process twice. The fixed label acts as a license plate and stays with the mailpiece on the second pass, reducing keying. The better the 11-digit barcodes, the less fixed labels the USPS will need to apply, she noted. The USPS understands that right now there is not a requirement for flats to have an 11-digit barcode, mailers can use a 5-digit, 9-digit, or 11-digit barcode and ECR flats have no barcode requirement. With barcode requirements, obviously there will be an increase in the FSS accept rates. She noted that during the FSS test, about 70 percent of the flats were barcoded. The bad news is many are not good, for a variety of reasons, and there is a cost associated with not having a good 11-digit barcode.

Charley Howard suggested that the USPS ask mailers to begin using 11-digit barcodes if possible so that more of that type of volume is obtained during the pre-production test. Mr. McCrery said the USPS would consider asking mailers to turn on the 11-digit barcode during FSS testing, even on ECR pieces.

Mr. McCrery urged mailers contemplating moving to an 11-digit barcode on flats to also consider the spacing requirements for a 4-state barcode in the future, rather than making a change now and then another if planning to move

to 4-state. [Note: subsequently, during the General MTAC session, the USPS announced its intention to require the 4-state barcode on letters and flats in 2008 in order to qualify for automation discounts.]

******Note: the following information was presented by Ms. Fulton during the MTAC General Session******

During the MTAC General Session, Ms. Fulton reported many positive results from the FSS process beyond the anticipated reduction in carrier office time, including reduction of volume needing to be cased by the carrier, reduction/elimination of bundle “bull pen” operations, and reduction in time spent “spreading” the mail to carrier cases. All those reductions translate to cost savings for the USPS. Ms. Fulton noted that the USPS saw a tremendous reduction in manual workload in the delivery units during the test in addition to the reduction in the carrier’s workload.

Ms. Fulton said that while the USPS learned a lot from the prototype FSS test, much of the data it collected on certain issues is very preliminary at this stage and will require further data collection and analysis before conclusions and recommendations can be made. One such issue is that of address quality, she noted.

The USPS observed a significant amount of what Ms. Fulton called “address quality” issues on flats during the test. These issues included font sizes less than 8 pt for the address, horizontal space between characters in the address, vertical spacing between the address lines, gaps between the city and state or state and ZIP, and extraneous information around the address which interfered with the OCR’s ability to read and process the mailpiece.

Admittedly, the test mail largely was not 11-digit barcoded because there currently is no requirement to use an 11-digit barcode for automation discounts on flats (it can be a 5-digit, 9-digit or 11-digit barcode under current standards). FSS will require use of an 11-digit barcode, but since the test looked at the mail as it is today, a significant percent did not have an 11-digit barcode. Both the USPS and industry assume that applying an 11-digit barcode to flats will inherently force an improvement in address quality because the software will demand it in order to determine the 11-digit barcode.

For pieces with an 11-digit barcode, the address readability issues noted above would become less critical because the FSS equipment would focus on reading the barcode (as long as it was a good quality barcode). But if it can’t read the 11-digit barcode, or one has not been applied, then the FSS has to resort to OCR technology, which requires address readability as well as address accuracy.

The USPS will be looking further into why some of the address format issues (e.g., gap between city and state, etc.) caused the FSS to be unable to read/recognize the address. Ms. Fulton said the same OCR technology is used by the USPS for letters and flats so the USPS is not sure why flats with these address readability issues are not being read when letters with the same address formats are. Ms. Fulton said there may be simple resolutions through software, but that is unknown at this point.

Ms. Fulton also told mailers that use of automated equipment such as FSS can cause undeliverable-as-addressed (UAA) mail to increase because what today is mailed as carrier route presort and never processed on automated equipment, will be once FSS is deployed. Right now, the carrier can use personal knowledge to deliver a mailpiece even if the address is not accurate. Automated equipment like the FSS will not have that ability, which could mean that mail that gets delivered today may not get delivered in an FSS environment.

The barcode itself also is important in the FSS environment in that the barcode quality needs to meet USPS specifications. Print quality, dimensions/spacing, reflectance, skew, etc. could pose problems when the equipment attempts to sort from the barcode, as well as the accuracy of the barcode match to the address. In the Carmel test preliminary data, the USPS saw a significant number of address/barcode match failures, for reasons such as incorrect street number, missing apartment number, inaccurate apartment/suite number, directional incorrect, or misspelled street names.

