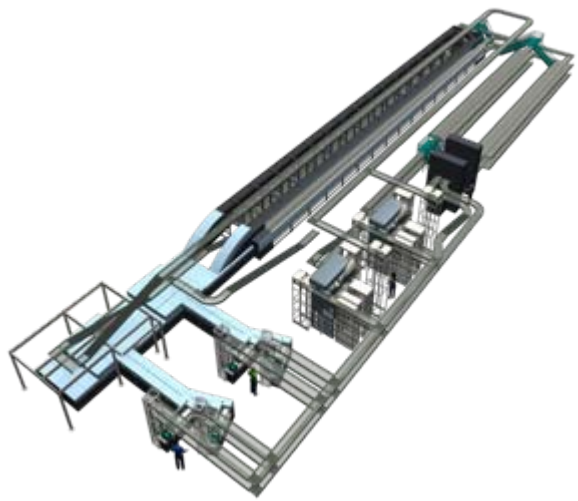
UNITED STATES POSTAL SERVICE®

Flats Sequencing System Overview

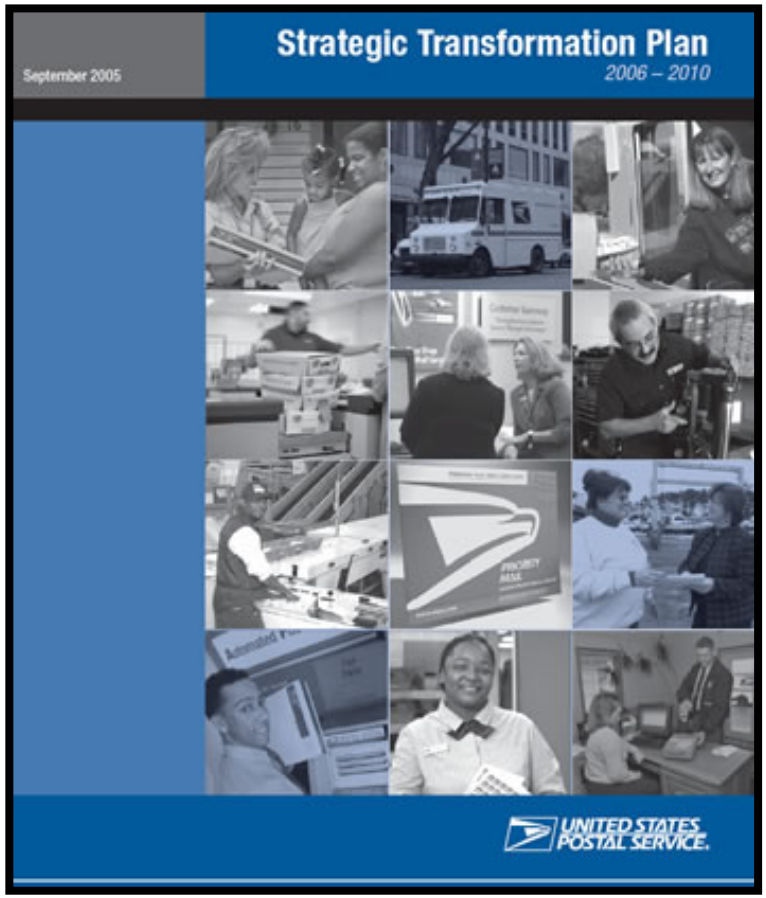


Presented by: <Insert Name Here>

Agenda

- Background
- Flats Strategy
- Flats Sequencing System (FSS) at a Glance
- Deployment Timeline
- FSS Equipment & Processing Strategy
- Mailing Industry Impacts
- Conclusion & Questions

The Strategic Transformation Plan



"Reduce the cost of meeting universal service obligations by focusing on major cost drivers, especially delivery operations. Fully capture improvements from existing equipment and technology and target new investments to further drive productivity gains."

What is Flat Mail?

