

APPENDIX M — Efficiency-Based Strategies

Operational efficiencies keep costs down, which directly benefits customers. Major mailers have cited cost control as one of the major initiatives that they would like to see included in the near-term transformation effort. Postal Service operations costs are significant.

Collecting, sorting, transporting, and delivering the nation's mail to every household and business across the country is an enormous task. On an average day, the Postal Service delivers 687 million pieces of mail to 138 million addresses, some as near as the house next door, and some as distant as the mountains of Alaska and the shores of Puerto Rico. To accomplish this great task, the Postal Service utilizes a workforce of nearly 770,000 career employees and a physical infrastructure that includes over 38,000 post offices and contract units, 270 processing plants, sixty-three airport mail facilities, twenty-one bulk mail centers and a number of other facilities. The Postal Service also partners with private sector contractors for highway, air, rail, and water transportation services.

This Appendix to the *Transformation Plan* contains additional explanation, detail, and examples of near- and longer- term strategies that are efficiency-focused. This is not meant to be a comprehensive list of postal projects, but is meant to outline those that will contribute to the transformation of postal operations.

Strategies in this Appendix include:

- Enhance already efficient letter processing;
- Complete automation of flats processing;
- Expand mechanization of material handling operations;
- Improve delivery efficiency;
- Deploy next generation package sorting equipment;
- Optimize transportation and distribution networks;
- Increase retail / customer service productivity;
- Improve performance management;
- Manage realty assets; and
- International air transportation deregulation.

Increase Operational Efficiency

Overarching Objective

The Postal Service is implementing strategies in nine operational areas to improve the efficiency and effectiveness of its network and processes. In addition, the Postal Service will explore opportunities to reduce international air transportation cost. The Postal Service will utilize new technology, cost management, and planning to improve operational efficiency.

Strategy 1: Enhance already efficient letter processing

Like any other large business, the Postal Service relies heavily on modern technology to improve efficiency and to control costs. Automation equipment has been central in this respect, resulting in a world-class letter distribution system. The Postal Service will further enhance this system by investing in equipment to automate the forwarding of letters.

Substrategy 1: Deploy Postal Automated Redirection System

Description

Postal Automated Redirection System (PARS) is an initiative which is targeted toward resolving undeliverable as addressed (UAA) mail, which includes mail that:

- Needs to be forwarded because the addressee has moved;
- Needs to be returned to sender because the addressee moved and left no forwarding instructions, or for other reasons; and
- Is not easily deliverable because of incorrect, illegible, or insufficient addressing.

Using PARS, the UAA mail will be intercepted earlier in the sorting process, resulting in a reduction in total handlings and in time spent within the Postal Service. The Postal Service expects to invest in equipment to automate the forwarding of letters, which will produce significant savings in 2004 and 2005.

Trends / Supporting Data

The primary cause of mail becoming UAA is the geographic mobility of the American public. The Census Bureau reports that 16.1 percent of the American population moved during the period 1999–2000. The Bureau found that America's overall moving rate has stayed constant, but people are moving longer distances. In 2001, the American public submitted over 40 million Change of Address order forms to the Postal Service.

Every piece of UAA mail must be processed until a final disposition is made. At present, the Postal Service uses manual and mechanical means to perform this work, and incurs an average additional cost of 20.9 cents if a mailpiece has to be forwarded, and 58.6 cents if it has to be returned to sender. The Postal Service is forwarding approximately 2 billion of pieces of mail per year as well as returning approximately 1.3 billion pieces to senders.

The initial phase of the PARS program will cover comprehensive implementation of the PARS system in 53 postal Processing and Distribution Centers/Facilities (P&DC/F), all 20 of the Postal Service's remote encoding centers (RECs), and the delivery units they

serve. Deployment of phase one is expected to begin in July 2003 and end in February 2004. A second deployment phase is expected to follow the first phase.

Benefits

- The first phase of the PARS program is expected to yield net savings of approximately 2.4 million workhours per year. These labor savings will appear in three types of postal facilities: computerized forwarding system units, delivery units, and processing and distribution centers / facilities.
- The total savings anticipated from the second phase of PARS will be approximately 5 million workhours.
- PARS also will improve service, by significantly reducing the time required to get UAA mail to its final destination.

Milestones

- Phase one PARS Board of Governors (BOG) Review / Approval (April 2002)
- Phase one deployment (July 2003 through February 2004)

Metrics

- The extent to which each type of letter processing equipment equipped with the PARS upgrade intercepts UAA mail.
- The extent to which a PARS' machine, equipped with the combined input output sub system (CIOSS), properly processes mail that has been identified as being UAA.
- The reduction of total workhours in CFS units.
- The discontinued use of mechanical terminals for letter mail processing.

Strategy 2: Complete automation of flats processing

New automation programs are now shifting to the flat mailstream with investments improving the productivity and controlling the cost of handling flat-sized pieces. Additional investments will increase machine throughput, improve address recognition, enhance feeder systems, and add tray handling systems.

Substrategy 1: Complete Deployment of Automated Flat Sorting Machine 100 (AFSM 100)

Description

The Automated Flat Sorting Machine (AFSM) 100 is allowing the Postal Service to improve productivity and control processing costs for flat mail. It is based on state-of-the-art flat sorting technology and provides many capabilities not present on its predecessor, the Flat Sorting Machine (FSM) 881. With its automated feeders and online video coding system for non-OCR readable flat mail, it allows the Postal Service to process flat mail more efficiently than ever before. Deployment of 534 operational AFSM 100s began in April 2000 and should be completed by March 2002.

Trends / Supporting Data

- The Postal Service receives over 50 billion flat mail pieces each year in a wide variety of sizes and packaging materials. This mail includes large envelopes, newspapers, catalogues, circulars, and magazines. Over 40 percent of this mail is presorted to individual carrier routes by mailers and can be sent directly to the carrier for delivery; the remaining percentage requires sorting by the Postal Service.
- In order to increase the distribution capacity and efficiency for flats, the Postal Service began deploying the automated Flat Sorting Machine (AFSM) 100. These machines have automatic feeders, Barcode Reader / Optical Character Reader (BCR/OCR) capabilities, and online video coding. The AFSM 100 deployments will fully address machine capacity needs throughout the entire system.
- Utilization of the AFSM 100 has demonstrated that a large number of FSM 881s can either be relocated or excessed without negatively impacting operational performance. This conclusion has resulted in a continuous review of the criteria and rationale used to deploy the AFSM 100 and to redeploy the FSM 881 and possibly the FSM 1000. The machine reallocation efforts are based on mail volumes and potential system savings. These efforts also consider space requirements, staffing levels, maintenance support availability, and work practices.
- The table below provides information concerning the projected end-of-year national equipment inventories. It is important to note that even though the total number of FSMs will be reduced during the near term, the overall system processing capacity will increase due to the higher throughput of the AFSM 100.

