



“We have come a long way, but there remains much work to do. The progress we’ve made to date is a platform upon which we can continue to build for the future.”

– Deputy Postmaster General John M. Nolan, *co-chairman of the Mailing Industry Task Force*

To the Mailing Industry:

Two years ago, when we published our initial report entitled “Seizing Opportunity,” the Task Force identified three critical objectives on which to focus our efforts. Those goals — to make the mail more responsive to today’s customer requirements, to unify the mailing industry to leverage its economic impact, and to enhance the mail channel’s competitiveness relative to other means of communication — together formed a strategic direction that we envisioned would lead to new and greater value to both consumers and commercial mailers.

What has transpired has met — and in some ways exceeded — our expectations. The collaboration between the United States Postal Service and the mailing industry has been remarkable in terms of accessibility, knowledge sharing and strategic planning. We’ve seen significant developments in address quality improvement, in the planning and initial implementation of intelligent mail products and services, and in the standardization of mail preparation and entry. Results can also be seen in our other areas of focus: pricing flexibility, enhanced payment systems, ease of access through new “gateway” technologies and services, computer modeling of the entire postal network, and the establishment of an independent CEO-level industry council.

At the same time, the business environment has also changed. The President’s Commission has concluded its work, and the report of the Commission has reset the agenda for the next national debate on postal reform. Congress’s decision to approve a change in the Civil Service pension payment formula has given the Postal Service the opportunity to stabilize rates for several years. In short, the confluence of achievement and events has given us a platform for change within the Task Force itself.

We have decided to seize that opportunity and to go forward in the coming months on a new strategic path. Our focus will be on mail channel revenue growth and mail effectiveness. We will reach out to the mailing industry for leadership and expertise that will support our efforts in reaching this revenue goal, while continuing our work in intelligent mail and address quality — two areas we believe offer great prospects for mail effectiveness and growth. As we have in the past, we first will identify several initiatives and enhancements that we determine as having the most potential to drive growth. Then we will focus our efforts on how the industry and the Postal Service can best collaborate to realize that potential.

We are excited by this new challenge and by the eagerness of our members to take it on. This is an important period in the history of both the Postal Service and the mailing industry, and we intend to make a difference.

Michael J. Critelli

Co-Chairman

John M. Nolan

Co-Chairman

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I N T R O D U C T I O N

Three Years of Achievement

In the fall of 2001 — at the apex of one of the most challenging moments in modern postal history, following the twin blows of the September 11 terrorist attack and the anthrax bioterrorism of the succeeding month — the Mailing Industry Task Force issued its initial report.

For eight months prior, the Task Force had met. A collaborative entity that would become a paradigm of successful public/private partnering, the Task Force — co-chaired by Deputy Postmaster General John M. Nolan and Michael J. Critelli, the Chairman and CEO of Pitney Bowes — had wrestled with industrywide issues that included how to quantify what was at risk if the postal system were to fail, where the best opportunities existed in terms of improving mail and its channel, and how both the industry and the Postal Service might find success through strategies targeted at those opportunities.

Presenting their findings at a general session of the 2001 Fall National Postal Forum in Denver, Colorado, both Nolan and Critelli promised that the Task Force — unlike previous CEO-level committees initiated to make strategic recommendations about the future of mail — would remain active and engaged in the process of refining and implementing the eight broad recommendations laid out in the Task Force report, “Seizing Opportunity.” “The recommendations we present form the foundation of a 21st century mail channel,” the Deputy Postmaster General said at the time. “They are by no means all that needs to be done. But they constitute a significant start, one that we intend to build upon in the months — and years — ahead.”

Task Force membership mirrored the interests of the business segments along the mail channel value chain — the mailers, the preparers of mail, the companies whose revenues relied on the customer connections maintained by the mail, and the vendors and suppliers of the hardware, software and labor required to keep the mail channel operable and viable. The value chain structure shaped an industry that had been, as co-chairman Critelli observed, “fragmented.” The chief executives who formed the initial Task Force Steering Committee included Acxiom’s Charles Morgan, Symbol Technologies’ Dr. Jerry Swartz, R.R. Donnelley’s William Davis, American Express’ Jonathan Linen, Capital One’s Nigel Morris, Crosstown Traders, Inc. Vice Chairman Michael Sherman,

Paramount Cards' Hamilton Davison, Siebel Systems' Thomas Siebel, Wunderman's David Sable, and ADVO Chairman and CEO Gary M. Mulloy. Over the next two years, others would join the Steering Committee, including Lockheed Martin's Judy Marks, Wolf Detroit's Hugh Mahler, Symbol Technologies' Richard Bravman and Fala Direct Marketing's Jeff Jurick.

