



**UNITED STATES
POSTAL SERVICE**

ECONOMICS OF AUTOMATION FLATS SUMMIT

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USPS Pricing
July 16, 2003**



Economics of Automation

Agenda

- **Flats Profile**
 - **Manual Casing vs. FSS / DPP**
 - **Potential Customer Impact**
 - **Lessons from First-Class Mail**
 - **Future Outlook**
-



Economics of Automation

Agenda

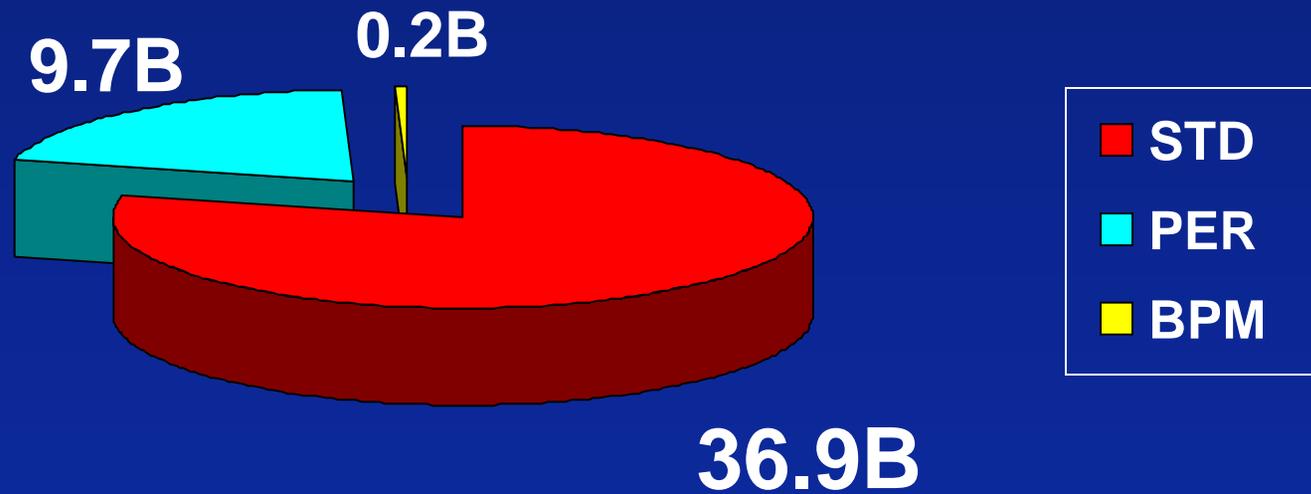
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Economics of Automation