FLAT SORTING MACHINE INVENTORIES

	FY 2000	FY 2001	FY 2002
AFSM 100	107	355	534
FSM 881	814	480	114
FSM 1000	353	353	353
Total	1,274	1,188	1,001

Benefits

Improvements in flat sorting productivity and efficiency at P&DC/Fs as well as reducing manual flat sorting requirements at P&DC/Fs and associate offices. This program will have reduced field budgets by over 15.9 million workhours when it is fully implemented.

Milestones

Complete deployment by March 2002

Metrics

Improved productivity in total flat sorting operation and a reduction in the amount of flat mail that is sorted manually.

Substrategy 2: Install automated flat feed and optical character reader (AFF / OCR) modifications on FSM 1000

Description

The Flat Sorting Machine (FSM) 1000 sorts mail that cannot be handled by the AFSM 100 or FSM 881. It has the ability to sort thick, hard-to-handle, flat-size pieces that used to be sorted manually, including newspapers and magazines. The feeder and OCR modifications will increase the machine's throughput and permit over 70 percent of the mail pieces fed into the FSM 1000 to be sorted automatically instead of keyed manually.

Trends / Supporting Data

The Postal Service is taking steps to move all machinable and FSM 1000 compatible flat volumes away from manual distribution to more efficient automated operations. The "up the ladder" approach, using tools developed during letter automation, will serve as a measure of operational efficiency. Incoming secondary operations (sortation to the carrier level) that process flats manually in both the processing centers and customer service units offer the greatest opportunity for reducing cost. Centralizing the distribution of machinable flats from associate offices, stations, and branches into locations that have the AFSM 100 will ensure that its use is maximized and that customer service workload is reduced.

The additional processing capacity of the AFSM 100 permits increased use of the FSM 1000 to process volumes traditionally sent to manual distribution operations.

Benefits

This strategy will improve flat sorting efficiency at P&DC/Fs. The Postal Service expects to reduce field budgets by over 870,000 workhours when the feeders and OCRs for FSM 1000s are fully deployed.

Milestones

- Complete First Article Test—April 2002
- Deployment—April 2002 through September 2002

Metrics

Increase in productivity, as measured by the Postal Service Management Operating and Data System.

Substrategy 3: Deploy automatic tray handling system

Description

Automatic Tray Handling System (ATHS) for the AFSM 100 would replace the takeaway conveyors on the original AFSM 100 with state-of-the-art fixed mechanization that would do the following automatically: 1) load the machine's 120 bins with empty tubs; 2) as individual tubs fill up, remove them, immediately insert an empty replacement into the vacated bin, and send the full tubs down a takeaway conveyor to the end of the machine; 3) label each full tub using information provided by the sorter's control system, and 4) read and validate the label entries against the source information.

Trends / Supporting Data

It is expected that not all AFSM 100s will be modified with ATHS. Only those machines which have sufficient runtime will be modified.

Benefits

It is expected that ATHS will reduce the sweep personnel assigned to an AFSM 100 team from two employees to one employee.

Milestones

Prototype testing is expected in 2002

Substrategy 4: Deploy semiautomatic tray take-away mechanism on the FSM 1000

Description

A system similar to the ATHS is planned for the FSM 1000. The Semiautomatic Tray Take-Away Mechanism (SATTAM) will remove full trays from the tray rack of the FSM 1000 and place them onto the machine's take-away belt. This mechanism will also move an empty tray into the place of the full tray to begin receiving flat mail.

Benefits

It is expected that this system will reduce the staffing of sweepers by one per FSM 1000.

Milestones

Prototype testing is expected in late 2003

Substrategy 5: Deploy flats remote encoding system

Description

The Flats Remote Encoding System (FRES) will consolidate flat keying operations at the remote encoding centers (RECs). It will also provide an infrastructure that supports remote keying activities, such as PARS and APPS, associated with future programs that may be used with other types of mail. The FRES program for the AFSM 100 will support the ongoing relocation effort of all AFSM 100 Video Coding Systems from the Postal Service's processing plants to the RECs.

Trends / Supporting Data

In today's plant-based, AFSM 100 keying environment, each plant must staff and manage the video coding systems they have for their respective AFSM 100s. The FRES program will allow the 'pooling' of video coding resources at the RECs and load balancing of video coding requirements among the processing plants in a particular area. Thus, the AFSM 100 keyers will be able to work more consistently and efficiently because FRES will manage and balance the workload among all keyers in the coding pool for a particular area.

Benefits

The implementation of FRES is expected to minimize the idle time experienced in flat keying operations at Postal Service RECs.

Milestones

- Contract Award — May / June 2002
- First Article Test — September 2002
- Deployment — October 2002 through June 2003

Strategy 3: Expand mechanization of material handling operations

Investments are planned for tray sorting machines to reduce the manual sorting of letter and flat trays as they enter and exit operations for processing and dispatch. Also in the future, there will be a physical integration of the handling of trays, bundles, packages, and sacks. The Postal Service will continue to work with customers and the mailing industry to explore product redesign and worksharing options that will reduce the number of tray and piece handlings and improve efficiency in postal operations.

Substrategy 1: Deploy low cost tray sorters

Description

A strategy recommendation for achieving savings in material handling operations is the deployment of Low Cost Tray Sorters (LCTS). LCTSs have helped reduce material handling workhours and have been deployed for inbound tray sorting operations and outbound dispatch operations. The cost of LCTSs can vary depending on configuration and the ability to scan barcodes on tray labels and/or dispatch and routing tags.

Trends / Supporting Data

In today's processing environment, trays are collected from the mail processing machines and moved to the dispatch area manually requiring significant manual labor. LCTSs have been integrated with Tray Management Systems (TMS) and dispatch equipment components. Integration of tray transport material handling capabilities with TMS and dispatch equipment is required to ensure efficiencies of dispatch operations.

Benefits

LCTSs are custom designed depending on the plant's needs allowing for greater flexibility. It is anticipated that the system can process up to 1,800 trays per hour throughput capacity.

Milestones

LCTSs are justified and deployed on a site-specific basis. LCTS are typically operational within 4 to 6 months of approval.

Metrics

Deployment of LCTSs will result in a reduction in allied workhours (Labor Distribution Code 17).