The context created for the recommendations — a first-time quantification of the size and scope of the mailing industry — captured much of the initial attention of the postal community. Using research gathered by both industry members of the Task Force and by the Postal Service, the Task Force reported that the mailing industry generated annual commerce valued at nearly \$900 billion, or roughly 8 percent of the country's Gross National Product. Moreover, the industry employed 9 million. "Either way you measure, in dollars or in people," said Critelli in conjunction with the report's release, "we are an economic engine that cannot be ignored."

For the next six months, the Task Force Steering Committee and a Working Committee made up of delegates of the Steering Committee members and Postal Service officers and executives met regularly to define its goals and strategies. "Our charter," recalled John Nolan, "was to assess customer needs, to ascertain the current role of hard-copy mail in customer relationship management processes and, finally, to understand the competitive environment affecting the future of the mailing industry. What we had to do was develop a recommended set of actions necessary for both the Postal Service and the industry to thrive in the future."

Mail channel experts outside the Task Force were solicited for input. More than a dozen representatives of organizations including the Alliance of Non-Profit Mailers, the Direct Marketing Association, the Envelope Manufacturers Association, the Magazine Publishers of America, the Mailing & Fulfillment Service Association, the National Association of Presort Mailers, the National Postal Policy Council, the Parcel Shippers Association and others met with Task Force members to consider the state of postal finances, to share concerns and to offer thoughts on opportunity — particularly in terms of the privacy debate, service predictability and performance, ensuring mail's relevance, and potential growth of parcel volume.

By the fall of 2001, the Task Force had identified several opportunities that appeared to have the potential to help move the industry toward greater cost-effectiveness and a more technologically integrated channel able to compete with any communications method. Steering Committee members agreed the Task Force would remain active to facilitate implementation of recommendations and further explore ideas that the Task Force was unable to give appropriate attention to in its initial phase.

The Task Force defined three overarching strategic principles that would support transformation and success: make the mail channel more competitive, unify the mailing industry and respond to customer needs. For more responsive mail, the members recommended the development of intelligent mail and consumer gateway services, including merchandise returns and alternative points of access to postal services. To unify the mailing industry, the industry members of the Task Force suggested the creation of a CEO-level advisory council whose mission would be to ensure the viability of the hard-copy mail delivery system by focusing on standards development, channel promotion and issues awareness. And to make the mail channel more competitive, members urged that the industry and the Postal Service collaborate to standardize preparation, containerization and entry requirements, to develop a strategy of integration to optimize the postal network, to adopt a flexible pricing strategy, and to improve address quality.

Each of the seven proposed strategies — or areas of recommendation — was assigned a Postal Service officer and an industry leader to serve as co-chairs of a subcommittee devoted to further study and implementation. An eighth strategic focus — enhanced payment and credit options — was added in the months following the Task Force report’s release.

By the spring of 2002, the Task Force was able to report that initiatives were under way in support of each strategy, and that the subcommittees had 30 work groups with over 120 representatives from more than 65 companies studying how best to further develop and implement the recommendations.

“We have created a process,” commented Steering Committee member Charles Morgan, “a sustainable process by which we can have continuous improvement in the mail channel over a long number of years to make it a viable component of the new economy.”

Over the next 18 months, the Task Force published additional progress reports to update the mailing industry and the postal community on progress made in reaching their objectives. In the spring of 2002, the Postal Service — responding to a request from the Congress — published its own Transformation Plan, with several of the transformation strategies reflecting Task Force recommendations on intelligent mail, prep and entry, address quality, network optimization, payment, pricing and access to postal services. By September 2003, when this document — the Task Force’s fourth report on its progress — is being published, 45 initiatives developed out of or linked to the Task Force recommendations had either been fully implemented or were in the process of becoming operational.

