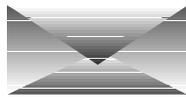


NPPPC

NATIONAL
POSTAL

POLICY
COUNCIL

2000

ANNUAL REPORT

COUNCIL CONTINUES ITS MISSION DURING 2000

The National Postal Policy Council continued its mission of “maintaining a trusted partnership with the USPS for the benefit of all Americans” during 2000. NPPC was founded in November 1981, with its first full membership meeting conducted in March 1982.

During this past year, NPPC welcomed a host of top USPS managers to important meetings focused on dealing with the key issues of the day, including Postmaster General William Henderson, Deputy Postmaster General John Nolan, Executive Vice President & Chief Operating Officer Jack Potter, Executive Vice President & Chief Financial Officer Richard Strasser, Senior Vice President (Technology) & Chief Technology Officer Peter Jacobson, Senior Vice President (Sales) Gail Sonnenberg, Vice President (Strategic Planning) Bob Reisner, and Vice President (Engineering) Bill Dowling.

Deputy PMG John Nolan, who rejoined the Postal Service early in 2000, left the NPPC Board of Directors after almost a decade of service to the Council while representing Merrill Lynch.

The Year 2K began with uncertainty, of course, until it became clear that USPS systems were fully ready for the date rollover. NPPC had been pleased to devote considerable time in 1998 and 1999 to assisting the Postal Service in its outreach to the mailing community relating to Y2K issues.

The many key topics that warranted attention in 2000 are detailed in this document.

As 2000 drew to a close, it became obvious that financial challenges would press the postal system dramatically in 2001. In order to facilitate early mailer input in dealing with these difficulties, NPPC scheduled a February meeting in the new year with Deputy Postmaster General Nolan and Chief Operating Officer Potter. ✉

NPPC 2000 MEMBER ROSTER

AccuDocs
Allstate Insurance
American Express
AT&T
ADP
Bank of America
Bank One
Bell Atlantic
Bell & Howell
Chase Manhattan
CIGNA Systems
Equifax
Fidelity Investments
First Data Resources
First Union Bank
Kern International
KeySpan Corporation
MBNA Bank
Mellon Financial
Metropolitan Life
Nationwide Insurance
Output Technology Solutions
Pitney Bowes
The Prudential
PSI Group
RR Donnelley
Sears Roebuck
State Farm Insurance
TIAA-CREF
Total System Services
The Travelers



POSTMASTER GENERAL SPEAKS TO NPPC MEMBERS; ANALYZES KEY POSTAL TRENDS AT JULY MEETING

Postmaster General William Henderson joined the NPPC membership for a discussion of key postal issues on July 25 in Arlington, VA. Mr. Henderson had spoken to NPPC on many occasions in the past, as PMG and in prior top management positions.

Following a brief description of the thrilling victory of Lance Armstrong in Paris that he had witnessed a few days before, the Postmaster General provided Council members with an overview of key USPS trends. Letter mail is, “on the whole, doing well,” he said, with quality service and automation holding down costs. And, he noted, the “information platform” is well on its way. Automating flats is now a priority.

Without legislation, however, Henderson said, the USPS still has problems with pricing and investment. He also said that a majority of high-level postal managers are over 50, which is a management challenge. He

also speculated on important Internet trends, and how they impact the Postal Service, and then answered a number of questions from the membership.

USPS Vice President (Strategic Planning) Bob Reisner followed the Postmaster General, and discussed the Strategic Plan that was being prepared for approval by the USPS Governors. He discussed various scenarios for a Postal Service future and discussed key issues with the NPPC membership, for example, the balancing of demands for universal service with pressure for holding down costs.

USPS Vice President (Core Product Marketing) John Ward then spoke to the membership. He explained his new responsibilities, having taken over his new job only several months ago. Ward segmented issues for the USPS and mailers to work together on under the categories of Service, Price and Communication. He then detailed items such as BRM, Accelerated Reply

Mail redesign, National Firm Holdout expansion and a “Tail Mail” task force. Also, CONFIRM, Remittance measurement, Breakthrough Productivity and negotiated service agreements (NSAs).

The membership then welcomed USPS Manager of Business Mail Acceptance John Sadler. Sadler described various initiatives of the Marketing Technology & Channel Management department including Business Mail Acceptance, PostalOne! and Merlin. The discussion then focused on SAVE and MQA, two programs which have raised concerns among NPPC members. A candid discussion led to a commitment from Sadler to continue open dialog on these key issues.

