

Issue #42, August 17, 2005

Are Your Bundles Being Blitzed?

In preparation for the Fall mailing season, the USPS conducted a national Bundle Breakage Blitz from July 25 to August 5, 2005. During this time period, the USPS' mail processing plants focused on reporting bundle breakage instances (or marginal packaging with the potential for breakage) with Standard Mail, Periodicals and Bound Printed Matter using the eMIR (electronic Mail Improvement Reporting) system, the BSN (Business Service Network) and the BMA (Business Mail Acceptance) process. This initiative was launched to raise awareness of bundle integrity issues, with the USPS' recent deployment of a new bundle sorting machine known as the Automated Parcel Packaging System (APPS).

The goal of the Blitz was to collect the bundle breakage data nationwide from all USPS plants and BMCs, using the eMIR system, for a two-week period. The information that was gathered is being used to identify USPS systems problems, and to follow-up with individual mail service providers, to significantly reduce the frequency of bundle breakage prior to the Fall mailing season.

It's important that mailers not be concerned by the reports, as the bundles being identified by eMIR are not being delayed or rejected by the USPS. Your mail service provider is analyzing the reports to determine

whether it is necessary to improve the packaging of their bundles. Mail service providers have also been instructed to send feedback to the USPS on the quality of these reports and the process. Feedback from the industry includes:

- Some reports recommend changes that do not follow USPS DMM (Domestic Mail Manual) regulations
- The information on the report is too editorial or subjective and thus, not actionable
- Job numbers are left blank or are incorrect
- Reports are coming in from multiple sources, not from a centralized source as intended

The industry and the USPS are working together to ensure that the reports are useful, accurate and responded to appropriately. The USPS has not scheduled another Bundle Blitz. The next Blitz will not be scheduled until all industry input has been received and all issues have been resolved.

For additional information regarding the Bundle Blitz, or any other related matters, please contact Marjann Caldwell, QWL's Postal Relations Manager, at 703-455-1610. ■



Express Collation Mailing System Up and Running!

Quebecor World Logistics' strategy aimed at building a platform that will ultimately offer three multi-pocket co-mail machines is underway! The first co-mail machine, a 30-pocket co-mailer with inkjet and label application capabilities, was installed in QWL's Bolingbrook, IL facility on April 26, 2005 and began live operations the following month. The second co-mailer will be up-and-running come November 2005. On June 6th, QWL's Chicago Consolidation Center (formerly located in McCook, IL) moved into the new Bolingbrook facility. This newly formed co-mail and distribution hub kicks off QWL's new program, the Express Collation Mailing Systemsm (ECMS).

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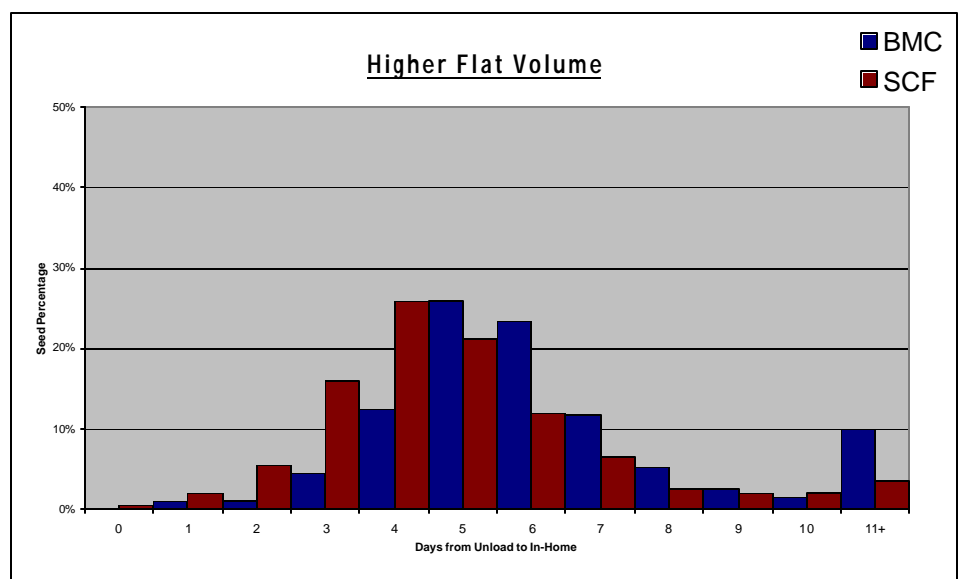
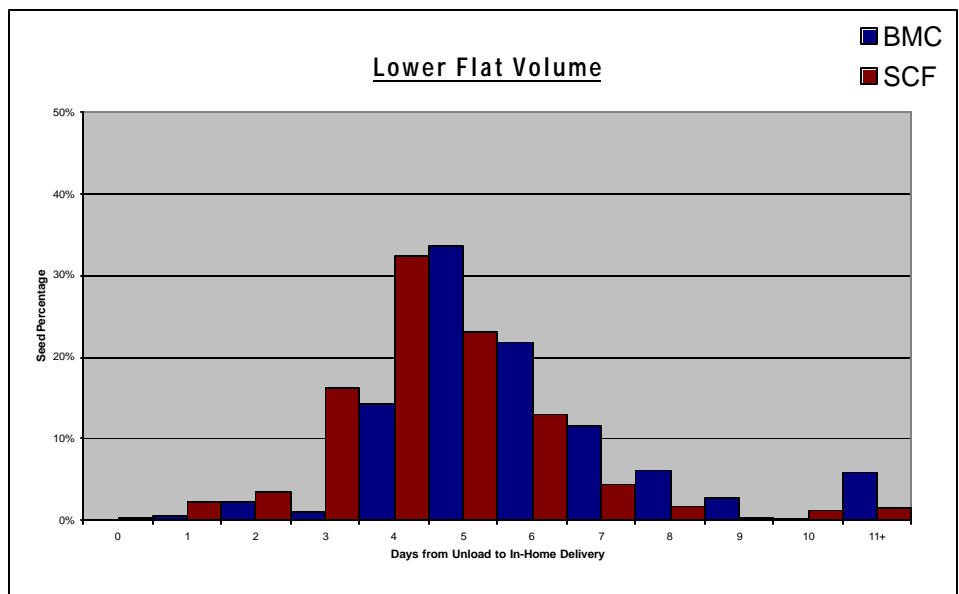
Fall Mailing Season is Here, Time to Track USPS Processing, Delivery