Among the USPS actions taken that were supportive of Task Force recommendations were:

- Establishment by the Postal Service of a Senior Vice President for Intelligent Mail and Address Quality
- Making intelligent mail and address quality a priority for both USPS and the industry
- Launch and refinement of Confirm[®], the Postal Service’s first intelligent mail product
- Development of strategic initiatives designed to improve the preparation and entry processes for non-letter-sized flat mailpieces and packages
- Completion of phase one computer modeling of the entire postal network
- Testing of new consumer-friendly services and products designed to improve the change of address process and to facilitate the return of merchandise
- Implementation of strategic pricing initiatives, including the first negotiated service agreement
- Rollout of *PostalOne!*, a Web-based technology-supported system that more effectively links customers’ mailing information with the Postal Service’s acceptance, verification and payment systems

In addition, the Task Force industry CEOs created the Mailing Industry CEO Council, an independent, non-profit business league dedicated to the promotion of mail and the mail channel.



Six-Month Progress Reports

Progress in the key areas of recommendation — address quality, intelligent mail, consumer gateway services, mail prep and entry, pricing, payment systems and industry unification — has continued without pause over the past six months.

“As we now have for three years, leaders of the mailing industry and the Postal Service continue to successfully collaborate to achieve the shared objective of a future of universal communication and delivery service to the American people by the United States Postal Service,” said Task Force co-chairman John M. Nolan, Deputy Postmaster General. “We’re moving closer to our goals to better respond to customer needs, to make mail more competitive, and to help unify this industry.”

By this fall, more than 146 executives from 72 companies, along with 62 Postal Service Officers, executives and managers, will have participated in work groups associated with the Task Force’s recommendations.

Among the achievements highlighted in the Task Force presentation at the September 2003 National Postal Forum in Kansas City are programs and initiatives in the following areas.

Address Quality

The October 2001 report of the Mailing Industry Task Force recommended reducing undeliverable mail by improving address quality and by providing a “feedback loop” that captures and reports addressing errors. The Task Force narrowed its focus on how best to improve the processes used by mailers and the Postal Service to create quality address databases and to ensure that their use is most effectively and efficiently leveraged by Postal Service operations procedures and programs. The subcommittee responsible for this work has been led by Acxiom Company Leader Charles Morgan and USPS Senior Vice President for Intelligent Mail and Address Quality Charles Bravo. Last January, Postmaster General John E. Potter announced the creation of the new Postal Service functional area — Intelligent Mail and Address Quality — and named Bravo to head it.

After reporting progress on testing the database of the National Change of Address system, on development of a plan for the Postal Service's Postal Automated Redirection System (PARS), and on the need for process improvements associated with Move Update, the USPS Address Change Service (ACS) and the Change of Address (COA) card, the Task Force has concentrated on implementation of programs to drive process improvement.

Since the Task Force last reported on address quality improvement, progress has occurred in the following initiatives and programs:

Federal Register Notice to Strengthen Move Update Requirements and Improve Address Quality. The notice soliciting further comments was published in the August 28, 2003 edition with a 30-day comment period. This notice included revised proposals made in response to comments received on the original May 21, 2002 Advance Notice. The implementation of the changes will take place following the next omnibus rate case or Product Redesign case.

Alternatives to the \$1.00 fee for Web-based Change of Address filing. Studies have shown that many USPS customers who do not complete the online form at usps.com stop when they learn there is a \$1.00 fee for user verification to file via the Internet. This has led to the USPS researching alternatives to the fee. MITF Steering Committee members volunteered to see if Visa would be amenable to not charging a fee for use of its address verification system, but no progress has been made. USPS is still researching an alternative — possibly a coupon or merchandise that the customer could receive that is valued at \$1.00.

Nevertheless, Internet-based Change of Address usage has grown steadily month to month, with July 2003 activity 50 percent higher than July 2002.

Revisions to the COA confirmation letter. The COA confirmation letter will be revised once COA form revisions are completed and approved. A late fall completion date is expected, which will coincide with the printing of the new spring Welcome kits.

Revising the language in the kits will make them more user-friendly and easier to understand. Better explanations have been drafted regarding the definition of family, individual and business moves as well as definitions for permanent and temporary moves.