Large Envelopes

Magazines

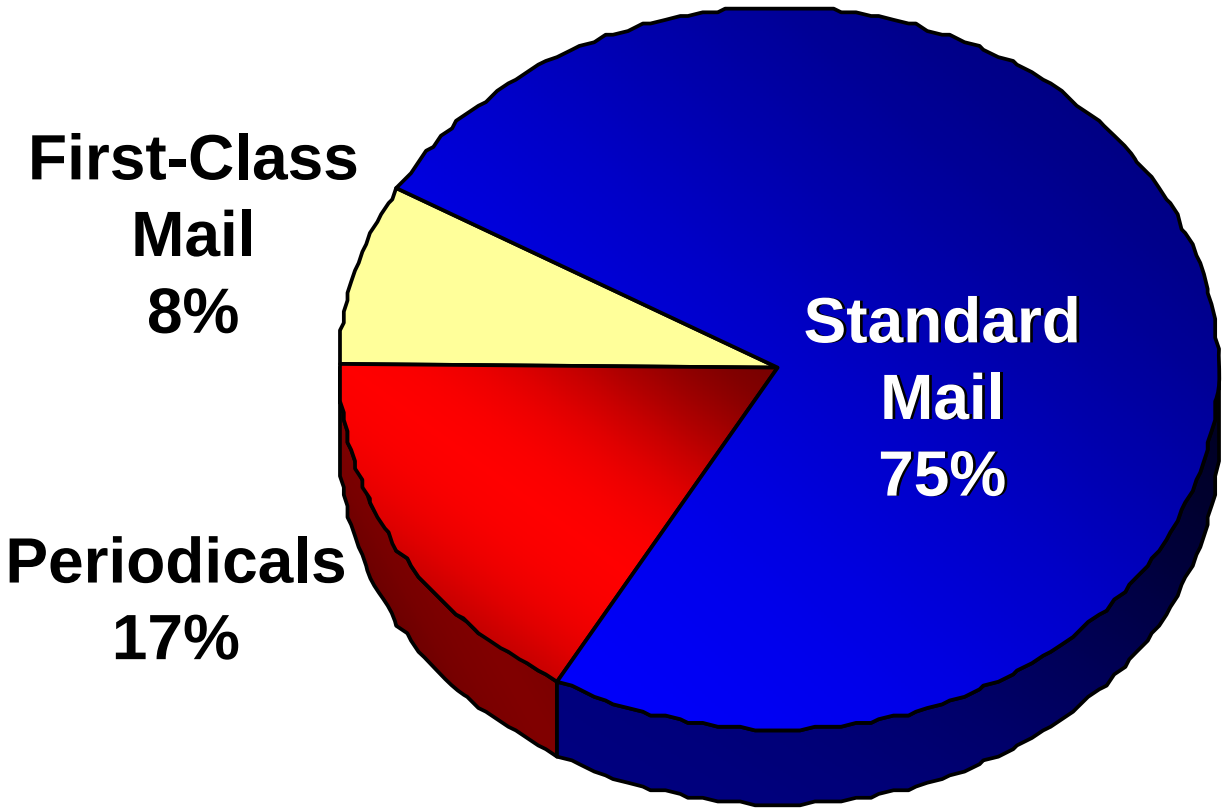
Catalogs

What is Delivery Point Sequencing

- Technology Places Mail Pieces into Exact Order of Delivery
- USPS Has Sequenced Letters Since 1993
  - Over $5 Billion Annual Savings
- Flats Sequencing System (FSS) Will Replicate for Flats What we do Today for Letters

