

MAILING INDUSTRY TASK FORCE

Achieving Network Efficiencies Through Network Integration and Alignment

Recommendation Recap

The October 2001 report of the Mailing Industry Task Force urged the industry and the Postal Service jointly to develop a strategy to optimize the total postal network so that customers receive the best value and pricing with the assurance of security and reliability.

In the fall of 2002, the Task Force concluded the combined USPS-private sector postal network should be configured in a way that encourages the mailing industry to present mail at that point in the postal stream where the USPS and the industry operate in combination with maximum efficiency.

The Task Force, as a result, made two decisions going forward. First, that it would embrace the Postal Service's Network Integration and Alignment (NIA) project, which has a charter to create a flexible logistics network that reduces Postal Service and customers' costs, increases overall operational effectiveness, and improves consistency of service, as the initiative most likely to achieve this recommendation's objective. Second, that it would integrate the work being done by members on mail preparation and entry optimization with the network committee's efforts, to ensure that both industry teams work towards complementary solutions. The Task Force supported the Postal Service's decision to include in its April 2002 Transformation Plan a recommendation to "redesign the postal logistics network" by optimizing the location and number of processing centers and transportation nodes.

During the late spring and summer of 2002, the Postal Service conducted a series of workshops with key postal and mailing industry stakeholders to develop various strategic scenarios to model. Meanwhile, data was collected about each facility's activities.

"The Postal Service's investment in computer-based network modeling has been an important step forward in developing understanding about system capacity and capabilities," commented Task Force Steering Committee member William Davis, Chairman and CEO of R.R. Donnelley. "The knowledge gained will serve as a critical tool in the decision-making process that will determine the shape, scope and operational vision of the 21st century postal system."

USPS/INDUSTRY PROGRESS

- ✓ *Launched Computer-based Network Modeling Initiative*
- ✓ *Constructed a Systemwide Database Incorporating All Facility Activities*
- ✓ *Completed First-Phase Systemwide Modeling*
- ✓ *Captured Modeling Lessons Learned*
- ✓ *Initiated Planning for Second-Phase Modeling*

Over the past six months, the Postal Service has finished construction of a systemwide database, and completed its first-phase modeling effort to analyze costs, capacities and volume flows for each mail processing facility. This effort has now led to a second phase to determine "right-sizing" opportunities for the postal network.

The modeling, Postal Service executives have reminded the Task Force, is aligned with a charter to create a flexible logistics network that reduces both USPS and customers' costs, that increases overall operational effectiveness, and that improves consistency of service. "The program is using two types of models," USPS Vice President for Network Operations Paul Vogel reported, "Optimization and Simulation. These models allow for exploration of different network alternatives and provide insight into cost and service implications."

Currently, the Postal Service NIA team is updating the data for the most recent year and refining the models for the next phase of modeling. The team is also working on identifying approaches to improve data quality and techniques used for capturing, updating, and transforming modeling data.

“Among the lessons that have been learned through the NIA process,” reported USPS Senior Vice President John Rapp to the Task Force, “were that excess capacity clearly exists within the current network, that people – and not computers – will ultimately design any new network, that varied data sets create different solutions in terms of “right-sizing,” and that any model implementation will have a small number of key drivers.” One immediate outcome of the first phase has been the decision to close approximately 50 postal annexes. Twenty-two had already been shut down by late winter, with another 28 targeted for closure.

“The next phase of network analysis,” reported NIA manager Pranab Shah, “is focused on modeling a pre-defined concept of distribution that will enable the Postal Service to more effectively balance operations strategies against service requirements and network costs. This concept identifies what processing activities a facility may perform and thus what role they play in a network, how products or shapes may be handled differently throughout the network, and what type of transportation is used to connect these facilities.” This approach towards network optimization mandates a shift in USPS focus from optimizing the performance of a particular product line or geographic area to optimizing the performance of its entire logistics network and mailing industry value chain. USPS optimization analysis will determine the fundamental design of a least-cost service-responsive logistics network.

The Task Force shares the Postal Service’s assessment that NIA is an evolutionary process for optimizing USPS network operations on an ongoing basis. “NIA serves as a catalyst for bringing postal management, mailers, and industry experts together to improve network operations,” observes Deputy Postmaster General John Nolan. “The Postal Service will align its approach with the Mailing Industry Task Force’s recommendation that the USPS-private sector postal network should be treated as interdependent components of the mailing industry value chain.”

FUTURE ACTIONS

- The Task Force will support the second phase of NIA modeling, and provide any industry facility data that might be required to construct a comprehensive view of the mail channel value chain.
- The Task Force will continue to work with the Postal Service to communicate to policy makers and the public on the need for an optimized network.

NETWORK OPTIMIZATION COMMITTEE MEMBERSHIP

The Task Force committee includes representatives from R.R. Donnelley, ADVO, Advance Presort Services, Inc., Capital One, Lockheed Martin, Mid-America Mailers, Quad Graphics, Quebecor World, Time, Inc., Gruner & Jahr and Time, Inc. The committee is co-chaired by William Davis, Chairman and CEO of R.R. Donnelley by John Rapp, Senior Vice President, Operations of the United States Postal Service, and Paul Vogel, Vice President, Network Operations Management, United States Postal Service.