Address Change Service (ACS) reviews at Computerized Forwarding System (CFS) sites. A significant percentage of properly endorsed pieces are apparently not being sent to the appropriate CFS unit for ACS return and are manually returned in error at a higher cost to both USPS and the mailer. A data profile of processing locations with a higher percentage of electronic returns and those with a low percentage of electronic returns has been created to learn what needs to be fixed. Feedback will be provided to improve operations and the associated electronic return rate. Training for field employees is being implemented and conducted by USPS delivery operations staff.

Improved communication of ACS information between CFS sites and mailers. The Task Force recommended better communications between CFS sites about the types of errors found and how mailers can improve the quality of ACS codes being used. A process is being set up to centralize the reporting of ACS mailer deficiencies at the National Customer Support Center (NCSC). A CFS site will identify those ACS mailpieces with errors or deficiencies, and will provide feedback to the NCSC for posting on the Business Service Network (BSN). The NCSC, in this process, then coordinates reasonable resolutions of the deficiency or error with the ACS customer.

Development of a premium remailing program. USPS' Delivery Operations and Product Development groups have been tasked with the creation and implementation of a premium remailing program to help reduce the problems and irregularities that changes of address create for seasonal movers. February 16, 2004 is targeted as the date to file the rate case for the program. Prior to that date, the Postal Service will conduct market analysis. If the program is approved, implementation should occur later in 2004.

Intelligent Mail

The October 2001 report of the Mailing Industry Task Force recommended that the industry promote development of the "intelligent" mailpiece by collaborating with the Postal Service to implement standards and systems to make every mailpiece — including packages — unique and trackable. In April 2002, development of intelligent mail was included as a growth strategy in the Postal Service's Transformation Plan. In January 2003, Postmaster General John E. Potter named Charles E. Bravo to the new Officer position of Senior Vice President, Intelligent Mail and Address Quality, and directed him to develop both a new functional department and an overarching intelligent mail strategy for the Postal Service.

The Task Force subcommittee responsible for intelligent mail has been led by Pitney Bowes CEO Michael Critelli, USPS Vice President for Engineering Tom Day, and Charles Bravo. Over the past six months, their group has tracked progress in the following areas:

Enhanced products and services. The Postal Service unveiled Confirm® as a special service offering in September 2002. Continued expansion of access to Delivery Confirmation™ through products such as Click-N-Ship™ show further progress in the availability of intelligent mail services. Shortly after its launch, the Task Force endorsed Confirm as "a major step forward towards achieving the Task Force recommendation that intelligent mail products be developed in order to make mail more valuable to its customers and more competitive with other communications channels."

The Confirm service provides electronic tracking information from mail entry through the automated processing environment for letter and flat mail. Confirm can tell its subscribers when mail is about to be delivered. Such knowledge will enable mailers to advise their customers on when to staff telephone banks in response to a mailing's content and messages, and when best to launch other marketing efforts in support of the mailing. Confirm can also tell mailers how consumers are responding to their marketing initiatives.

This will allow mailers to accelerate, moderate or otherwise adjust a plan, in real time, based on Confirm data. Further, a mailer can report if a "check is timely in the mail." This knowledge will benefit both businesses and individual consumers by anticipating cash flow, stopping dunning notices and avoiding unnecessary termination of service. The Task Force concluded that Confirm's benefits provide examples of the improved customer relationship management and enhanced mailing response that intelligent mail products and services will deliver.

Confirm now has 154 subscribers. Confirm data is available electronically 24 hours a day, seven days a week, 365 days a year. The program subscribers' shared reports are available on the Web at the Planetcodes.com site. Mailers use PLANET™ Codes on seeded mail to get information about larger mailings.

The Task Force has also noted that resellers are discovering innovative ways to add value to the Confirm data reports and have encouraged the Postal Service to develop a reseller certification program to further encourage such enhancement.

In April, the Postal Service initiated a pilot test of bundle tracking as an alternative means for Confirm subscribers to obtain information on the status of their mailings. The test identified several issues that the Postal Service is working with the mailing industry to resolve. In addition, the Postal Service will be conducting market research to determine mailer interest in the concept.