Annual Flats Volume

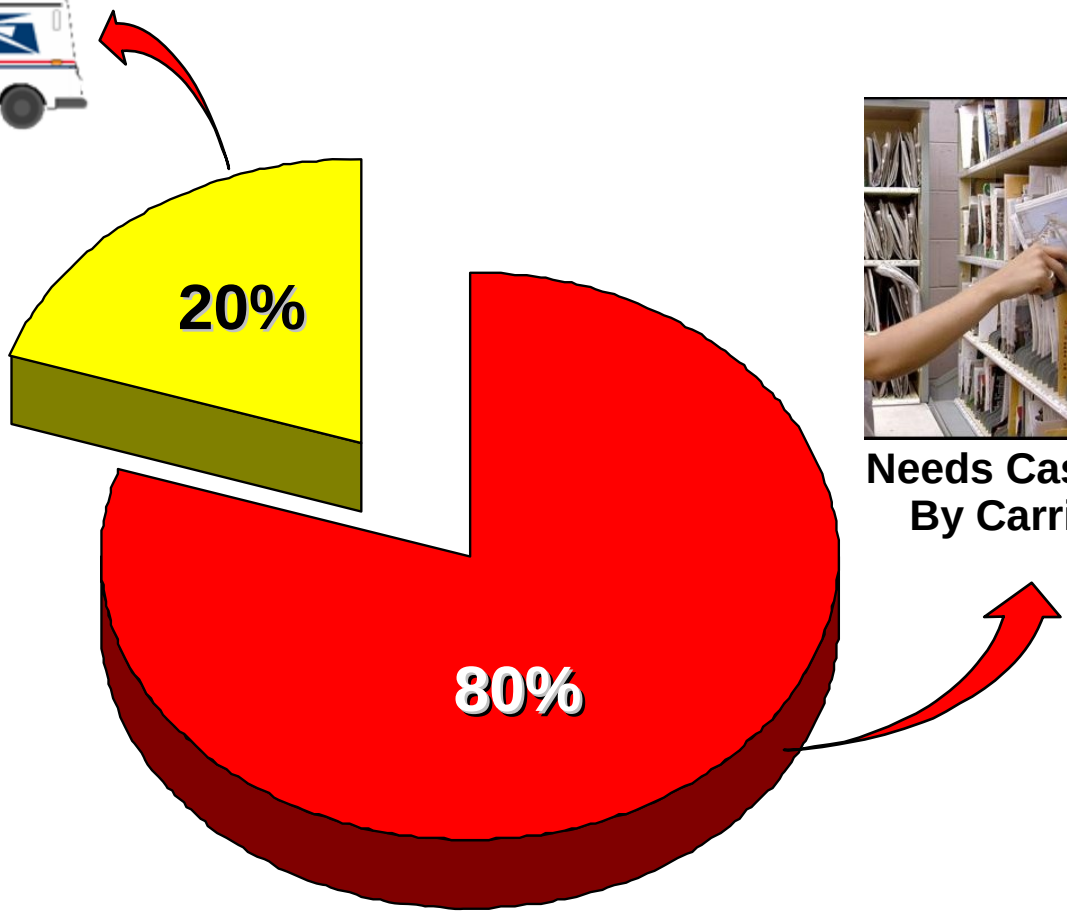
53.2 Billion Flats
FY 2006 (RPW)