In the prototype FSS test, the USPS performed analyses on mailpiece images obtained from all its flats platforms, including FSS images from the test site, AFSM 100 images collected from field sites in 2004, and UFSM 1000 images collected from field sites in 2006 – all of which equipment use the same barcode read engine.

Ms. Fulton reported some statistics from the preliminary data, but stressed that more data collection and analysis is warranted before any conclusions can be confidently drawn, particularly since some of the comparison data was from 2004. Of the flats processed in the FSS prototype test in Carmel IN, 70% were barcoded and 30% were nonbarcoded. Of the 70 % that were barcoded, 70 % of those had an 11-digit barcode, 25% had a 9-digit barcode and 5% had a 5-digit barcode. About 91% had correct barcodes.

Of the 11-digit barcode errors, 29% were delivery point errors, 18% were SCF errors, 4.20% were zone errors and 47% were ZIP+4 errors.

Mr. McCrery reiterated that discussions internally at the USPS, as well as with industry, will continue on issues such as address placement, address readability, barcode quality, and other FSS issues. He noted that even with an 11-digit barcode, the FSS machine likes to have a good confidence level between the address and the barcode so having the barcode on the piece does not eliminate the need to be able to read the address as it is processed. In addition, address readability is critical for PARS, he noted. The USPS and industry may need to consider flats addressing requirements.

Ms. Fulton agreed that the USPS already is identifying issues that it will consider pursuing either under this workgroup or another MTAC wrokgroup, at the appropriate time. The USPS' goal is to get 95 percent of flats in delivery point sequence, she reported, and in order to accomplish that it will take much give and take on both sides to improve quality and reduce costs. Letters evolved over a longer period of time, she said, but the issues for flats are not insurmountable.

Joyce McGarvy asked if the USPS identified mailers with barcode deficiencies during the test so that they could correct the problems, and the USPS responded that it has not yet done so, but will be having that dialog. Mr. Howard stressed that the USPS should use eMIR to communicate these deficiencies to mailers as they are encountered.

Ms. Samples reported that the USPS is looking at a further refinement of concepts being explored through its carrier lab, before the pre-production test at Dulles. Further testing will take place with manual sequencing of some mail for the carriers to determine the best method to present flats and take three bundles to the street. She noted that in Carmel there was only one true walking route, so additional validation is needed on walking routes.

The USPS hopes to begin the pre-production test at Dulles in early summer 2007, depending on contract progression. Mr. McCrery noted that the pre-production contract has been approved, and the pre-production machine will look

different than the prototype in that it is closer to the production machine. He noted that the USPS does not need to wait until the end of the pre-production test to begin initial deployment.

Mr. Schick asked if the USPS plans to explore requiring a larger address block area on flats, in addition to other address requirements. The USPS responded that the MTAC leadership group will be looking at those issues. Mr. Schick stressed those potential requirements have a big issue on flats mailers; moreso than for letters.

Survey Responses

James West noted that more input still is needed from certain constituencies. The response from retailers is not really strong yet, he reported, and several workgroup members are trying to seek out people in that group on a more focused basis. Standard Mail mailers so far have the biggest variation in mail formats on flats, he said. The response from Standard Mail mailers has doubled since the last workgroup meeting, and more responses also have been received from Periodicals and newspapers mailers. These responses help give a better direction and clearer understanding of the issues.

Mr. McCrery noted that the workgroup meetings are very well attended, which shows the interest in this topic and how it can have a big impact on various business objectives. He suggested that competing with other issues for time and attention, as well as perhaps not having the right contact person, could negatively impact the number of survey responses we are getting. He said that there are enough responses, however, to understand the challenges for each class of mail.

First-Class Mail. Mr. McCrery said there appear to be First-Class mailers that would not need to change, such as those with portrait orientation of their piece/address, but there are others that would need to redesign their address placement. For those that are not right-reading with address placement in landscape style, there may be quite a challenge and expense to re-design their entire processes, he noted. That is an issue which could be helped with a long transition period toward compliance if requirements were put in place, he suggested. The issues are not insurmountable, but it does not sound like an easy transition for many First-Class mailers, he noted. He said that the USPS should look at the potential volume of FCM that would be processed on FSS equipment, particularly FCM flats. If that volume is low, perhaps the requirements could be tied to automation rate eligibility, or perhaps FCM needs a longer transition period. Such recommendations can be included in the group's output report, he noted.