Intelligent mail corporate plan. The Postal Service developed a corporate plan that presents a unified view of its strategies for developing intelligent mail and enhancing address quality. The plan lays out three key strategies: uniquely identify mail and aggregates, develop and deploy enabling infrastructure, and enhance address quality.

Intelligent mail OneCode vision. The Task Force provided a forum for exploring the possibility of moving to a “OneCode” vision — that is, the introduction of and industrywide support for a single enhanced barcode-type to use on each type of mailpiece. Such a code would combine tracking, sorting and other information in a format that could be read by Postal Service barcode sorters. This code, if achievable, would make each mailpiece uniquely identifiable while providing a way for customers to request a variety of services through a single machine-readable code. Such an intelligent mail code has the potential to reduce the space required on the face of a mailpiece to meet Postal Service requirements for sorting, tracking and other services. It will also improve the Postal Service’s ability to accurately capture mailer requests for special services and address management products such as address correction.

The Postal Service, with the support of the Task Force, continued to make progress toward the OneCode vision. It initiated a study of mailing industry technology to determine the capability of mailers to print and use alternative barcodes such as two-dimensional and 4-state codes. The Postal Service is also assessing the capacity for it to use these alternate barcodes in its processing operations.

Intelligent mail infrastructure development. The Task Force continued to monitor and support deployment of new Wide Field of View cameras — with advanced bar code recognition capabilities — in postal plants nationwide. Deployment to initial sites shows the cameras exceeding expectations, and the Postal Service expects to complete deployment ahead of schedule. The Task Force remains confident that full deployment of the cameras will constitute a significant step forward in development of an infrastructure necessary to support the USPS intelligent mail vision and strategies.

The Postal Service Board of Governors approved the investment in upgraded information networks at 62 mail processing facilities. The enhanced mail processing infrastructure significantly increases the bandwidth available for transferring data from mail processing equipment to its information network. By making more data available faster, the Postal Service will be able to offer near-real-time tracking information on products such as Confirm that rely on barcodes being read on processing equipment.

Privacy issues. The USPS Chief Privacy Officer, a member of the Task Force, is sponsoring a privacy work group that has examined the privacy implications of intelligent mail and developed suggestions on how best to incorporate privacy considerations into intelligent mail programs. The group has identified data collection and privacy

statutes and policies for the Postal Service and the industry to consider adopting. The group also has catalogued the benefits of intelligent mail. The Task Force has endorsed the work group's recommendations that the Postal Service proactively address privacy issues in its communications regarding intelligent mail.

Intelligent mail communications. The Task Force has supported Postal Service efforts to communicate the potential of intelligent mail and to market the Confirm product. The Postal Service and the industry have worked to identify best practices and applications for Confirm. Brochures and presentations are being developed to communicate best practices for financial services and direct mail industries. Presentations are being developed to communicate the benefits of Confirm to utilities and credit card industries. The Confirm Web site is being updated to better communicate the value of Confirm, as well as its technical requirements. Task Force members have participated in a number of speaking engagements in industry conferences. There have been a number of favorable articles about the Postal Service's intelligent mail initiative in print media.

Consumer Gateway Services

The Task Force's Consumer Gateway Services subcommittee did not meet in the previous six months, but that hiatus did not slow progress in several key areas, due in part to the momentum created by industry members working in concert with USPS Vice President for Product Development Nick Barranca.

A merchandise returns program has been developed and approved as a rate experiment to the Postal Rate Commission. Implementation will be October 19, 2003. USPS and the subcommittee have explored integrating Delivery Confirmation barcodes from outbound packages into return labels to further automate returns processing and capture additional scans for better track and trace visibility.

Additionally, the Task Force recommendation to expand consumer access and services through kiosks and self-service technologies has also taken a step forward. A contract to design and develop automated kiosks for stamps, information-based indicia printed postage and other services was awarded earlier this year, and calls for deployment of 2,506 kiosks beginning in December.

Preparation and Entry Standardization/Network Optimization

For the past year, the Task Force has combined Preparation and Entry Standardization and Network Optimization efforts into the work of a single subcommittee co-chaired by USPS Senior Vice President for Operations John Rapp and William Davis, Chairman and CEO of R.R. Donnelley.