Substrategy 2: Develop universal tray system

Description

The Universal Tray System (UTS) is under development at the Integrated Processing Facility in Ft. Myers, Florida. In the future, the UTS will be the primary means for achieving physical integration within the plant. It will be equivalent to a tray management system, plus it will have the ability to handle bundles, parcels, and sacks.

Benefits

Expect to reduce the cost at this site while gaining operational experience with this type of system.

Milestones

Deployment end—mid-2002

Strategy 4: Improve delivery efficiency

Capital investment in equipment to improve delivery operations is also a priority. The Postal Service intends to continue seeking out and testing equipment and concepts that will enable it to automate the sorting of flats in Delivery Point Sequence (DPS). The long-term vision for delivery operations is a seamless operation that results in one bundle of mixed letters and flats for each delivery point.

In the near term, the Postal Service is actively deploying the Delivery Office Information System which provides timely data to delivery supervisors to enable them to make better decisions on a daily basis. The Postal Service is also pursuing several other productivity improvement initiatives in the near term.

The Postal Service is testing the Segway™ Human Transporter on a variety of routes, terrain, and climates. If proven to be successful this will reduce the carrier street time to service the route and expand the number of delivery points per route.

Substrategy 1: Delivery point sequence of flats mail

Description

Flats delivery point sequencing (DPS) would automate the walk sequencing of a portion of the flat mail. Flats that are to be delivered within one or more five-digit ZIP Codes and that satisfy several physical constraints (i.e., “machinable”), would be passed through a sorting machine twice, resulting in flats in delivery sequence for each carrier.

Trends / Supporting Data

The Postal Service has been successful in automating letter mail distribution for carriers, but the Postal Service has not yet been able to extend the benefits of automation to carrier flats operations. While letter operations have become more efficient, flats’ processing and delivery costs have been growing steadily.

Benefits

At present, each Postal Service carrier receives flats that are to be delivered from a variety of sources. This mail is not merged and much of it is in random order. The carrier manually sorts this mail into the delivery case, thereby merging it with letters and placing it into delivery sequence. The carrier then removes the flats from the case (pull-down), and takes them onto the street for delivery.

A better way to achieve this result is to process flat mail on a Flats Delivery Point Sequencer. As with the delivery sequencing of letters on the deployed delivery barcode sorter (DBCS), two passes across the Flats Delivery Point Sequencer will be needed to accomplish this result. The Postal Service will be replacing a two-step manual activity with a two-step automated activity, accompanied by major productivity improvements.

Milestones

A thirty-two month timetable could be pursued for the development and selection of a Flats Delivery Point Sequencer for the Postal Service:

- Design and Simulation of Competing Sorters;
- Fabrication and In-Plant Test of Competing Sorters;
- Competitive Field Test; and
- Deployment Planning and Approval.

Metrics

Net workhours reduced in Field Operations

Substrategy 2: Delivery point packaging (DPP)

Description

Delivery Point Packaging (DPP) is a less developed extension of the Flats DPS strategy discussed above. DPP technology would produce one package of mixed letters and flats for each delivery. The packages would be automatically sorted to the letter carrier in walk sequence. A key component of this new approach is a machine that can assemble a large range of letters and flats into delivery point packages and output those packages in walk sequence.

Benefits

With an operational delivery point packaging system, all flats and all letters for a delivery point will be provided to the carrier in packages that the carrier can take onto the street and deliver, as is. All of the manual sortation and removal from the case (pull-down) that each carrier currently does will no longer be needed. For many carriers, this work accounts for approximately half of the workday.

With a package concept in place, each carrier would report to work in the morning, pick up one package of mixed letters and flats plus any parcels and accountable mail for each delivery point on the route, and immediately go onto the street and start delivering mail.

Milestones

- The work described above for the Flats DPS takes advantage of existing work already underway in the vendor community, and therefore is comprised of development tasks only. For DPP technology, both research and development will be needed.
- A multi-phased evolution to packaging is under consideration, in which the Postal Service first would implement flats delivery point sequencing, followed by a 2-bundle method and a 1-bundle method, before finally implementing delivery point packaging.
- To minimize the amount of elapsed time before DPS technology is ready for deployment, a 4-year research and development effort is required, in parallel with the Flats DPS initiative described above. The end product of this Research and Development project would be prototypes that demonstrate technical and economic feasibility, but need to go through Production Design and Competitive Field Test stages before deployment can begin.

Metrics

- Percentage of the letters and flats workload that the technology can process.
- Percentage of the workload that can be processed via automation in a sufficiently timely manner.
- Net workhours reduced in field operations.

Substrategy 3: Deploy delivery operations information system

Description

Delivery Operations is actively deploying the Delivery Operations Information System (DOIS). DOIS is a Board of Governors approved project and replaces three existing stand-alone applications used by field managers. DOIS provides delivery supervisors with timely data, allowing them to make solid business decisions on a daily basis.

Benefits

The Postal Service is expecting a workhour reduction of approximately 2.9 million workhours upon final deployment.

Milestones

- Complete phase four deployment by September 2002.
- As of February 2002, DOIS has been deployed to 4,722 units and 15,210 employees have been trained.

Metrics

Productivity improvements to same period last year comparing DOIS vs non-DOIS sites.

Substrategy 4: Deploy managed service points

Description

The MSP program is intended to improve the consistency of mail delivery to customers. The program uses the Mobile Data Collection Device (MDCD) to scan bar codes at the delivery unit and along the carrier's route of travel. This allows supervisors to know if routes are being traveled within the expected time frames, which leads to consistent time of delivery.

Trends / Supporting Data

A greater decrease in carrier workhours (street time) has been identified in MSP offices when compared to non-MSP offices. The results of preliminary analysis indicate that while carrier street workhours have decreased 0.72 percent in non-MSP locations, they have decreased 1.90 percent in MSP locations.

Benefits

Improvement in consistency of delivery time promoting customer satisfaction, reductions in workhours, and an increase in deliveries per route.

Milestones

MSP will be fully deployed by the end of 2002 to all city carrier routes.

Metrics

Number of routes scanning, scan-rates, increase in Customer Satisfaction Index, carrier workhour reductions (Labor Distribution Code 22); increase in deliveries per route; route reductions (or route avoidance where possible deliveries are growing).