Delivery Handling of Flats Today

53.2 Billion Flats

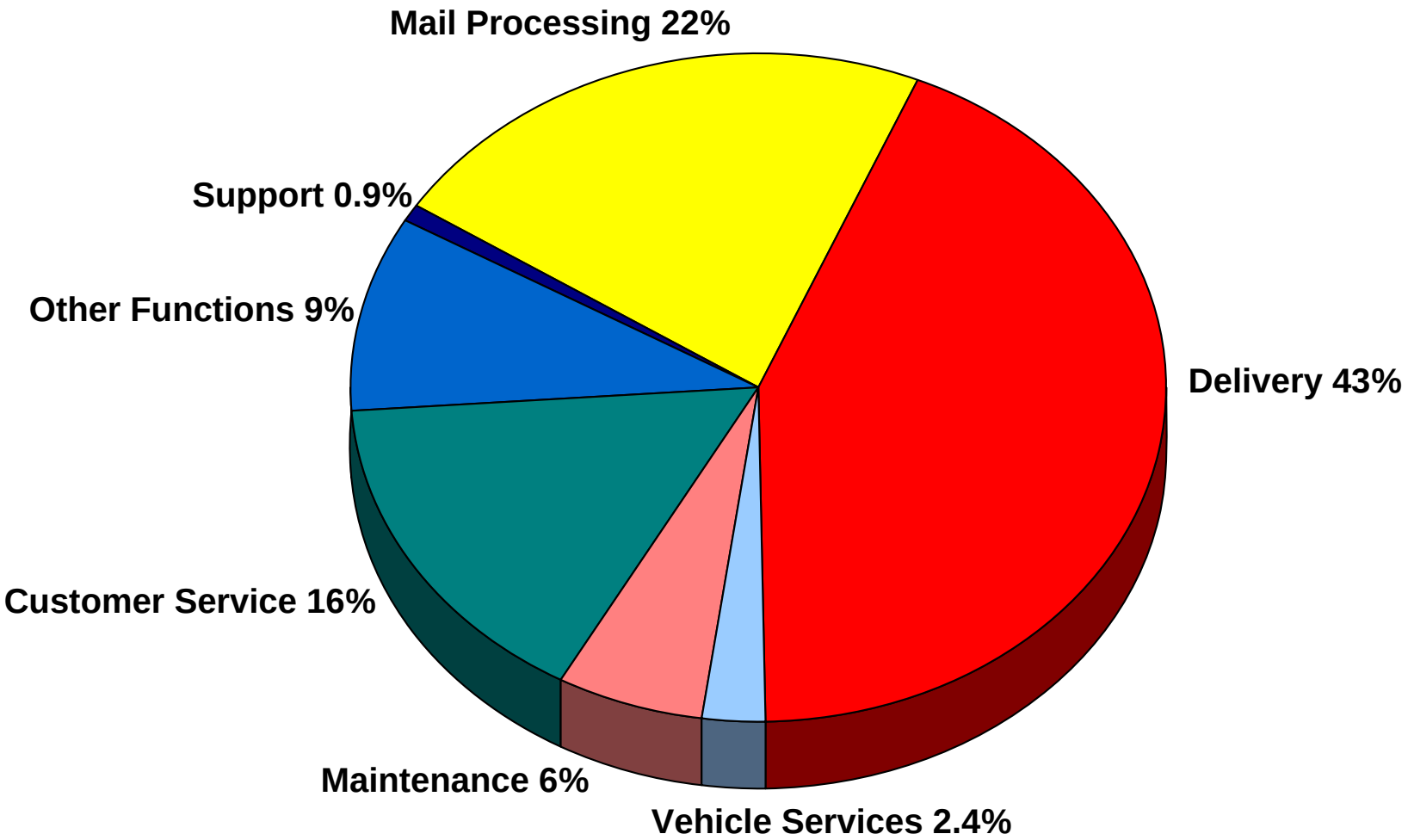
Saturation



Needs Casing By Carrier

FSS Target Volume

USPS Salary & Benefits: $52.9 Billion



Source: 2006 Annual Report

Managing Delivery Costs

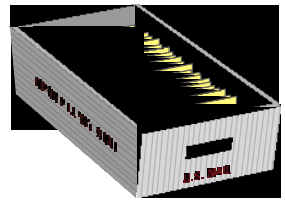
- **Successful Cost Management Over the Last 10 Years**
- **Will Continue to be Largest Cost Center**
  - **Continued Delivery Point Growth**
- **Ease Rate Pressure by Aggressive Cost Reductions**

Flats Sequencing Benefits

- Minimize Carrier In-Office Time
  - Substitute Technology for Manual Carrier Casing
- Benefit From Street Opportunities
  - Carriers Start Street Delivery Earlier
  - Consistent Delivery Times
  - Manage Growth
  - Optimize Routes
- Other Benefits
  - Delivery Day Visibility
  - Capture Real Estate Opportunities
  - Manage Vehicle Fleet