In May, co-chair Rapp announced the release of a corporate flats strategy for the Postal Service that incorporated several near-term initiatives — a five-digit packaged flats scheme; procedures to more efficiently prepare 'fletters,' which are often small catalogues with the capability of being processed as a non-automated letter or an automated flat; standardization of procedures to transport certain flat-size mail in letter trays in lieu of sacks; periodicals co-palletization of lower volume publications traditionally prepared in sacks; development of a new container for flats and development of a three-digit scheme for flats — which had emerged from initiatives supported by the Task Force. The flats strategy has been incorporated into the overall USPS Corporate Automation Plan, Phase II, which describes how automated handling will be provided for all mail products. That plan will be

implemented in near-term, mid-term and long-term phases, and consolidates these preparation and entry programs under the following overarching vision:

The Postal Service’s ultimate vision for delivery is a seamless operation that produces one package of mixed letters and flats for each delivery point (Delivery Point Packaging or DPP). This vision is based on having high-speed mail sorting and packaging equipment that will efficiently sort and merge the letter and flat mail streams into delivery sequence for the letter carrier. This equipment will be optimally located so that the operational savings can be maximized. Ideally, all presorted mail sequenced using this system would have an 11-digit POSTNET barcode with a standardized address, or address label, format and placement so that the equipment output will result in an address orientation that facilitates efficient delivery.

“The Postal Service,” the Plan also states, “has a long history of testing innovative methods to implement changes in distribution, delivery, and transportation systems and is continuing this tradition by investing research and development funds to evaluate the benefits and costs of implementing the delivery vision.”

A flats “summit” sponsored by PostCom during the summer in Washington attracted nearly 300 mailing industry executives, including representatives of many Task Force member companies. At the meeting, some Task Force members expressed concern that size limits on flats might be set, with higher rates for mailers that fall outside a standard. The Postal Service said new flats processing equipment is being developed with a goal to eventually automate the processing of all sizes of mail.

“We recognize the importance of flats to both the mailing industry and the Postal Service,” commented USPS Senior Vice President Rapp. “We are committed to doing all we can to control not only our internal operating costs but to work with mailers and the Task Force to identify opportunities to reduce their preparation costs as well.”

The full text of the Flats Strategy can be accessed online at ribbs.usps.gov. On the left column under “RIBBS Links,” click the “Corporate Flats Strategy” link. To comment on the strategy, send an email to FlatStrategyFeedback@usps.gov, which routes all comments to USPS Headquarters.

Progress also continued on the development of a node-based presort program, originally conceived by a Time, Inc. group led by Task Force member Jim O’Brien. As O’Brien explained it, “Perhaps a better term than ‘node-based’ is ‘process-based’ preparation. It entails tailoring the preparation of mail to reflect the processing that a particular piece will actually encounter. Another term that has been used to describe this concept is ‘sort to the machine.’”

The Postal Service and the industry, through ongoing product redesign efforts, continue to study node-based presort processing as a potential opportunity to align the preparation of certain flats based strictly on the way the pieces would be handled at a destinating plant, and to move from current “one size fits all” presorting standards (six-piece minimums per package and 250-pound minimums per pallet for periodicals) to more flexible standards that result in the lowest combination of piece, package and container handling costs for both the industry and the Postal Service.

However, USPS executives cautioned that the magnitude of savings associated with node-based presort within the current network may not be realized to the same degree in the future, given the Postal Service’s intent, through its Transformation Plan, to continually optimize and standardize its processing and transportation networks.

Progress on the modeling effort — Network Integration and Alignment (NIA) — continued with computerized simulation scenarios designed not so much to identify facilities that might not be necessary, but rather to figure out the most efficient and effective way to streamline the network in terms of standardized plant operations.

Finally, several initiatives — combined Standard tray mailings on pallets, enhanced drop ship, allowing residual mail to be placed on Bulk Mail Center pallets in lieu of sacks, and cost-based preparation modeling (as well as those incorporated into the flats strategy) — have moved into implementation stages. The Task Force continues to support USPS/industry collaboration in all prep, entry and optimization initiatives. The Task Force reiterated that the programs and initiatives in implementation would take significant costs out of the system through better alignment between the destination entry and processing location, and would reduce sorting and prep responsibilities.