Flats Profile: Overall Volume

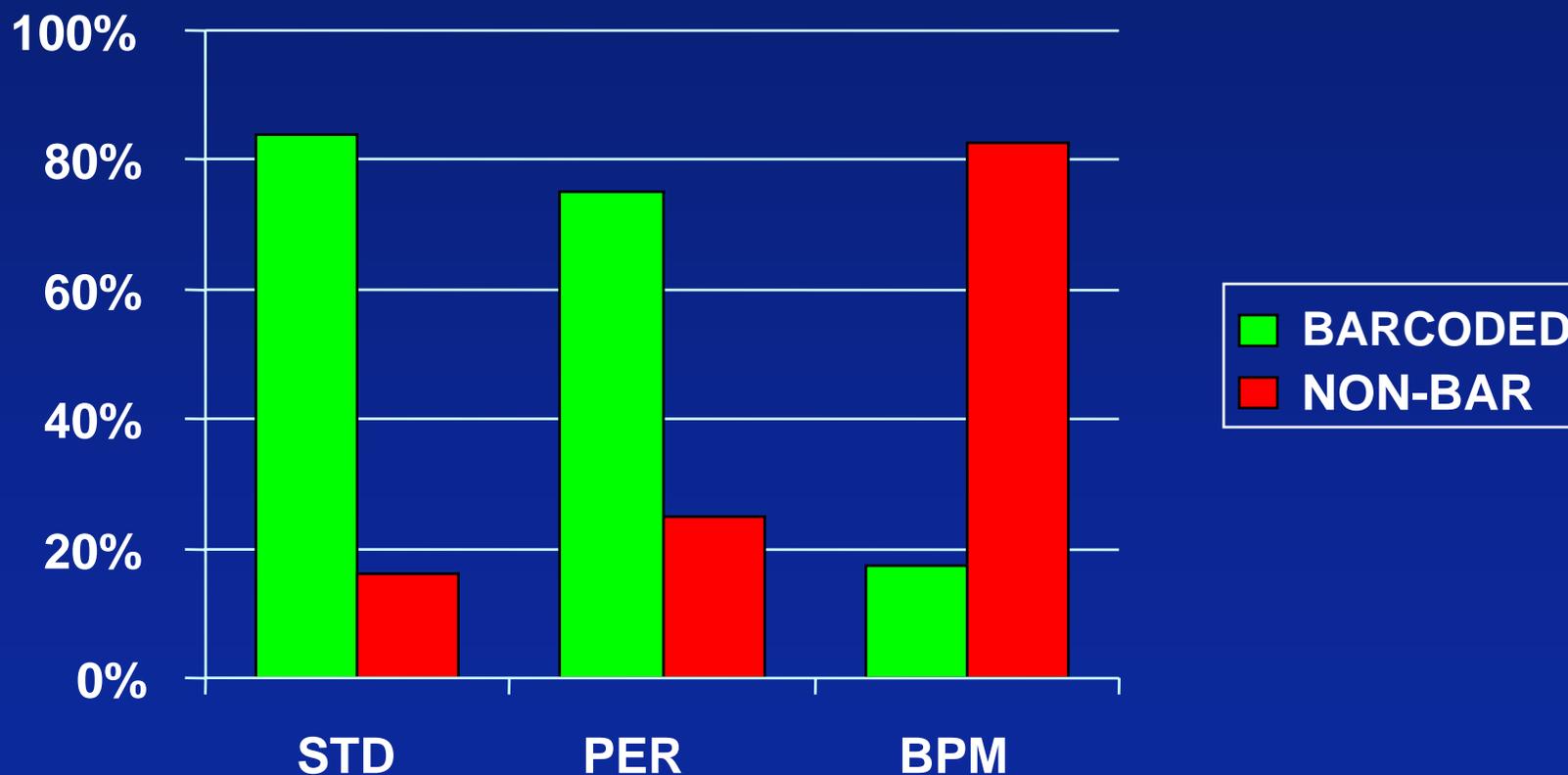
TOTAL PIECES FY 2002
46.9 Billion