FSS Flats Strategy

- Letters and Flats Sorted Separately
  - DPS Letter Sorting Continues
  - Flats Sequencing in Delivery Point Order



- Saturation Mail Continues
- Reengineer Our Processes for Handling "Residual Volumes"

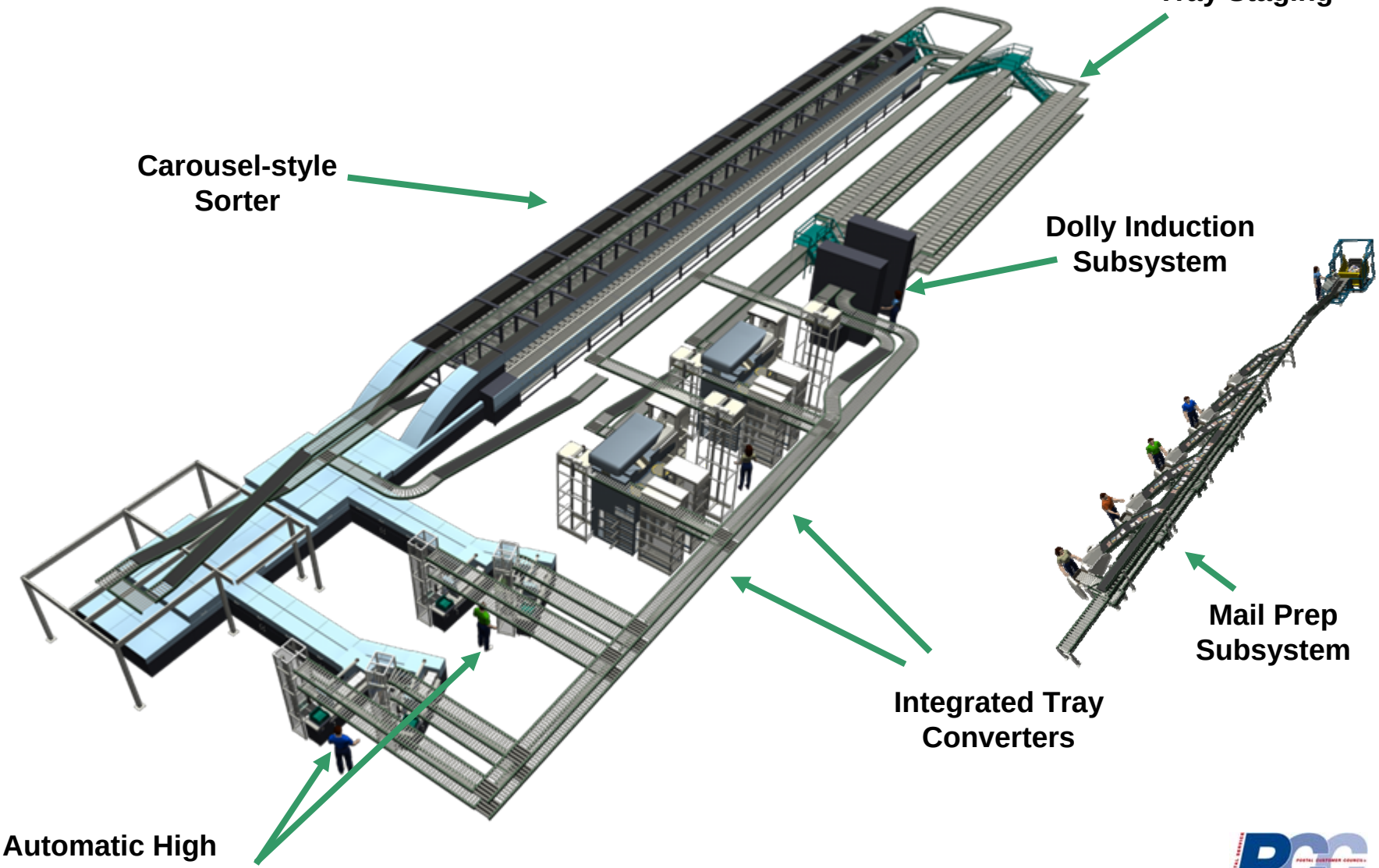
FSS Flats Strategy

TODAY

TOMORROW

FSS at a Glance

Flats Sequencing System



Deployment Timeline

Prototype – Indianapolis IN	Apr 2006
BOG Approval 100 Production FSS Machines	Dec 2006
Pre-production Install – Dulles P & DC	Sept 2007
Pre-production – Live Operations	Nov 2007
Production First Article	Jul 2008
Phase 1 Deployment Begin	Oct 2008
Phase 1 Deployment End	Oct 2010

Phase 1 Deployment – 100 Systems

- 29 Districts
- 32 Processing Facilities (FSS Locations)
  - 27 Existing Processing Centers
  - 5 New Facilities
- 2 - 5 Systems per Facility
- 1,500 Zones

Phase 1 FSS Deployment Sites

Area	Districts	# FSS	Plants / Facility
NYM	Northern NJ	4	NJ BMC
	Long Island NY	3	Mid Island NY P & DC
	Central NJ	3	Trenton NJ P & DC
NE	Boston	3	Northwest Boston P & DC
	Massachusetts	4	Middlesex Essex P & DC
	Connecticut	5	Springfield BMC
	SE New England	3	Providence RI P & DC
EA	Columbus	3	Former Columbus P & DC
SE	South Florida	5	New Miami Facility Project
	Atlanta	2	Atlanta AMC
		2	North Metro GA P & DC
	Central Florida	4	Orlando P & DC
WE	Colorado / Wyoming	5	Denver P & DC
	Arizona	5	New West Valley (Phoenix) Facility Project
	Mid America	2	Kansas City P & DC