Pricing Strategy

The October 2001 report of the Mailing Industry Task Force called on the Postal Service to develop and implement a competitive pricing strategy. Since the publication of the 2002 Transformation Plan, the Task Force has worked closely with the Postal Service to build understanding of the components of an effective pricing strategy, to develop a process for a negotiated service agreement (NSA) and to participate in the first NSA test case.

While the Pricing subcommittee — chaired by ADVO CEO Gary Mulloy and USPS Vice President for Pricing and Classification Steve Kearney — has not met in the six months since the spring National Postal Forum, activity has continued to advance the pricing strategy objectives of the Task Force.

Among the activities, the Task Force reports the following achievements:

The passage of Civil Service pension payment reform legislation. This has led to the promise of rate stability until 2006. Not only does this satisfy one of the original MITF goals (keeping price increases below inflation), it creates an opportunity to use the time and available resources to advance other objectives, such as continued work on more predictable price changes in the future, additional NSAs and introduction of other new initiatives.

The launch of the Capital One negotiated service agreement. Earlier in 2003, the Postal Rate Commission (PRC) recommended and the Governors of the Postal Service approved the first NSA with Capital One. On September 1, 2003, the NSA was officially activated. Perhaps more importantly, the mail classification case was settled in a way that provides clear guidance on how other companies can negotiate similar agreements. In addition, the PRC has promised to develop expedited procedures for consideration of future NSAs. The PRC published proposed rules for litigating NSAs on August 27th and is now open for comments due by September 29th. Already the Postal Service is in discussions with a growing number of customers on new NSAs, and the Task Force supports Postal Service efforts to complete more NSAs in the coming months.

The ongoing transformation of the Domestic Mail Manual. Following the successful launch of the DMM 100 series for household customers in July 2002, the USPS published an updated version in June 2003 and a Spanish-language version in August 2003. The USPS is also preparing a Chinese-language version of the DMM 100 for future release. The USPS also launched the DMM 200-aimed at business and organizational users- in June 2003. The DMM 200 provides clear, helpful, customer-focused advice on mailing that will make it easier for business customers to use the Postal service.

Experimental rate cases. Classification cases have been litigated for two new services: Customized Market Mail (CMM) and Parcel Return Service (PRS). CMM, which was implemented on August 10, allows customers to present uniquely shaped, die-cut mail pieces that will create high-impact advertising messages, and the Task Force believes this will enhance the value of mail as a marketing tool. Krispy Kreme made the first CMM mailing in August in the form of an open box of donuts. The box served as a coupon that could be used to buy a second box of donuts for a dime if the first box was purchased in Orange county, California. Cellular One also made a CMM mailing in September using Priority Mail. PRS, the Task Force concludes, will serve a large and growing need for commercial shippers to offer a convenient, cost-effective way for their customers to return merchandise. On September 8th, the Board of Governors approved an October 19th implementation date for PRS. Additionally, in May 2003, a pricing incentive for periodicals mailers to co-palletize their drop-shipped mailings was implemented. Several companies have already signed on to participate in this experimental service offering.

Payment

Two years ago, the Mailing Industry Task Force recommended that the Postal Service and the industry work together to develop and deploy enhanced payment systems and commercial credit options. Working with the Task Force, the Postal Service addressed legal and financial issues associated with surety bonds, letters of credit and equalized credit. After thorough investigation of these financial instruments, members developed a set of principles upon which payment-system enhancement should be constructed in order to realize increased levels of value for customers. When the Postal Service presented a proposal to develop a system called *PostalOne!*[®] incorporating Web-based scalable technology, the Task Force immediately offered encouragement, support and feedback on how the new system might best serve the mailing industry.

Over the past six months, the Payment subcommittee, chaired by ADVO CEO Gary Mulloy and USPS Treasurer Bob Pedersen, while not officially meeting, has nevertheless monitored the implementation of the *PostalOne!* system as it continues to evolve and deliver a new level of ease and convenience for customers doing business with the Postal Service. The overarching strategy and driving force behind *PostalOne!* development is to leverage the recent advances in technology to deliver a suite of new Web-based electronic services that will make it possible to introduce a new era of electronic data exchange capabilities and expanded payment options to business customers.