The Fall mailing season is here and as you know, this begins the busiest time of the year for catalog delivery. When flat mail volume increases, we typically see processing and delivery delays within the U.S. Postal Service. These graphs demonstrate the movement of flats through the USPS during high- versus low-volume periods. This data had been collected over the past couple years from QWL's seed tracking customers. QWL's seed data indicates that the peak at the SCF is four days, and is five days at the BMC - which illustrates a one-day delay in postal processing.

As you can see from the graph titled "Lower Flat Volume," nearly 35 percent of the seeds responded on the fourth day at the SCF and on the fifth day at the BMC. The next highest point is day five for the SCF, at 23 percent, and day six for the BMC, at 22 percent. Now, comparing to the graph titled "Higher Flat Volume," you can see that the peak is actually shifting toward day five for the SCF, and day 6 for the BMC - with more of the mail being delivered toward the tail end of the mailing. Since the peak in the response rate dropped about 10 percentage points, we see a much flatter, longer curve.

With this being the busiest time of the year, you might consider increasing your tracking and tracing programs. For instance, PLANET™ Coding and Seed Tracking can provide you the data you need to determine what apparent delays actually represent.

PLANET™ Coding requires the use of an additional bar code in the address block of your mail piece to track your mail through to the Sectional Center Facility (SCF) level of the USPS. Once the piece is scanned, it is placed in a bin destined for the appropriate Destination Delivery Unit (DDU). Mail pieces that have received the last scan will typically arrive in home one



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Fall Mailing Season (cont.)

to two days later. PLANET™ Coding can track hundreds of thousands of pieces of mail so, there is no uncertainty regarding how and/or when your mail is being processed once you see the data.

Seed tracking is more of a manual tracking process, but still a very effective tool for pinpointing USPS problem areas. Seeding involves incorporating a list of seed names into your mail file(s). Once the seed receives the mail piece, he/she reports the date it was received and the condition of the piece. Seed tracking provides you with after-the-fact information and while it doesn't provide the quick answers that PLANET™ coding does, it is certainly a helpful tool if you are not currently utilizing a tracking program.

For additional information regarding any of our mail tracking solutions and respective pricing, please contact Nick Lang, QWL's Mail Tracking Analyst, at (630) 438-2147. ■

ECMS Up and Running (cont.)

In its first two months of operation, ECMS processed over 5 million magazines, generating over \$150,000 in postage savings for publishers. To date, over 170 customer magazine titles are officially scheduled to participate in QWL's ECMS program through to November 2005 and 74+ publications are already participating in live co-mail pools. Quebecor World's short-run publishing customers have been quick to jump in on the savings, with the recent announcement from the U.S. Postal Service that rates are sure to increase by 2006 - and now another increase is likely in 2007. At the end of July, ECMS began running two separate pools, which ensures that no participant waits to be included in one of QWL's co-mail pools. QWL guarantees quick turnaround and postage savings. Also in July, QWL began selective label application for books without an inkjet window. For an additional charge, customers can now choose to have a blank paper label applied in-line, to receive inkjet addressing.

For more information about QWL's co-mail operations, contact Joel Weber at 630-679-3952. See also details on page 4 regarding QWL's Grand Opening event. ■

Postal Reform Legislation May Not Prevent 2007 Rate Increase, BOG Says

The U.S. Postal Service's Board of Governors recently announced that the path to Postal reform will not be easy, and that additional rate hikes are likely. The Governors' concern comes from the White House's recent Statement of Position, threatening to veto if the resulting bill is not revenue-neutral. The "revenue-neutral" approach conflicts with both the House and Senate versions of the bill, in that it requires the Postal Service to pay escrow and military service requirements. Many in the mailing industry have been lobbying to eliminate or substantially reduce the escrow requirements because, without repeal of this provision, the industry is likely to see annual rate increases (well above those necessary for funding postal operations).