Phase 1 FSS Deployment Sites

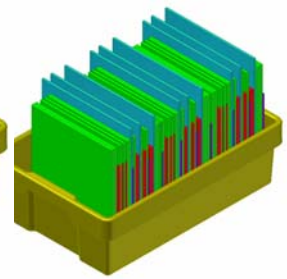
Area	Districts	# FSS	Plants / Facility
PA	Los Angeles	2	Herb Peck Annex
	Sacramento	3	Sacramento P & DC
	Bay-Valley/San Francisco	4	San Jose P & DC
	Sierra Coastal	4	Van Nuys Main Office
	Santa Ana	5	New Aliso Viejo Facility Project
	San Diego	2	New Perris DPC Facility Project
CM	Greensboro	2	Raleigh P & DC
		2	Greensboro P & DC
	Northern VA	4	Dulles P & DC
	Richmond	4	New Richmond Facility Project
	Capital	2	Curseen-Morris P & DC
GL	Greater Indiana	2	Indianapolis MPA
	Northern IL	3	Palatine P & DC
		2	Carol Stream P & DC
	Central IL	2	Fox Valley P & DC
		2	South Suburban P & DC
	Southeast MI	2	New Royal Oak Facility Project

New Equipment – Flat Trays

Tray Type	Contents	Where used
Automation Compatible Tray (ACT) 16”x16.25”x10.4”	▪ Mail to be sequenced ▪ 12” mail	▪ Mail preparation ▪ Automated Induction (ai) ▪ ITC output
Rigid Captive Tray (RCT) 19” x 13.75”x 12”	▪ 1st pass & 2nd pass in process mail ▪ Sequenced mail ▪ 9” mail	▪ Sorter outputs ▪ In process tray staging ▪ ITC Input
Street Tray 17.83”x12.125”x6”	▪ Verticalized mail for carrier ▪ 15” mail	▪ ITC output dispatch ▪ Dispatch ▪ Mail Carrier





Prototype Trays – Under Development

New Equipment - FSS Street Tray

Prototype – Under Development

New Equipment - Dolly

Prototype – Under Development

New Equipment - Transport

Carrier Automation Street Tray Rack (CASTR)