Economics of Automation

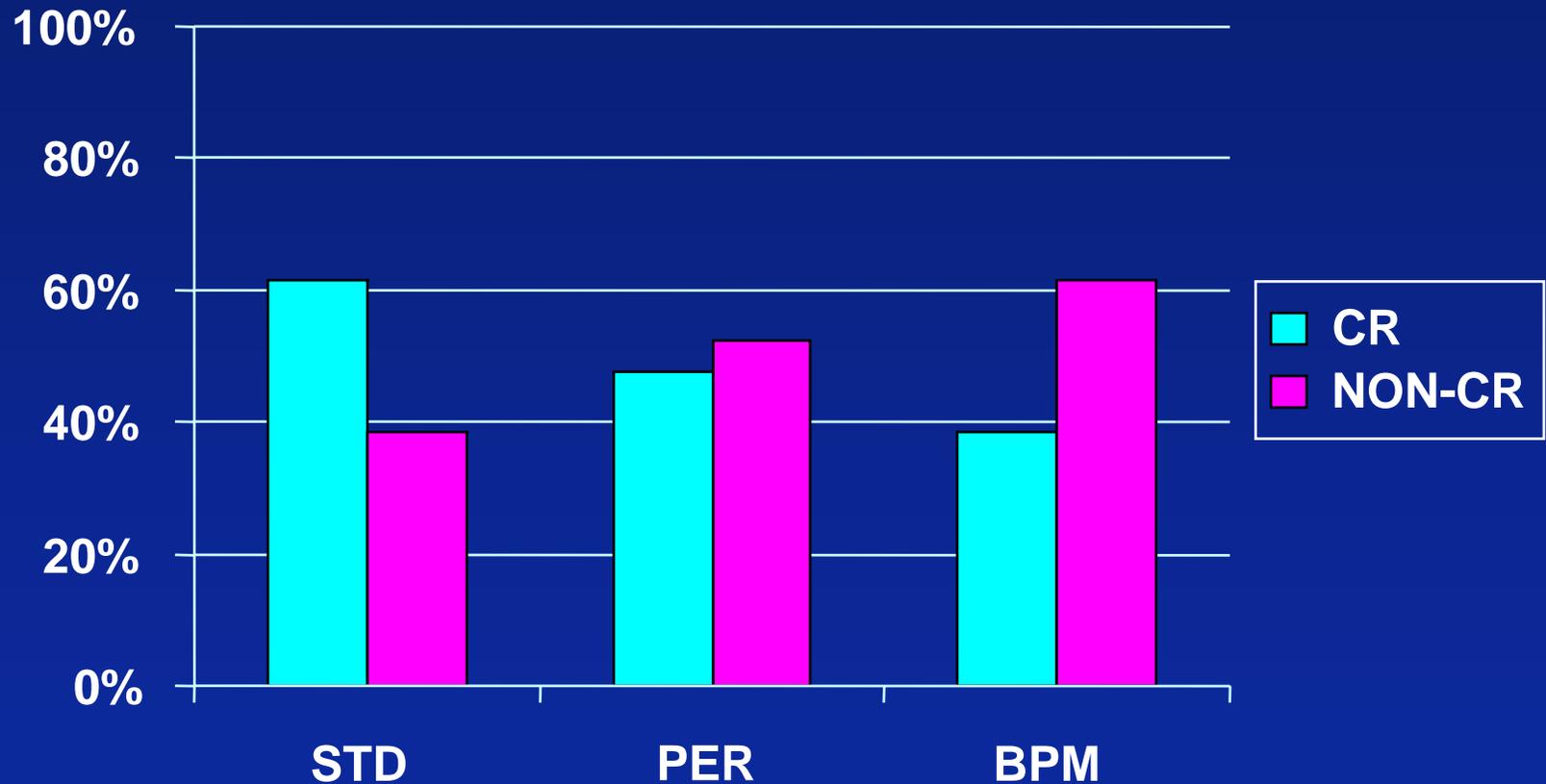
Flats Profile: Automation