Following Sadler’s departure the membership discussed key issues raised during the course of the day, and action items for immediate attention. The meeting adjourned in mid-afternoon. ✉

MISSION STATEMENT

NATIONAL POSTAL POLICY COUNCIL, INC.

- NPPC promotes a continued and improved national postal system with quality service at an affordable price.
- NPPC views its mission as maintaining a trusted partnership with the USPS for the benefit of all Americans. This partnership between the USPS and NPPC seeks to drive continuous improvement.
- NPPC focuses primarily on its area of most expertise, First Class mail, viewed as part of a healthy overall system.
- NPPC believes that a key element for the members' business success for the foreseeable future is a healthy national postal system.
- NPPC will continue to pursue its traditional mission of partnership and its operational focus. As to competitive or “non-traditional” new initiatives, individual member companies will take positions and actions appropriate to their business interests.

Updated statement text, adopted July 1999, based on original NPPC mission statement approved at first Council meeting in March 1982.

NPPC MEMBERS PLAN FOR 20TH ANNIVERSARY

The National Postal Policy Council will celebrate its 20th anniversary at an event in October of 2001. The NPPC Board has begun planning for the occasion, under the direction of Board Chair Laurel Kamen of American Express, a founding officer of the group.

NPPC’s founding (and still continuing) executive director, Mike Cavanagh, noted that acknowledging this milestone allows the members to reflect on what has been accomplished, but also to put trends in perspective. ✉

USPS COO JACK POTTER & CFO RICHARD STRASSER DISCUSS “CHALLENGES” AT OCTOBER SESSION

The NPPC Membership conducted its final quarterly meeting of 2000 on October 26 in Arlington, VA. The session began with presentations by Executive Vice President & Chief Operating Jack Potter and Executive Vice President & Chief Financial Officer Richard Strasser.

Potter provided the membership with a general overview of challenges facing the Service including labor costs, the need to automate flats and parcels, and the directives to field managers to reduce costs at a time of growth in delivery points. Cost-cutting will not result in a reduction in service, he emphasized, however.

Strasser told the membership that FY2000 was a virtual breakeven year, when considering the size of the USPS budget. But, he noted, the cost of fuel and COLAs pushed the Service into the red. For FY2001, it is anticipated that the January rate increase will diminish volume increases for several Quarters. Despite that, however, Strasser noted that 1.7 million new delivery points will be added. “Growth and Affordability” were the themes of the recent USPS top management retreat, he said.

With respect to service standards, Potter explained that there is a constant evaluation of inter-city routes, given that commercial air is almost three times the cost of surface transportation and that dedicated air is more than six times the cost of surface.

Potter then talked about the importance to the USPS of Planet Code and what it can do for postal operations, not just customers. In talking about mutual benefits of Planet Code and verification, he said that he would gladly attend a meeting that brought various First-class representatives together for serious discussion on the subject.

Member questions and answers with Potter and Strasser covered a number of topics.

After a short break, the membership then welcomed USPS Manager of Pricing Ashley Lyons. Lyons began with a discussion of current USPS thinking on the topic of negotiated service agreements (NSAs). He outlined options for NSA implementation and issues raised in approaching NSAs. He said that he would provide NPPC members with an outline

summary of both issues, and would forward these papers to NPPC for email dissemination early the following week.

Lyons also confirmed that the Postal Service is looking carefully at options that would present a broader way of measuring worksharing. After lunch, the members used the balance of the session to hold lengthy discussions of key issues at this last Council meeting of the year.

A variety of topics were covered, but a lengthy discussion revolved around the USPS Sales organization, national account managers (NAMs) and the Business Service Network (BSN). It was agreed that executive director Cavanagh would compile member observations and a summary of those remarks would be submitted to USPS top management.

Before adjourning, NPPC set a first meeting date for 2001 of February 22 in Washington, and it was agreed that COO Potter’s suggestion of a meeting with various First-Class groups be pursued, ideally around the February 22 NPPC date. ☒

MAY MEETING continued from page 4

Given the threat, he indicated that postal management is “relooking at everything . . . EVERYTHING.” He emphasized the contribution of First Class mail and the necessity to keep this mail in the system to the maximum extent possible.

He discussed with NPPC members some of the specific significant new initiatives postal management is considering as well. “We’ve got to do dramatic things,” he said. He talked about new e-commerce initiatives, but also emphasized that the Postal Service’s “strongest suit” is as the “gateway to

the household.” He then engaged in a candid question and answer session with the membership.