Prototype – Under Development

New Equipment – Vehicle Stowage & Retrieval

Vehicle Stowage & Retrieval System

Prototype – Under Development

FSS Processing Strategy

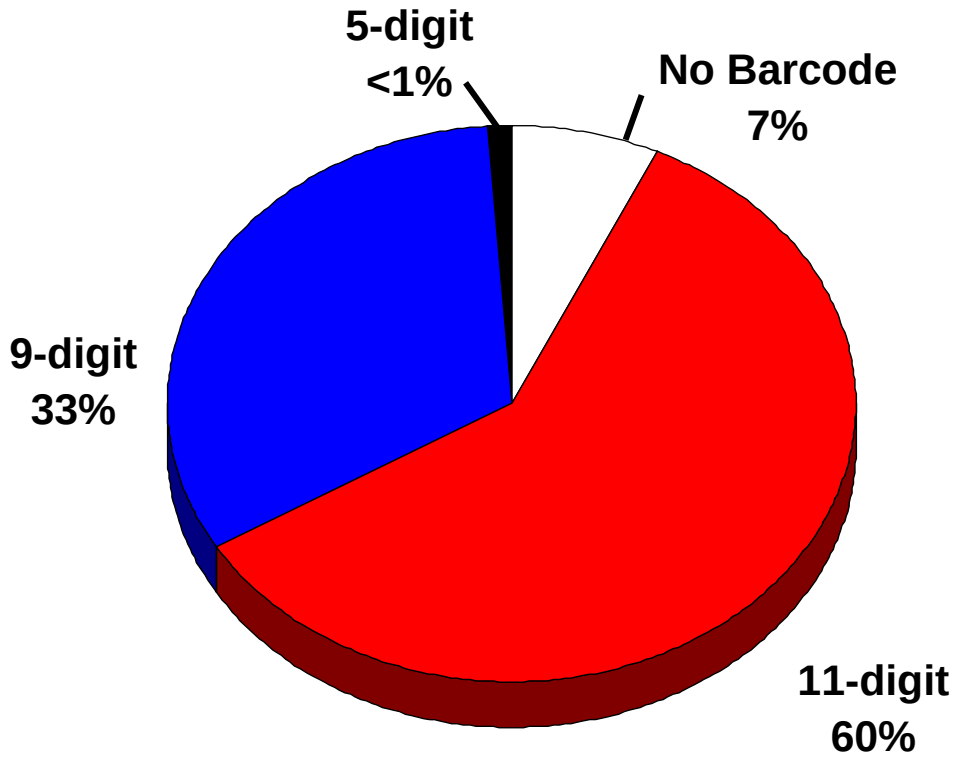
- 17 Hour Run Day (Operating Window)
- 280,500 Sequenced Pieces Per Day Per Machine
- 1st and 2nd Pass are Run Consecutively
- Each Zone Will be Run Once a Day
- One Dispatch Per Day Per Zone (other than FCM)
- FCM May Not be in DPS based on FSS Operating Window and Mail Availability

Mailing Industry Impacts

1. Increase Customer-Applied Delivery Point Barcodes
2. Improve Address and Barcode Readability
3. Evolving Standards for Machinability
4. Standard Address Placement
5. Match Mail Preparation Requirements to Processing Needs
6. Changes in Entry Points and Critical Entry Times

Increase Customer Applied Delivery Point Barcodes

- Transition from 9-Digit to 11-Digit
- Move From 11-Digit to Intelligent Mail Barcode
- Intelligent Mail Barcode is Available Now for Flats

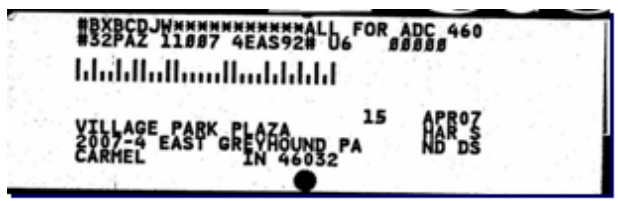


2007 Flat Barcode Analysis

Barcode sampling results - January 2007

Improve Address and Barcode Readability

- Standard Destination Address Block
- Address Construction Improvements
  - Font Size, Horizontal and Vertical Character Spacing, and Extraneous (to the address) Information
  - Barcode Location
- Reduce OCR Return Address Reading Conflicts
- CASS Certification™ Requirement
- DPV™ Requirement
- MOVE Update Requirement