Substrategy 5: Delivery performance achievement and recognition system (DPARS)

Description

A component of the Breakthrough Productivity Initiative (BPI), the Delivery Performance Achievement and Recognition System (DPARS) tool/process monitors workhour utilization and productivity increases and will ultimately become an earned workhour budgeting system for both city and rural delivery. Grouping like sized offices together and benchmarking the demonstrated performance within the peer group at the average of the top quartile will measure delivery operations against a standardized target. Good performance will be recognized. The targets are set based on offices that have demonstrated they are the “Best in Class” within their peer group. Good performance will be recognized for both “Best in Class” and “Most Improved” based on overall high levels of performance as well as improvements at lower performing offices.

Trends / Supporting Data

City delivery workhour avoidance based on productivity improvements for FY 2001 was 2.1 million or 0.4 percent improvement. To date, the workhour avoidance due to increased productivity is 1.1 million or 0.6 percent improvement. Rural delivery workhour avoidance based on productivity improvements for FY 2001 was 1.9 million or 1.1 percent improvement. As of FY 2002 AP 06 Week 2, the workhour avoidance due to increased productivity is 0.9 million or 1.2 percent.

Benefits

This system will drive proper decision-making by field managers, will lead to significant reductions in costs and complement, and will establish the basis for opportunity based budgeting.

Milestones

Include DPARS as part of the Human Capital compensation and rewards strategies.

Metrics

Workhour avoidance as measured by the percent change from the prior year to the current year for city and rural delivery operations.

Substrategy 6: Improve rural delivery

Description

Three initiatives are aimed at improving rural delivery:

- Rural Time Review is a process by which managers examine and analyze the entire rural delivery timekeeping / recording / reporting process. Managers will be better trained in their time recording processes. The review will also lead to better management decisions regarding the scheduling of overtime.

- Managing Rural Delivery is a training program designed to ensure managers understand the basic concepts of managing rural delivery, with a particular focus on utilizing the Rural Time Review.
- Operations articles gives managers a series of specific “quick hit” strategies for reducing rural workhours. It also serves the purpose of raising awareness of the need to focus on rural management.

Trends / Supporting Data

Rural delivery workhour avoidance as measured by DPARS (see Substrategy 5) is 0.9 million hours year-to-date as of FY 2002 AP 06 Week 2. This is a 1.2 percent improvement. The National Payroll Summary Report shows increased rural regular and overtime paid hours despite reduced volume.

Benefits

This strategy will result in an overall reduction in the use of rural delivery workhours.

Milestones

- Deploy a new rural route workhour usage report by March 2002 to automate the current manual process of determining where the overrun to standard hours occurs.
- Revisit and reissue the BPI Rural Timecard Audit booklet in March 2002.

Metrics

Workhour avoidance as measured by percent change in DPARS from year-end 2002 compared to year-end 2001 (target is 0.3 percent and currently 1.2 percent). Monitor improvements in National Payroll Summary Report overtime and regular paid hours.

Substrategy 7: Carrier optimal routing

Description

This project is designed to test city carrier routing and travel path optimization algorithms. Route design based on optimization modeling is currently employed by major delivery and pickup companies in private industry. The Postal Service expects the outcome of this effort to be more efficient and safe routes along with lower cost of vehicle use.

Trends / Supporting Data

Preproduction software demonstrated a 10 percent vehicle mileage reduction and a 3 percent workhour reduction in city carrier street processes (LDC 22). Production software award (January 2002), subsequent alpha testing, and national training / deployment indicate achievable savings for the first quarter of 2003.

Benefits

Benefits include reduced workhours and vehicle costs, improved customer relations (more efficient route layout and subsequent service), and improved carrier safety (more compact, contiguous routes which minimize unnecessary travel).

Milestones

- Production software award—March, 2002
- Alpha testing will be conducted from July to September, 2002
- Field training and deployment is anticipated upon completion

Substrategy 8: Segway™ Human Transporter (Segway HT)

Description

The Segway HT is a self-balancing, pollution-free, environmentally friendly, battery-powered transportation device. It has a footprint no larger than the human body, uses the same space as a pedestrian, and can go wherever a person can walk. The Segway HT will allow carriers to travel more quickly while reducing the physical burden of carrying the mail.

Benefits

The Segway HT has the potential to increase carrier efficiency and decrease delivery costs. Injury compensation costs may also be reduced as the weight of the mail is transferred from the carrier to the HT, thereby improving the ergonomics of carrier daily work activities.

Milestones

- Feasibility Testing—March 2002
- Alpha Testing—July 2002
- Beta Test—Quarter one of fiscal year 2003

Metrics

Carrier street workhour reductions as a consequence of reduced park points, fewer relays, and expanded delivery loops with increased delivery points.

Strategy 5: Deploy next generation package sorting equipment

To improve the Postal Service's ability to handle packages, equipment projects are planned to improve productivity, sort accuracy, the singulation process, and automatic induction of barcoded parcels. Also the next generation of sorting machines for small parcels and bundles of mail will replace the older labor-intensive machines in larger offices.

Substrategy 1: Deploy singulate, scan, induction unit

Description

The Singulate, Scan, Induction Unit (SSIU) equipment is being deployed to nineteen of the twenty-one bulk mail centers (BMCs) and will improve productivity and sort accuracy. Each BMC will receive two SSIUs that will improve the singulation process and automate induction of barcoded parcels onto the BMC sortation equipment. The device

will allow parcels to be sent, one at a time, through a dimensioning unit, a weigh-in-motion scale, and then through a scanning tunnel that will read the package barcode. Packages will then be automatically inducted onto the sorter. Deployment began in January 2001 and is expected to end in the fall of 2002.

Trends / Supporting Data

BMCs handle a variety of mail products including packages, sacks, and trays. The BMC network came into operation during the early 1970's to mechanize both parcel and bulk mail processing. The building of the BMC network is characterized by extensive fixed mechanization under computer control. The SSIUs are being installed on BMC parcel sorters to improve their efficiency.

The SSIU has the ability to convert the source stream of bulk loaded parcels into a single, spaced line of separated parcels. These parcels are then passed through a six-sided scan tunnel that records their dimensions and weight and reads their barcode. The SSIU then feeds the parcel onto the sorting machine, which uses the barcode information to sort the mail piece.

Benefits

Increased throughput and improved productivity due to automatic read and induction. Reduction in workers' compensation costs due to less manual handling,

Milestones

Deployment began in January 2001 and is expected to end in the Fall of 2002.

Metrics

Reduced labor budget and improved performance as reported in the BMCs' Plant Information Management System (PIMS).