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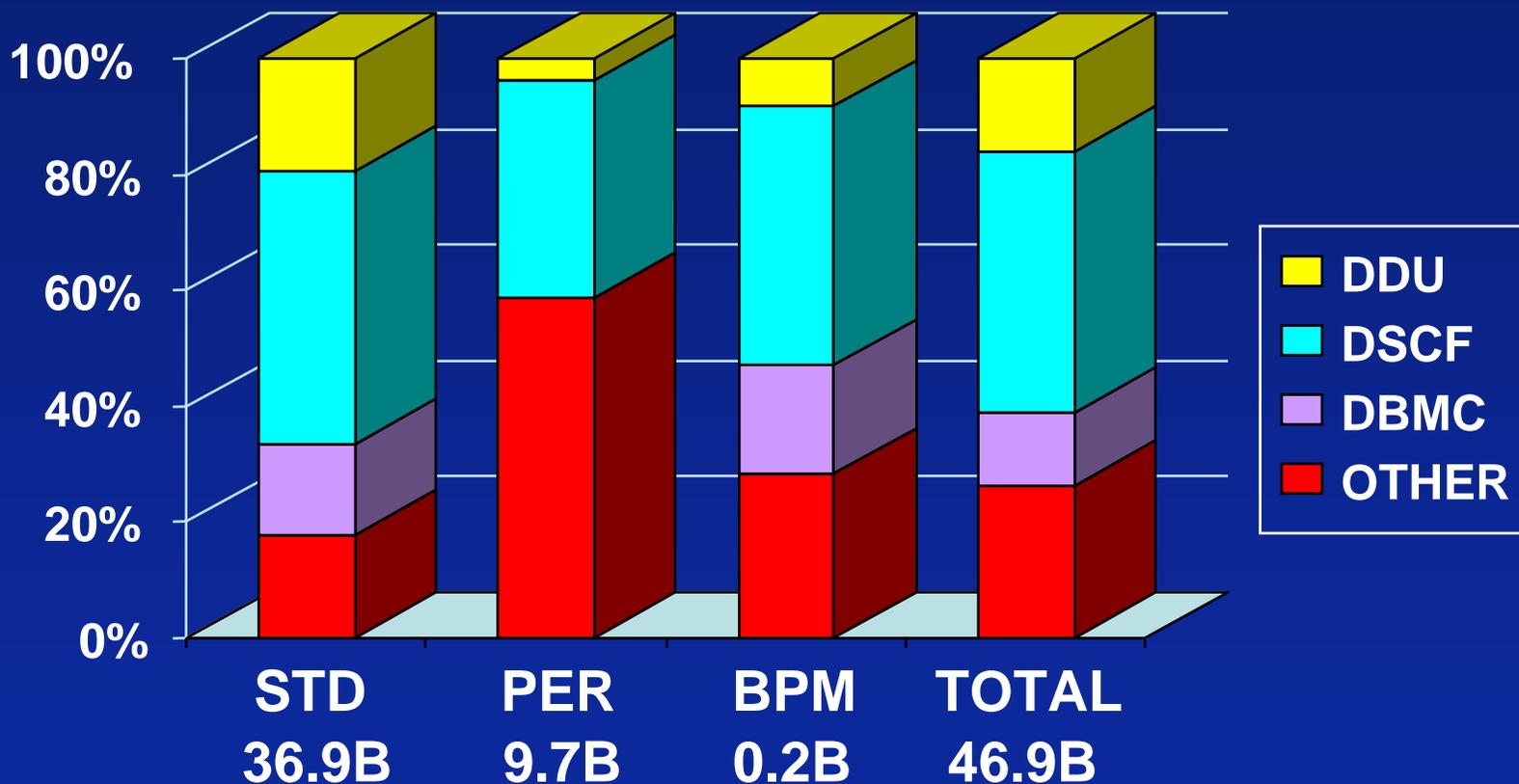
Carrier Route vs. Non-Carrier Route