In response to questions, Mr. McCrery said that it does not matter which side (left or right) of the piece the address is on, as long as it is in the top one third of the piece. Ms. Siviter noted that still only 7 surveys have been received from First-Class mailers, which is very low. She stressed that the number of responses is important, if for no other reason than to show postal officials that this is a significant issue to industry. The group agreed that efforts should be continued to get more FCM survey responses. One workgroup member will be at a major mailers meeting with FCM users and can hand out copies there. The group also suggested that the USPS contact NACUMS (Nat'l Assoc. Of College and University Mail Services), who are represented on MTAC and handle a good volume of FCM and Standard Mail flats.

One member asked about whether the USPS intends to extend any address placement requirements to Business Reply Mail (BRM) flats. Mr. McCrery said he is not sure, and will follow-up.

Periodicals. Mr. McCrery reported that to date 28 responses have been received from Periodicals mailers. He said the USPS would like to get a better sense of the issue of the address being upside down on the lower one third of the front cover (onserts, label carriers, etc.). He noted that there are issues with potentially having the address orientation different reading than the rest of the publication information. With polywrap, it's a different story, he said. Good poly is not a problem for the USPS, and then the bound edge direction is a moot point, which gives more flexibility in terms of address placement.

Mr. Scansaroli noted that mailers would incur additional expense to eliminate movement inside the poly. Ms. McGarvy suggested it could impact response rates, noting that most publishers using wrapped covers do so because they get good response rates, but it would be a concern for some types of publications.

Newspapers. Mr. McCrery reported that responses from newspapers mailers have been coming in, but there seems little willingness to change from current placement. Max Heath disagreed, saying that most newspapers can live with the proposed requirements the USPS has suggested. Mr. McCrery noted that there are certain restrictions with how labels are applied to newspapers, which the group tried to address in subsequent renditions of the survey. Mr. Heath suggested that there may be more flexibility with newspapers than most of them are willing to admit.

Tom Chapman noted that the USPS has not yet done a significant amount of testing of newspapers on the FSS equipment, although there were no problems with the few run during the Indianapolis test. He noted that addresses on labels on newspapers are typically read better by the equipment than those printed directly on newspapers because in the latter case it is hard for the OCR equipment to find the address because of other information.

Mr. Heath said that newspaper mailers are more concerned about making deadlines and entering mail into facilities within allowable critical entry times in an FSS environment, than they are about address placement right now.

Mr. McCrery noted that the group is trying to get survey responses from NAA members and smaller newspapers, as well as NNA members. He said the USPS has not forgotten about the smaller newspapers and will try and get feedback from them as well.

Standard Mail. Mr. West reported that about 60 surveys have been received to date from Standard and Bound Printed Matter (BPM) mailers – primary from mailers and some from consolidators. He noted that the responses are nearly evenly split between the top one third of the back of the piece with the address right-reading, or the bottom third of the back of the piece (but with the address right-reading). If on the bottom, the respondents don't want the address to be upside down/inverted because of concerns about graphics, response rates, customer concerns, inconsistent style with other messaging, etc.

Mr. West reported that those that objected to the top half of the back cover did so because of real estate, graphics, or merchandising issues. Some respondents wanted to know what the trade-off would be for giving up the top third, e.g., discounts. He noted that for those doing poly, where a preference was indicated, it generally was in the center of the piece.

More responses still are needed from the retail sector, Mr. West reported. He noted that the survey has been sent to the National Retail Federation, but not many responses received to date from that group, which has a wide variety of pieces being mailed out. Mr. Howard reported that his company recently held a conference call with its sales force

and advised them to meet with clients and try to get survey responses, which should generate some additional responses. Some retailers appear to have been confused by the survey that the entire top one third of the piece had to be reserved for the address, when that area actually could be used for both the address and other material. Mr. McCrery agreed that the USPS is looking for the address to be in a particular zone, but that does not mean that entire zone needs to be clear except for the address.