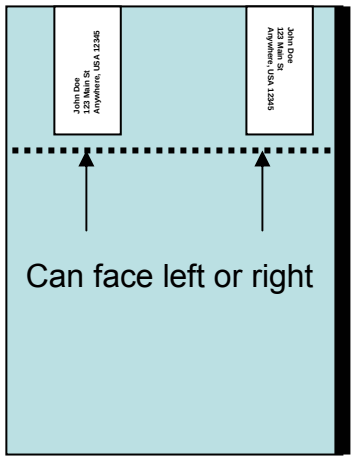
Evolving Standards for Machinability

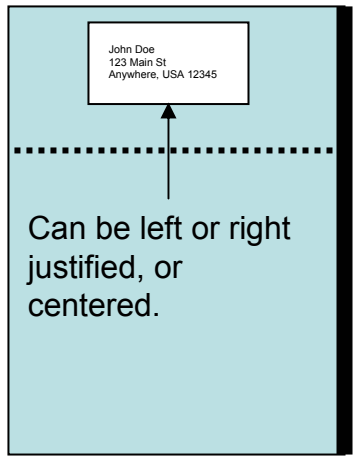
- Automation Flats
  - Flexible
  - Rectangular
  - Uniformly Thick
- Polywrap Standards

Standard Address Placement

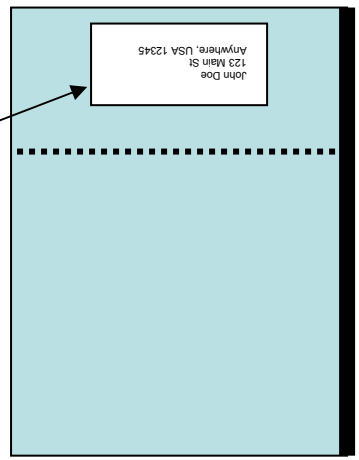
Orient Address Location for Carrier Street Handling

Implement MTAC Workgroup 101 Results





Address orientation restrictions will be determined by the USPS (e.g., cannot read upside down when at the top) based on the needs of delivery.



Bound edge on right

- This could represent the front cover or back cover of the mail piece.
- Customer address and optional delivery endorsement can appear anywhere in the address zone (top third above the dotted line) when the bound edge is aligned to the right.
- Customer number, source code and messaging can appear anywhere on catalogs.

Match Mail Preparation Requirements to Processing Needs

- Shift from CR-RT Presort to FSS Scheme Sort for FSS Zones
- Evaluate the Preparation of FSS Bundles on Pallets, Each With One or Multiple Set of FSS Schemes
- Evaluate Non-compensated FSS Scheme Bundles– Secured by One or Two Straps
- Target the Use of APPS for the CR-RT and 5-Digit (Non-FSS), 3-Digit, and ADC Bundles to the Greatest Extent Possible
- Promote Co-palletization
- Promote Co-mailing
- Continue to Promote the Drop-shipment of Flats Deep into the USPS System

Changes in Entry Points and Critical Entry Times

- The Postal Service is Optimizing the Co-location of FSS, APPS, and AFSM 100 Machines Where Space Allows
- Objective is to Consolidate the Entry of Flats to Facilitate More Efficient Processing Through the Use of APPS and the FSS Equipment
- Evaluate Critical Entry Times (CET) for Flats

Summary – Flats Supply Chain Vision

- Drive Down Costs Through Automation
- Enable Future Growth
- Improve Processing Performance and Service
- End-to-End Visibility
- Create Lowest-Combined-Cost System

Thank You!