Substrategy 2: Deploy automated package processing systems

Description

The Automated Package Processing System (APPS) is the Postal Service's next generation of sorting machines for parcels and bundles of mail. It is designed to replace the older labor-intensive Small Parcel and Bundle Sorters (SPBS) in larger offices. APPS will have enhanced features over the existing system such as singulation, camera tunnel with Optical Character Reader / Barcode Reader / Video Coding System (OCR / BCR / VCS) and a carousel type sorter. APPS has a large processing capacity and will introduce optical character reading (OCR) and other advanced technologies to the small parcel and bundle operation in processing plants. This will improve productivity and sort accuracy.

Trends/Supporting Data

Bundles are in the mailstream, because the Postal Service gives rate incentives to mailers to presort mail. Mailers taking advantage of presort rates enter full pallets, trays, tubs, and sacks of mail into the Postal Service. Within each of those pallets,

trays, tubs, or sacks are bundles, which the receiving facility must sort to smaller facilities or to individual letter carriers within the facility's service area. Today, this work is done on an SPBS if available, or manually.

The other major workload on the SPBS is parcels. The Postal Service delivers more than 1.6 billion parcel-shaped mailpieces per year. APPS will enable the Postal Service to increase throughput of the parcel-shaped mail.

Approximately eighty systems are currently planned for a deployment starting in 2003.

Benefits

Increased throughput and increased productivity due to Auto OCR induction, improved accuracy, reduced labor.

Metrics

Reduced labor and increased throughput, as reported via the Management Operating and Data System.

Strategy 6: Optimize transportation and distribution networks

To address the challenges of rising transportation costs, the Postal Service has implemented several tactical measures for containing costs and improving service. Also the Postal Service will use information systems to measure performance, optimize network design, improve transportation efficiencies, and speed service.

The Postal Service has initiated a network optimization effort, the Network Integration and Alignment initiative, with a charter to create a flexible logistics network that reduces the Postal Service's and customers' costs, increases overall operational effectiveness, and improves consistency of service. The new network design will offer the mailing industry an opportunity to identify impacts of alternative workshare concepts. By jointly improving business practices, the Postal Service can move aggressively to become more efficient thus minimizing rate increase requests. Further network redesign will provide an opportunity for new business development strategies.

Substrategy 1: Deploy surface air management system

Description

The Surface Air Management System (SAMS) is the mail assignment engine that provides the transportation assignment to indexed surface and air routes for sacks, trays, large parcels, and containers. SAMS also provides the ability to allocate capacity by mail classes and track manifests on-line. The system provides an individual routing assignment, with unique serial identification for each handling unit. The routing assignment and serial number are barcode printed on a self-adhesive dispatch and routing tag, which is applied to the handling unit being dispatched. The dispatch and routing tags are scanned providing "visibility" for sacks, trays, large parcels, and containers, as they are handed off to transportation suppliers until delivery back to the Postal Service at destination.

Benefits

- Sustainable, supportable mail assignment system, replacing legacy Air Contract Data Collection System (ACDCS)
- Improve office productivity and reporting accuracy
- Unique serial identification
- Mail assignment for both air and surface transportation
- Mail assignment engine for PostalOne!

Metrics

- Reduced commercial air transportation costs
- Reduced maintenance costs of legacy system

Substrategy 2: Develop transportation optimization planning and scheduling

Description

The Transportation Optimization Planning and Scheduling (TOPS) tool will optimally align transportation requirements with the available resources and develop routing plans that minimize costs and maintain service standards. TOPS will introduce a more dynamic, industry standard, optimization engine for all modes of transportation.

Benefits

TOPS will advance the shared network approach to include all modes of transportation. It will reduce the time required of area staff to build and maintain surface transportation schedules.

Reduced air and surface transportation costs through better utilization.

Milestones

The Postal Service will begin implementation in 2003

Metrics

- Reduction of contracted transportation dollars
- Improved cube utilization
- Improved consistency of service

Substrategy 3: Deploy surface air support system (SASS)

Description

With the Surface Air Support System (SASS), the Postal Service has created a central 'visibility' database to receive assignment data from the Surface Air Management System (SAMS) and scanning data from the Postal Service and transportation suppliers. This scanning data provides both service and security benefits giving the Postal Service better data regarding service performance for transportation suppliers, ensuring accurate payment verification, as well as information regarding mail transported on a specific flight, truck or train.

Trends / Supporting Data

Transportation utilization and efficiency data is not readily available on a wide scale.

Benefits

- Data routinely recorded can add great value if collected in a timely manner from both postal and supplier sources and used in planning as well as operational cycles.
- Alignment of transportation resources, reducing unnecessary expense while increasing value of needed trips.
- Greater accountability of transport suppliers.

Milestones

- LinkScan system created to capture scan data at transition points. Deployed initially to support FedEx alliance, February 2002.
- Establish standard transport supplier interface (using Electronic Data Interchange – “EDI”) for shipment status. To be deployed initially with Amtrak, April 2002.
- Expand EDI requirement to commercial airlines and freight rail. Pilot test with two airlines, May 2002.
- Pilot test freight rail, June 2002.
- Implement in national contracts, September 2002.
- Develop and establish unified truck management system, leveraging existing systems by providing better user interfaces and tools.
- Develop logistics data warehouse and ad-hoc reporting tool, July 2002.

Metrics

- Network performance assessment
- Elimination of Air Contract Tags (ACT)
- Reduction / elimination of non-readable distribution and routing (D&R) tags at origin
- Elimination of missorted handling units in bypass containers

Substrategy 4: Develop transportation contract support system

Description

Transportation Contract Support System (TCSS) is a replacement system for the Highway Contract Support System (HCSS). HCSS is a legacy system that currently supports the solicitation, award, and administration of 17,000 highway contracts nationwide. TCSS is a DAR justified project categorized as a sustaining capital investment.

Trends / Supporting Data

- Unstable environment both hardware and software
- Unsupported software
- Reaching capacity of current hardware
- Inadequate reporting capabilities

Benefits

- Web-based system versus distributed system
- Reduced downtime and system maintenance costs
- Improved system performance increasing specialist productivity
- Workload savings through automated versus manual processing of contract functions
- Electronic interface with NASS / SAMS
- Transportation Data Warehouse
- Reliable data
- Improved user reporting capabilities

Milestones

- Complete application development by August 2002.
- Complete system testing by September 2002.
- Complete customer acceptance testing by November 2002.
- Complete full deployment by March 2003.

Metrics

- Implementation on time (see above)
- Development within budget - \$4.6 million

Substrategy 5: Increase utilization of mail transport equipment (MTE)

Description

- Mail Transport Equipment Service Center (MTESC) network keeps more MTE serviceable and circulating, thus reducing the requirement to buy new MTE or cardboard boxes and minimizing customer complaints.
- Use empty highway and rail backhaul trips to redistribute MTE nationwide.
- Optimize existing highway transportation to distribute MTE locally.
- MTE engineered to be made of recyclable materials, and substantial recycling revenue has been realized.