Currently, the *PostalOne!* system provides business mailers with a new electronic capability that provides a faster and more accurate method of accepting, assessing and finalizing customers' postage statements.

In January 2003, the *PostalOne!* team developed the initial capability that sets the stage for linking vast amounts of customer data into a single, consolidated view of the business customer. According to USPS program executive Larry Goodman, the business customer "view" the Postal Service is building will integrate detailed information about customers' Permit mailing accounts, postage meter activity, precanceled stamp activity and Express Mail accounts into a convenient Web-based location. This view is also intended to support larger government agency customers by linking their information contained within the Official Mail Accounting System (OMAS).

There are a number of major activities that must be accomplished to transition, mature and expand the existing account management and payment platform capability through the *PostalOne!* system. Earlier this year, the

PostalOne! team began the re-engineering of the existing Permit system, which provides account management functions for approximately \$35 billion in customer deposits annually by centralizing the data. Although the effort spans approximately a year, the majority of Permit accounts will be integrated into the *PostalOne!* system by February 2004. At this time, approximately 6,000 personal computers will have been deployed and 6,000 acceptance unit employees will have been trained and will be using the new Permit capabilities within the *PostalOne!* system.

The second major payment effort involves the migration of the Centralized Account Processing System (CAPS) into the *PostalOne!* system. This will expand the CAPS payment capabilities to create a new payment foundation for all of the enhanced and expanded payment options requested by the mailing industry.

Today, CAPS is used by USPS customers to pay postage for the following account types: Permit Imprint, Business Reply Mail (BRM), Merchandise Return Service (MRS), Postage Due, Express Mail Corporate Account and Address Element Correction.

Although the Permit migration is well under way, the current plan is to begin the transition of CAPS customers into the *PostalOne!* system early next year, after the Permit migration is completed. The CAPS migration is scheduled to be finished in the summer of 2004.

Industry CEO Council

The October 2001 report of the Mailing Industry Task Force recommended the establishment of a unified, CEO-level council whose mission would be to ensure the viability of the hard-copy mail delivery systems by focusing on standards development, channel promotion and issues awareness. The Mailing Industry CEO Council was subsequently incorporated as a non-profit business league on June 26, 2002. The Postal Service is not a member of the CEO Council and is not involved with the activities of the Council.

The CEO Council defined its mission as “to unify the mailing industry and to represent and promote the critical role of mail in U.S. business and commerce.” The Council has promoted the development of the “one voice” concept for the mailing industry and has directed its efforts towards two principal topics: encouraging the President’s Commission on the Postal Service to address the serious challenges facing the postal system and the passage of Civil Service Retirement System (CSRS) legislation allowing the Postal Service to change the formula by which it calculates its Civil Service pension payment obligations.



Going Forward

With the promise of rate stability in the near term and significant technological enhancements in the mid and long terms, the Postal Service and the mailing industry have recognized the need to focus more attention on revenue growth. The Mailing Industry Task Force is poised to do the same.

In every area of recommendation laid out by the Task Force in its 2001 report, results have been delivered and achievement gained. The Task Force, time and again, has shown itself to be both a catalyst for and an active supporter of positive change.

“When you look at mail today,” said Michael Critelli, “you see a communications channel that delivers universal access with stable pricing. With mail, businesses can reach every customer at home or at work six days a week. That creates the potential to use pricing and product design to attract new customers and expand mail use with old ones. That’s a powerful value proposition for anyone trying to use customer relationship management techniques and one-to-one marketing tools.”

In the coming weeks and months, the Task Force CEOs will complete a reassessment of the Task Force’s strategic direction and finalize plans for the second phase of activity. While the planning for this phase has not been completed, one thing is clear: tapping the revenue growth and marketing expertise of a large group of CEOs involved in the mail industry and combining it with the knowledge of senior postal officers in the MITF structure can only serve to generate more and better ideas for industry growth. The Task Force is also recommitting itself to a best-practice approach to public/private partnering.



“What we’ve already done has been gratifying. But that has also had the effect of raising the bar. Now I believe we can play a valuable role in growing the mailing industry — both its public and private segments.”

– Michael J. Critelli, *co-chairman of the Mailing Industry Task Force*