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Flats Profile: Dropship

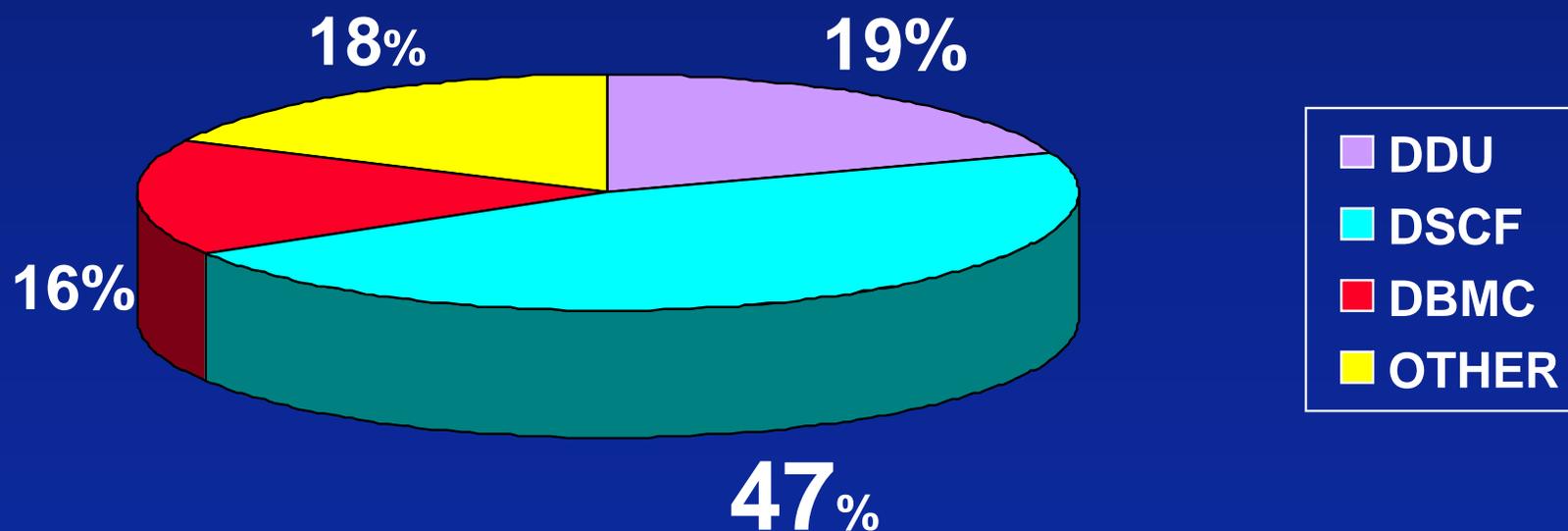




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Flats Profile: Dropship Detail