MTESC Network provides historical, trend, and performance data for better overall MTE management.

- Too many types of MTE keep demand variability high and cause overspending for purchasing, handling, storing, and transporting; plans are being implemented to reduce the number and types of MTE.

Trends / Supporting Data

Spending for new MTE was reduced by \$13 million, or 8.3 percent, from 1999 to 2000. Likewise, \$28 million, or 18.9 percent less, was spent in 2001 than in 2000. Spending for commercial MTE warehouses was reduced by \$28 million from 1999 to 2001.

Benefits

Improved supply chain management of MTE has reduced new purchases of MTE and cardboard boxes as well as MTE commercial warehouse spending.

The independent and externally administered Customer Satisfaction Measurement system consistently shows high marks, from both premier and national accounts, for the availability of serviceable MTE from the MTEESC Network.

Reducing the number and types of MTE can be accomplished by taking advantage of the plastic mailbag cost advantage over cloth mail bags. The plastic price of a new mailbag is 10 percent or less of the cloth price, and the processing cost is lower too. Denser packaging of plastic also yields savings for storing and transporting.

Milestones

- New equipment, cardboard boxes, and transportation savings are fiscal year based.
- The conversion from cloth mail bags to plastic mail bags, for five mail bag types, entails transitioning the demand, transitioning the production, and determining inventory disposition which will occur from Quarter III 2002 through Quarter II 2003.

Metrics

- Declining expense for new MTE and for processing / storing / transporting plastic mailbags in lieu of cloth ones
- Recycling revenue from condemned MTE
- Tracking by the Consumer Advocate's Customer Satisfaction Measurement (CSM) system

Substrategy 6: Network Integration and Alignment

Description

The Network Integration and Alignment (NIA) strategy will create a flexible logistics network that reduces the Postal Service's and customers' costs, increases overall operational effectiveness, and improves consistency of service. The NIA strategy will provide the Postal Service with the analytical means to drive the necessary redesign of the existing network and provide rapid response capability. To achieve the objectives of network optimization, the Postal Service is investing in the development of a network integration and alignment strategy. The output of this process will produce a set of network optimization and simulation models that will enable the Postal Service to analyze a variety of network alternatives that address the complexities and uncertainties of the organization's operating environment.

Trends / Supporting Data

- Fixed infrastructure inhibits the organization's ability to adapt to changing business requirements.
- Transportation costs have increased disproportionately over the past decade.

- Evolution of the distribution network has resulted in a lack of standardization across operating procedures.
- Differing and inconsistent preparation and entry standards exist between classes and subclasses of mail.

Benefits

- Reduced total costs for the Postal Service and mailers
- Consolidation of plants
- Redefined roles and functions of plants
- Improved consistency of service
- Reduced transportation costs
- Standardized mailer preparation and entry standards
- Streamlined networks resulting in reduced workhours

Milestones

- Develop network model and strategy – September 2002
- Develop implementation plan – December 2002

Metrics

The NIA strategy will form the basis of a business case that determines the extent of cost savings and revenue generation resulting from streamlining the processing and transportation networks.

Interdependencies

Postal Rate Commission process if service standard changes are needed.

Strategy 7: Increase retail / customer service productivity

The Postal Service will continue its efforts to implement processing equipment and best practices that standardize operations to increase productivity and reduce costs. These improvements will occur in both post office and mail forwarding operations. Detailed retail transaction data from Point of Service One equipment will be used to determine customer demand at counters for staffing purposes as well as determining the number and types of transactions that can be shifted from the full service counter to other alternatives. The Postal Service will also review the design of its post offices to determine the best way to provide access to postal services 24 hours a day, seven days a week while reducing construction costs.

Substrategy 1: Retail / customer service productivity improvement

Description

Customer service productivity improvement includes:

- Operational standardization to ensure optimal efficiency throughout the postal network; and

- Continued automation of mail processing operations that occur in the backrooms of post offices.

The Postal Service has made significant progress in automating the processing of mail in recent years. However, there are still opportunities to move more mail to automation. A major focus will be to move even more mail to automation.

An effort was begun within the last few years to accomplish Breakthrough Productivity Improvements (BPI) in all operations of the Postal Service. BPI improvements in work processes will be achieved through the use of a standardized Function 4 Review Process and the nationwide implementation of best practices. The office improvement process encompasses four distinct steps that include review, establishing an office baseline, implementing standardized proven-practice methods, and ongoing follow-up and monitoring. This process will lead all Function 4 automated and manual distribution facilities toward effective and ongoing performance achievement. It has been demonstrated that the implementation of proven work methods results in productivity improvements.

The forwarding of mail is a major source of customer complaints and entails very costly handling processes. A person can move from one city to another and in most cases the mail goes all the way to the old address before being identified and redirected to the new address. This automation effort will focus on identifying the mail when it is entered into the mail stream and redirected to the new address rather than going all the way to old address before being identified. This will eliminate handling and transportation costs and provide much improved service times in getting forwarded mail to the customer. See also PARS in Strategy 1.

Trends / Supporting Data

The national trends in Function 4 workhours show a downward trend in response to migration of manually distributed mail into the automated mailstream. This includes a reduction of mail distribution workhours in the back room of post offices. Current reviews show there are opportunities for additional savings in locations that have not yet reevaluated the full impacts of deploying delivery barcode sorters (DBCS) and Carrier Sequence Barcode Sorter (CSBCS) machines as well as the Automated Flat Sorting Machine (AFSM) 100.

Benefits

The combination of these activities to improve productivity will result in the savings of approximately 19,000 full time equivalent employees.

Milestones

- Continued automation of back office
- Implementation of Automation for the forwarding of mail beginning in 2004
- Ongoing Operational reviews and implementation of standard operating procedures

Metrics

Change in full-time equivalent employees and operating budgets

Substrategy 2: Facility design changes

Description

Design new facilities and retrofit current facilities with twenty-four hours a day, seven days a week access to critical products and service, where feasible.

Benefits

- Increased customer convenience
- Reduce construction costs

Metrics

CSM scores

Strategy 8: Improving performance management

In addition to capital investment to drive down operating costs and network modeling to ensure an optimal distribution and transportation structure, the Postal Service will continue its focus on improving productivity by standardizing and monitoring performance.

Best practices have been identified and operations are being standardized around these best practices. Numerous tools have been developed to assist the field operations managers in monitoring their performance, planning their complement, and properly scheduling their people.