Following lunch, the Council welcomed USPS Chief Technology Officer Peter Jacobson to the meeting. Jacobson was accompanied by Charlie Bravo, vice president, information platform. They began by describing progress on the information platform concept, and then specifically noting projects fitting into the IP, including PostalOne!, Merlin, S-AMS, DOIS, etc.

Jacobson next discussed e-business strategies of the Postal Service. He noted that the mission of the USPS is to move messages, merchandise and money . . .

the “3 Ms.” He said that the USPS should be on the Internet. The technical strategy is in place, according to the CTO, the organization is mobilized and they are convinced they can be competitive.

Following a question and answer session with Jacobson, the membership conducted a strategic planning discussion. It was also agreed that Bob Reiser would be invited to the next NPPC meeting to discuss the USPS five year plan, and also decided that service quality would be a July meeting topic. Developments at MTAC were also discussed. ☒



DEPUTY PMG NOLAN AND CTO JACOBSON SPEAK AT MAY MEMBERSHIP MEETING

The National Postal Policy Council conducted its second quarterly membership meeting of the year on May 16 in Arlington, VA. The session was highlighted by a presentation by John Nolan, who had served for almost a decade as an NPPC Board member before rejoining the USPS as Deputy Postmaster General in early 2000.

The Council first welcomed Gail Sonnenberg, USPS Senior Vice President (Sales). Sonnenberg provided a comprehensive overview of her sales organization, and her focus on achieving an integration of operations, sales and service functions. She said that large mailers well know that having operations input into her organization can improve the quality of services provided to mailers, and that's what their goal is. They are "big on teams" because they are necessary for quality service.

Sonnenberg then discussed the National Accounts program, now under her direction, at some length with Council members. She again emphasized that the "team approach" would be employed to assist National Account Managers (NAMs) with new or technical products and services, but the NAMs "will remain your key contacts." And, it was promised, NAMs will have additional resources never available before. They are moving to vertical markets, it was explained, but anomalies were inevitable for diverse major corporations. Those will be ironed out, to the degree possible, in coming months.

A key piece of feedback from NPPC members was that NAMs should be tied to the postal operations senior manager at a corporation. Facilitating postal operations should be their prime responsibility, it was recommended. Sonnenberg said

she would take that back to her organization for analysis. NPPC members urged her to keep the largest mailers, like NPPC members, "in the loop" as changes were made, and she agreed to strive to do that.

The NPPC members were then happy to welcome back to the Council the new Deputy Postmaster General, John Nolan.

Nolan began by providing a candid analysis of the challenges facing the USPS with volume decline potentially on the horizon for the first time. As he has been quoted as saying in other venues in recent weeks, the Deputy PMG very squarely put on the table the possibility of a 2003 increase at inflation, a 2005 increase at 1.5 times the rate of inflation, and a 2007 increase at twice the inflation rate, but only if very tough billion dollar cost reductions are achieved in the immediate future.

MAY MEETING continues on page 3

FEBRUARY MEMBER MEETING FEATURES FACILITY TOUR, DISCUSSION OF "CORE BUSINESS" AND "SAVE" ISSUES

The National Postal Policy Council conducted its first quarterly membership meeting of the year on February 24, 2000, in Ft. Myers, Florida, the site of the Postal Service's most advanced technology facility.

The meeting was called to order by Council Chair Laurel Kamen of American Express, and after a discussion of quality control and business mail acceptance issues, NPPC members welcomed John Sadler of the Postal Service. Sadler serves as USPS manager of business mail acceptance and has worked with NPPC members on a myriad of key programs over many years.

A lengthy discussion with Sadler regarding Standardized Acceptance & Verification (SAVE) issues ensued, and it was agreed that NPPC would follow-up with Sadler and his SAVE team.

Marty Emery, USPS acting vice president of core business, then joined the meeting. Emery spoke about initiatives which have already be launched with the assistance of his department, notably including a greater emphasis on the importance of two- and three-day mail delivery and on "tail mail" problems. He said that it was his hope to conduct an on-going dialogue with First Class leaders through NPPC.

The membership then was transported by bus to the Ft. Myers Advanced Automation Facility, the site of the most sophisticated new automation equipment being tested by the USPS. USPS Engineering Vice President Bill Dowling met the members at the facility. He detailed the importance of the work being done at the site, and explained that the major systems being tested, or planned for testing, should be the cornerstone of "integrated processing," the centerpiece of the Postal Service's future plan for processing mail. A videotape was shown by Dowling to explain the strategy, and he answered member questions. Members then received a lengthy tour of the facility. ☒

NATIONAL POSTAL POLICY COUNCIL

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