Ms. McGarvy suggested that USPS sales personnel should get involved with major customers and having them complete surveys. Mr. Howard noted that there is much experimentation going on with retailers right now in terms of trying different things, but the challenge is to ensure the piece is machinable. Mr. McCrery noted that machinability/automation-compatibility may not have been as big a driver in the past if the mail was carrier route presorted, but with FSS that category is likely to go away for FSS zones. Mr. Howard noted that for those that polywrap ECR pieces today, there is also the conversion to automation-compatible polywrap to consider, as well as other automation compatibility considerations.

Next Steps

Mr. McCrery discussed with the group what its final output should be. Once we have enough feedback to develop confidence in some conclusions (which we already are starting to draw), the group needs to decide what approach to take with that information. Should it present a single solution, or best option? He noted that senior postal leadership has given the workgroup flexibility in how it wants to handle the outcome of its work.

Mr. Scansaroli suggested that surveys are innately flawed because some respondents care passionately about the topic while others are indifferent, but those responses get equal weight. From the Periodicals standpoint, he said, it is a huge issue, but when you look at Standard mail, it is encouraging that opinions are split.

Mr. McCrery said the group needs to show that it has reached out and given industry segments the opportunity to respond, and we don't want to leave any constituency out. We probably won't see major changes in the themes surfacing in responses to date within the various classes, he suggested. He said he had initially thought there might be a way to score the responses, but now has abandoned that idea because of the complexity. Should the group make recommendations to senior USPS management? Should there be automation discounts attached to address placement requirements with an opt out option paying a higher rate? Some might move out of the mail, but some would pay more for the design options and most would come into compliance, he suggested.

Mr. Schick recommended that a time line be developed that starts with FSS deployment, then works backwards from that point, in an effort to help determine an appropriate transition period and when that should begin. The USPS will have to publish proposed rules, allow for comment, publish final rules, and allow an appropriate transition period, etc. We may have a lot less time than we think we do, he suggested. Mr. McCrery agreed that exercise needs to be done and could be laid out as a by-product of this group. He offered to take a stab at an initial draft of such a time line.

Mr. Schick also voiced the concern that there are a variety of other issues that need to be resolved prior to FSS implementation, such as the whole address area block requirements, clear zones, barcode areas/clear zones, address element spacing requirements, etc. Ms. McGarvy stressed that the proposed rules for these other requirements around flats addressing/mailpiece design should be published at the same time as the requirements for address placement, because they are inter-related issues and mailers can not make rational decisions on address placement without

knowing the other requirements. Mr. McCrery agreed that such a recommendation should be included in the workgroup's final output.

Mr. Howard stressed that the USPS should allow mailers as many options as possible because what they say no to today could change down the road. Mr. McCrery noted it is easier for the USPS to handle non-DPS letters than non-DPS flats, which is part of its analysis for FSS. If a certain percentage of pieces within an FSS zone do not meet the requirements for processing, it could reduce the number of zones and impact the FSS ROI, he noted. He said that there could not be more than one option for the bound edge orientation in relation to the address placement and right now it sounds like the requirement would be bound edge to the right. Beyond that, however, the other issues included in the surveys still are on the table.

Mr. Winn suggested that the group pick a date when it will stop doing surveys, suggesting we likely will not learn more than we already have. He said he feels very urgent about these issues and that customers need information as soon as possible in order to begin making changes. He recommended the workgroup move quickly.

The group agreed that the significant issues raised in the surveys by each class/industry segment should be included in the workgroup's output to USPS senior leadership, as well as the time line issues, and that of other address/spacing requirements. Ms. McGarvy reported that some of those issues will be discussed today with the MTAC leadership, and issues could get assigned to this workgroup or a new workgroup. The group discussed the potential outcome of its work, agreeing that where there is consensus on an issue, USPS leadership should be given that information.

After much discussion, a subgroup was formed consisting of Val Scansaroli, Kathy Siviter, Charley Howard, James West, and Marc McCrery to begin drafting a recommendations paper, which the group agreed should include significant issues uncovered in the surveys, and workgroup recommendations. The subgroup will attempt to have a first draft ready by the next workgroup meeting in November, with distribution by e-mail prior to the meeting if possible.

It was also recommended that the USPS include a National Postal Forum session on address placement requirements at the April 2007 NPF.