

MAILING INDUSTRY TASK FORCE

Mailing Industry Task Force Spring 2003 Overview: *Transformation Moves Forward*

One year after the United States Postal Service delivered to Congress a Transformation Plan, the changes initiated by that document continue to be implemented. Even as the President's Commission on the Postal Service weighs testimony that could result in legislative reform, the path set forth by the Mailing Industry Task Force in its 2001 report, titled *Seizing Opportunity*, supports the steps and actions the Service is taking to maintain its financial viability and fulfill its universal service mission. Near-term strategies to grow the customer value of its products and services, to improve its organizational efficiency, and to develop a performance-based culture are all being implemented, as the progress reports make clear.

This third report update – which has been delivered at six-month intervals since October 2001 – outlines the development of USPS and mailing industry programs and initiatives in support of the Task Force's eight broad recommendations. The recommendations were to improve address quality, support intelligent mail, build a competitive postal pricing strategy, enhance postal payment systems, design consumer gateway services, create a CEO-level industry council, standardize mail preparation and optimize the postal network. Progress remains driven in part by the Postal Service's commitment to its Transformation Plan, and by each of the Task Force's recommended areas of focus.

"The momentum generated by the Transformation Plan accelerates," said Task Force co-chairman Michael J. Critelli, the Chairman and CEO of Pitney Bowes. "The Postal Service's increased emphasis on intelligent mail, address quality and strategic pricing are but three examples. We remain focused on how best to work together with the Service for mutually beneficial results, and to build upon the knowledge-sharing and collaboration that have been the hallmarks of the Task Force process."

"We continue to work together for 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've shared knowledge, resources and strategic thinking to meet our objectives, to better respond to customer needs, to make mail more competitive, and to help unify this industry."

Among the achievements highlighted in the Task Force progress reports made available at the April 2003 National Postal Forum in New Orleans are programs and initiatives in the following areas:

ADDRESS QUALITY

A test sponsored by the Task Force has led to several initiatives designed to improve how the Postal Service uses its address database to successfully forward mail, and how address correction information is solicited and captured. Other achievements include the publication of a Federal Register notice on Undeliverable-As-Addressed mail volume, the launch of the Postal Automated Redirection System, implementation of preprinted address change service codes, improved communications around addressing and change of address best practices, and promotion of Web-based change of address processes. "The Task Force members working on address quality improvement are at the forefront of integrating new technologies with practices whose efficiencies needed improvement," commented Acxiom Company Leader Charles Morgan.

INTELLIGENT MAIL

The launch of CONFIRM®, a tracking and reporting service for letter mail, and the heightened emphasis on intelligent mail by the Postal Service highlighted the past six months. An intelligent mail strategy built around the Postal

Service's "one code" vision, increased customer input and expanded infrastructure development continued to shape a foundation for the future of intelligent mail. "Intelligent mail will deliver value now and in the future," said Task Force co-chairman Critelli. "The Task Force and the Postal Service have reaffirmed their commitment to this important and innovative approach to serving the mail customer through the delivery of reliable and measurable service, better security, and improved data and performance."

CONSUMER GATEWAY SERVICES

Development of gateway services to enhance ease of use, increase access, and leverage postal assets continued over the past six months. Kiosks, and online shipping are among the recent launches. "With the planned integration of gateway services and intelligent mail, the Postal Service and the industry should be able to leverage technologies in ways that deliver value through innovation to consumers," noted Dr. Jerry Swartz, Executive Chairman and Chief Scientist of Symbol Technologies.

PREPARATION AND ENTRY STANDARDIZATION

The Postal Service, with the Task Force's encouragement, began to implement a series of standardization initiatives supported by the Mailers' Technical Advisory Committee (MTAC) and USPS Product Redesign efforts. The first group -- a flexible minimum for five-digit bundles of AFMS-100 compatible Standard Mail flats, three-digit containers of value, and enhanced drop-shipping -- has been launched, with success. "We'll use the next six months to help the Postal Service carefully evaluate these programs," commented Bill Davis, Chairman and CEO of R.R. Donnelley. "Meanwhile, we'll build upon what is working well, and expand those processes and programs into other areas."

NETWORK OPTIMIZATION

Over the past six months, the Postal Service has finished construction of a system-wide 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 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."

ENHANCED PAYMENT

Task Force support for a Web-based, scaleable technology platform for an enhanced Postal Service payment system helped move it from the conceptual to its initial deployment. *PostalOne!*[®] has been launched, with the full suite of its features to be developed over the next 18 months. "*PostalOne!*[®] should dramatically improve the mail acceptance and payment processes to make it easier to do business with the Postal Service," said Gary Mulloy, Chairman and CEO of ADVO.

COMPETITIVE PRICING STRATEGY

Development of a Postal Service corporate pricing plan continued over the past six months, with defined strategic principles, targeted pricing through a negotiated service agreement and an experimental niche classification. "The partnership has been extraordinary," said Capital One president Nigel Morris, a Task Force Steering Committee member whose company is the first to sign a negotiated service agreement with the Postal Service. "The industry has been supportive. The line of sight for a win-win outcome looks better and better."

INDUSTRY COUNCIL

With the incorporation of the Mailing Industry CEO Council on June 26, the Task Force -- because of its Postal Service participation -- has played no role in Council activities. The Task Force can report, however, that the Council has expanded its membership, continued to develop action priorities, and encouraged its members to actively engage policy makers on matters relating to postal reform, Civil Service pension formula legislation and the President's Commission.