STANDARD - 36.9 B Pieces

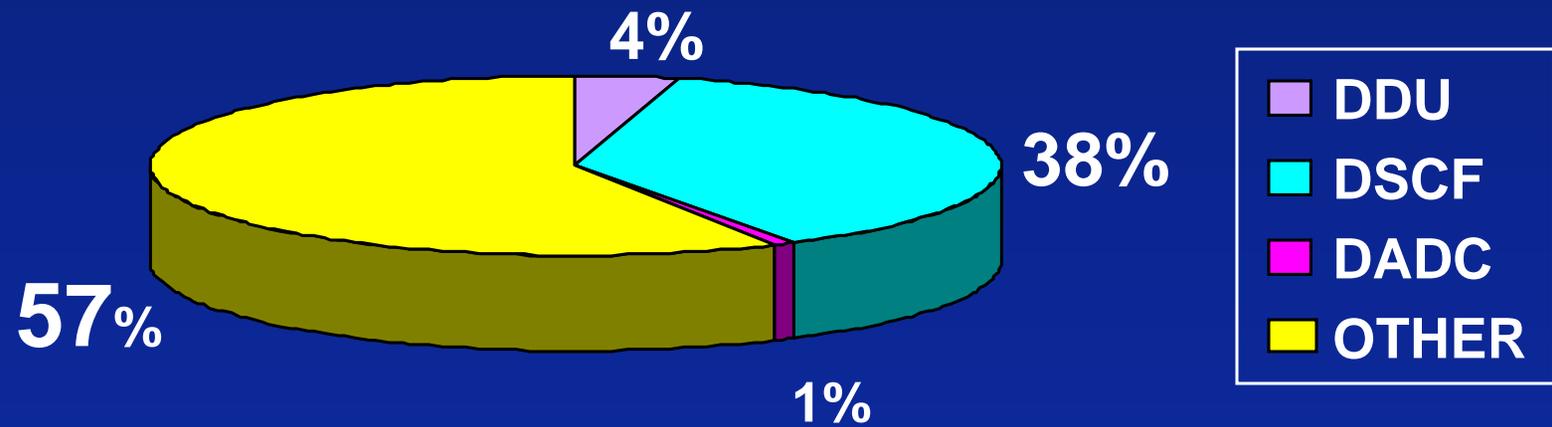




Economics of Automation

Flats Profile: Dropship Detail

PERIODICALS - 9.7 B Pieces

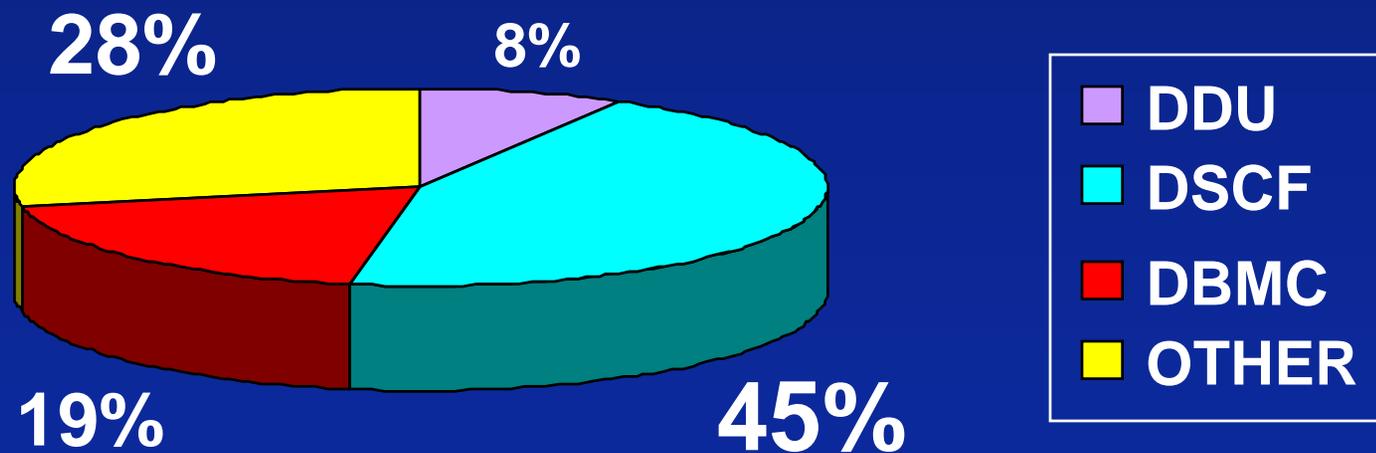




Economics of Automation

Flats Profile: Dropship Detail

BOUND PRINTED MATTER 0.2 B Pieces





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Economics of Automation Comparative Costs

Cost Per Piece

Manual Casing

\$0.077

FSS

\$0.034

**Cost Savings
(hypothetical)**

\$0.043



Economics of Automation

Comparative Costs

Cost Per Piece

Manual Casing

\$0.077

DPP

\$0.017

Cost Savings
(hypothetical)

\$0.060



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Economics of Automation

Potential Customer Impact

	<i>FSS</i>	<i>DPP</i>
Carrier Route Sort	Value in non-auto zones	Value in non-auto zones
HD/Saturation	Market-based & mail prep value	Market-based & mail prep value
DDU Entry	Value in non-auto zones	Market-based & mail prep value



Economics of Automation

Potential Customer Impact

	<i>FSS</i>	<i>DPP</i>
Carrier Route Sort	Value in non-auto zones	Value in non-auto zones
HD/Saturation	Market-based & mail prep value	Market-based & mail prep value
DDU Entry	Value in non-auto zones	Market-based & mail prep value



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Economics of Automation

Lessons from First-Class Mail

	<i>Pre- Reclassification Rates FY 1995</i>	<i>Post- Reclassification Rates FY 1997</i>
5-Digit Presorted Barcoded Letters	25.8 cents	23.8 cents
Carrier Route Letters	25.4 cents	23.0 cents (Limited)



Economics of Automation

Lessons from First-Class Mail

	<i>Pre-Reclassification Preparation FY 1995</i>	<i>Post-Reclassification Preparation FY 1997</i>
5-Digit Presorted Barcoded Letters	Full trays OR 10 piece packages	150 pieces to same 5-D / scheme Packaging not permitted
Carrier Route Letters	Non-auto 10 pieces to same carrier route Full trays OR 10 piece packages	10 pieces to same carrier route Packaging not permitted Limited number of carrier routes



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Economics of Automation

Future Outlook

- **Ongoing Efforts**

 - **Automation / DPS Benefiting Letters**
 - **Smaller Rate Increases**
 - **Carrier Route Issue Addressed**
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Economics of Automation

Future Outlook

- **Tools to Address Issues**
 - **General Cost Reductions**
 - **Transitional Passthroughs**
 - **Potential for New Discounts**

 - **Ongoing Discussions**
 - **Current DDU Entered Mail**
 - **Pricing Implications**
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