Substrategy 1: Area mail processing consolidation

Description

Headquarters is conducting extensive reviews and will be implementing Area Mail Processing (AMP) consolidations. The Postal Service is currently undertaking an effort to consolidate Mail Processing activities and centralize or relocate these activities within and among clusters.

Trends / Supporting Data

This effort was initiated based on an expectation of complement reductions.

Benefits

The projected savings from AMP consolidations (23 in phase one) are projected to average slightly less than \$1 million each.

Milestones

Overall program in review at this time.

Metrics

- Projected first year savings of each proposal
- Service performance of First-Class Mail and Priority Mail remains at same level or better

Substrategy 2: Other direct labor reviews and standardization

Description

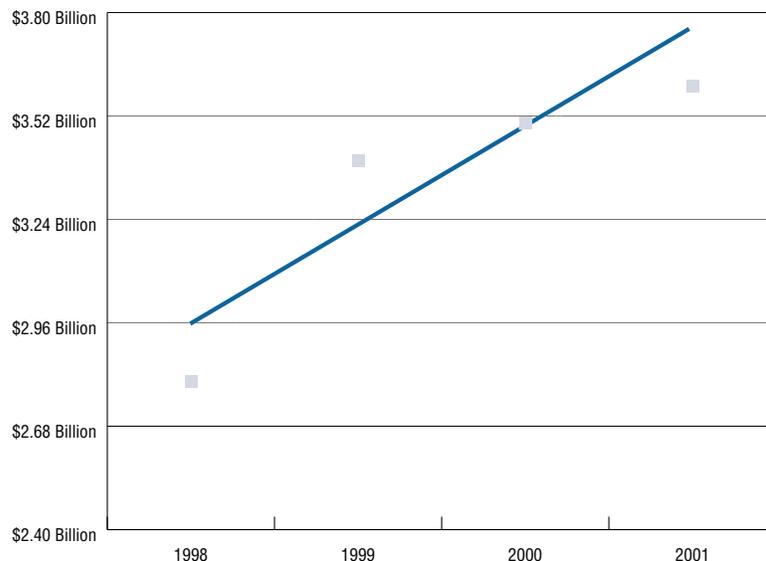
Other direct processing operations—Labor Distribution Code 17—is currently one of the segments with the highest cost. Standardizing processes will ensure the consistent workhour recording of all LDC 17 activities at mail processing facilities. Standardized processes will enable the organization to more precisely stratify and develop specific measures of performance and national targets for each activity with LDC 17. It is the objective of this project to:

- Identify and realign operations within LDC 17 and establish standardized work centers;
- Develop workload measures for each operation; and
- Establish performance targets and indicators for work centers.

Trends / Supporting Data

In 2001, the cost of LDC 17 workhours reached \$3.6 billion. LDC 17 workhours increased approximately \$113 million over 2000. In fact, LDC 17 is the largest and fastest growing mail processing work center.

NATIONAL LDC 17 SALARY AND BENEFITS



Benefits

Improvements in the efficiency of LDC 17 operations and work centers are expected. Standardized processes will reduce the variability in current operations and provide plants with stable operations that are based on best practices.

Low cost, high return material handling projects identified by LDC 17 review teams along with recommended improvements in management processes will provide the foundation for LDC 17 workhour reductions.

Review teams will provide local plant management with an LDC 17 review report that highlights expected savings and full-time equivalent employees so that savings can be captured.

Milestones

- Identify requirements and develop plans for LDC 17 standardization (Quarter III 2002).
- Complete LDC 17 reviews in seven Processing and Distribution Centers with the greatest opportunities for LDC 17 workhour reductions. Begin field testing of standardization approach towards selected LDC 17 work centers (Quarter IV 2002).
- National roll out of standardization and certification of selected LDC 17 work centers (Quarter I 2003).

Metrics

- Reductions in LDC 17 workhours nationally
- Reductions in LDC 17 costs nationally

Substrategy 3: Priority Mail standardization

Description

The Postal Service is undertaking a major effort to improve Priority Mail processing. The primary objective is to obtain nationwide improvement of Overnight and 2-Day Priority Mail service and establish a standard process for the end-to-end actions required to provide customers with a time-sensitive, Priority Mail product. The Postal Service distribution processes are being standardized to increase productivity, reduce missorts, and control costs. To help achieve operational objectives, procedures and work instructions have been developed for Priority Mail operations that have been proven to enable the Postal Service to achieve its performance targets. This approach is based on proven practices used in field organizations that are shown to provide the level of performance necessary to meet aggressive targets for Priority Mail service.

Trends / Supporting Data

Priority mail service performance needs to improve.

Benefits

This effort is focused on achieving Priority Mail goals of 95 percent overnight and 91 percent for 2-day service performance.

Milestones

- Training package completion — July 2002
- Web site completion — August 2002

Metrics

- Productivity Goals for Priority Mail with missort rates of less than 1 percent
- Priority Indicators from Mail Condition Reporting System

Substrategy 4: Implement complement planning, tracking and management (CPTM)

Description

To help achieve operational objectives, national standard procedures and work instructions have been developed for complement planning, tracking, and management. By using these processes, field management will determine appropriate

complement plans by installation and function. Once these plans have been converted to authorized staffing levels by unit, the local CPTM process will monitor and adjust the complement to meet these plans. Enhanced planning and tracking tools are included in this standardization effort to aid in the management decision making process of the local complement committees.

Tools used in the Process

Business Management Guide (BMG) determines complement or workhours based on planned budget. It has the capability of using the improvement opportunities identified by the Plant Performance Achievement System (F1 PAS) to plan complement in a facility impacted by changes in volume, product mix, and automation or productivity improvements. BMG is the complement tool used to manage costs by planning complement based on budget requirements, the first step in the complement process. However, BMG is also used throughout the process to monitor and adjust complement plans.

Job Information Monitoring System (JIMS) is used to monitor and to determine adjustments to work assignments in plants, post offices, and larger associate offices. Initially, JIMS is used to identify vacant job positions and to verify current jobs with employees. In later phases of the process, JIMS is used as an ongoing monitoring tool.

Complement Information System (COINS) is designed to provide local management with timely and accurate complement information to support the management of this critical resource. COINS tracks on-rolls complement against authorized complement levels or targets. At start up, COINS helps to identify the gap between on-rolls and authorized complement, thus giving management a starting point in managing the complement. As the process advances, COINS continues to help managers identify areas requiring greater attention.

Complement Accounting System (CAS) is the Human Resources system that will provide current information on the status of all hiring and losses in process. This application is still under development at this time.

Machine Scheduler is a simple-to-use spreadsheet model: the daily scheduler can be used for any operation that has an expected throughput rate or work rate, end time, and quantifiable resources (number of machines, cases, etc.). Limitations are that the scheduler only does one operation for one day at a time. Multiple equipment types or operations cannot be scheduled using a single model.

Employee Scheduler 2.8 takes a similar approach to that of the machine scheduler. It too is a relatively simple spreadsheet model that uses volume data, productivity rates and clearance times to plan weekly employee schedules. Differentiating this model from the machine scheduler is the ability to schedule up to six complementary operations. The Employee Scheduler can be used in the plant (F1) and post office (F4) environment.

Trends / Supporting Data

While the number of on-rolls employees is trending downward, it is still the area of biggest impact, therefore requiring the most attention.

Benefits

The CPTM Process enables managers to adjust their complement based upon changing workloads, because it gives managers the ability to plan rather than react. Used properly, these procedures and tools will improve the organization's ability to

match complement to workload so that the right people are in the right place at the right time and will lead to improvements in productivity and performance.

Milestones

Deployment end of 2003.

Metrics

Existing metrics, such as Total Operating Expense, F1 PAS, will be used to measure results.

Strategy 9: Manage realty assets

The Postal Service is one of the nation's largest institutional holders of real estate. A systematic internal approach is used to identify, analyze, maximize the return on, and reduce the costs associated with, postal real property assets. Facilities management strategies are designed to ensure that the disposition, by sale or lease, of excess or underutilized real estate assets held by the Postal Service is conducted in a manner consistent with the best interests of the organization. Funds derived from such actions become available for redeployment across the full spectrum of identified postal operational priorities. Realty management procedures include utilization of internal and external expertise to market and develop these properties, as well as public / private partnerships to position and develop unique properties.

Because of their unique position in the marketplace, a relatively small subgroup of these assets may hold the potential for significant value appreciation, if positioned correctly. Unless it is in the best interests of the Postal Service to retain a long term interest in a property due to postal co-occupancy, historical considerations or fiduciary circumstances, expeditious disposition is the principal goal.

Revenues generated by the Realty Asset Management (RAM) program come principally from:

- The sale of fee simple, leased fee and leasehold interests (these include excess land, buildings, and air rights / other developmental rights);
- The short-term leasing of excess space in postal owned buildings to the private sector (outleasing) and GSA;
- The long term leasing of excess space and development rights via a third party developer; and
- Enhancing the value of select Postal Service properties by incorporating disposition strategies (developmental added value properties).

Substrategy 1: Postal Service properties for sale

Description

The Postal Service has an inventory of properties for sale of approximately \$360 million, consisting of nearly 125 properties. The inventory of properties for sale is largely influenced by the construction of replacement postal facilities. The time necessary to dispose of individual properties varies, depending on the property itself and the local market. Gross sales in 2002 are projected to be \$30 million.

Substrategy 2: Short-term leasing

Description

In 2001, outleasing to third parties and leasing of space to GSA produced \$39.8 million in revenue to the Postal Service from approximately 700 properties. It is anticipated that this income stream will remain stable over the next several years.

Substrategy 3: Developmental leasing

Description

The developmental program entails the long-term leasing of excess space and development rights to a third party, usually a developer who improves the building by renovation and new construction. Typically, the income is received in the form of annual rent. Such actions take several years to develop and implement. In 2001 rent proceeds were \$24.2 million from the properties involved.

Substrategy 4: Developmental added value properties

Description

In addition to the above, the Postal Service is enhancing the asset potential of selected properties. These are typically larger, high visibility properties with commercial development potential. Their unique position in the marketplace holds the potential for value appreciation by such actions as securing development entitlements and marketing. Due to the complexity of maximizing their potential for disposition, these activities may take five to six years to reach fruition.

Substrategy 5: Other programs

Description

The Postal Service also has instituted a national tax appeal program in association with the accounting firm of Deloitte & Touche, which identifies and appeals over assessed properties. Further, the Postal Service pursues the acquisition of properties with favorable rents and purchase options.

In the future, it is expected that the inventory of excess properties will change. With fewer new facilities, there will be fewer former postal facilities to replace. However, any consolidation of processing may generate excess space or excess buildings for disposal.

International Air Transportation Deregulation

Overarching Objective

Study deregulation of air transportation rates for the transportation of international and military mail and convey to the Postal Service the authority to competitively contract for such transportation in the open market.

Description

Current law, under Titles 39 and 49 of the *United States Code*, regulates the establishment of transportation rates for the carriage of U.S. mail internationally. Under this process, the Department of Transportation (DOT) sets the rates based on a formula of cost allocation established in the 1970s and periodically updated (currently annually) utilizing current cost data provided by the American flag air carriers. Each newly established set of rates is not a new calculation, but rather an incremental adjustment to the original 27-year-old base rate. It is doubtful that the formula establishing the base rates is representative of current operations in that air carriers, aircraft type, associated costs, fuel efficiency, crew requirements, terminal handling operations, routes and markets served etc. are all dramatically different in today's environment. Furthermore, the rates are segmented by broad geographic region (Atlantic, Pacific, Latin America and Transborder) resulting in identical rates (other than the variable of distance) to major destinations like Frankfurt or London, where there is significant competition, and minor markets like Helsinki or Kiev.

The Postal Service is compelled to give preference to certificated (i.e., American flag) air carriers and the American air carriers are required to carry mail behind passengers and their baggage. Except in those origin / destination pairs where there is inadequate service by the certificated carriers, the existing authority to contract for air transportation is limited to segments where at least 750 pounds is tendered per flight and no more than 5 percent of the mail under the contract can be letters. All contracts are subject to approval by DOT following solicitation of input from the air carrier industry on each individual contract.

Trends / Supporting Data

In separate studies conducted in 1997 and 1998 on the comparison of the DOT mail rates to the rates paid in the market place for the carriage of freight, a significant differential was identified reflecting potential cost savings if mail was competitively contracted rather than tendered under the current regulated environment. There would likely be some segments where the costs might actually increase. The most recent consultant studies are several years old and should be updated to better identify current savings opportunities. An offset to any potential cost reductions would be in an increase in contract and traffic management resources.

Interdependencies

Any form of deregulation will require legislative action by the Congress. Previous postal reform legislation has included language to this effect and that language, with proposed Postal Service amendments, could serve as the basis for deregulating the rate setting process and granting authority to the Postal Service to contract for international transportation services. The Department of Transportation has long sought deregulation of international mail transportation rate setting and has indicated support of any new initiatives.