The CSRS escrow account was established in 2003, when Congress lowered the Postal Service's payments to the CSRS (saving the mailing community \$9 billion over 3 years) but required that, beginning in 2006, the USPS place the "savings" into an escrow account, which cannot be used without Congressional approval. The revenue-neutral legislation proposes using the pension savings to fund the USPS' substantial retiree health benefits liabilities. The Bush Ad-

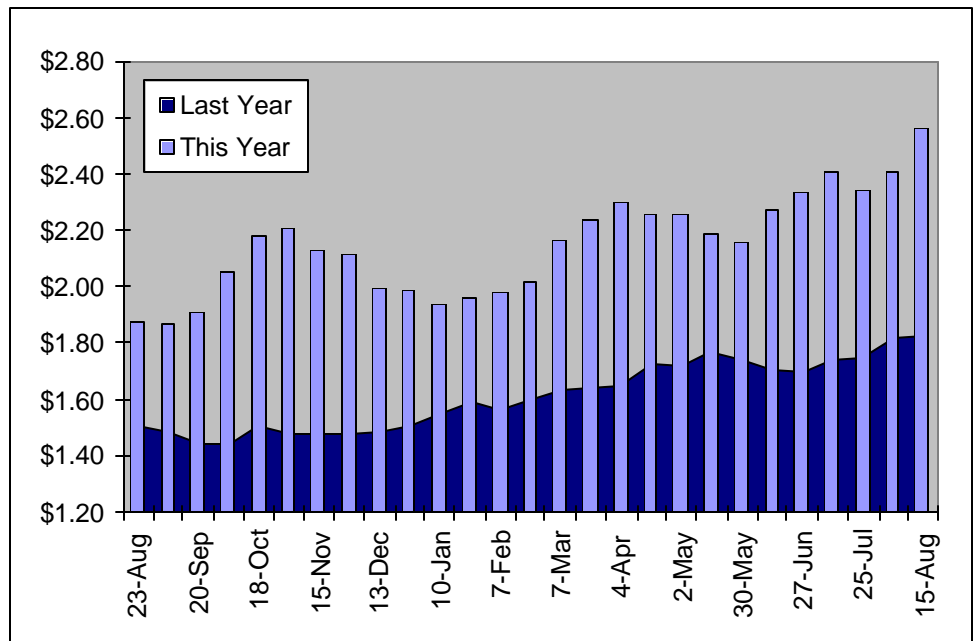
ministration and conservative members of Congress are in favor of this approach because they believe the elimination of the escrow account would further contribute to a skyrocketing federal deficit.

The Governors reviewed how the Postal Service would operate in the event that non-revenue-neutral reform legislation were vetoed, and thus determined that they must continue to focus on controlling costs and generating revenue. Without legislative relief, the Governors predict a further increase for 2007 (in mid-single digits) and then target future annual increases at the Consumer Price Index (CPI) or below.

Should a revenue-neutral reform bill be enacted, the Governors anticipate the Postal Service having extreme difficulties meeting its consumers' needs. Furthermore, this type of legislation would give the Board very limited authority to govern the organization as an efficient business enterprise. The Board intends to study these issues further and to communicate its views to the leaders of Congress and officials in the Administration. Quebecor World Logistics will continue to provide updates as additional information is released. ■

Diesel Shatters Record Highs

The average price of U.S. retail diesel exploded this week, leaving diesel prices at \$2.567 a gallon on August 15th - setting a new record for the second time in the past month. The spike in prices shattered the previous record of \$2.408 a gallon set on July 11th. The national average price for trucking's main fuel is now 74.2 cents higher than it was this time last year, adding \$148.40 to the cost of filling a 200-gallon truck today. Diesel-burning trucks continue to haul a large volume of goods around the country. The top concern in the trucking industry is finding new solutions to reduce fuel consumption and ways to lessen the impact of soaring prices. ■

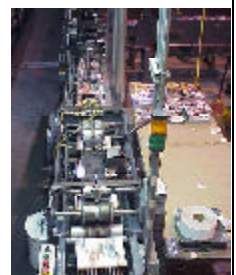


JOIN US AUGUST 31ST FOR OUR GRAND OPENING EVENT!

Here's your chance to see the Express Collation Mailing SystemSM in action! You'll understand the power of co-mail, once you see our brand new, 30-pocket co-mailer, housed with QWL's Chicago consolidation operations in our amazing new, 315,000 sq. ft. co-mail and distribution hub!

The event begins with a breakfast seminar program at the Bolingbrook Golf Club, featuring mailing industry experts speaking on various ways to keep postage and distribution costs down.

- » 9:00 a.m. - Gene DeIPolito (PostCom) and Anita Pursley (QWL) speak on upcoming USPS rate increase and postal reform.
- » 10:00 a.m. - Kim Greene (QW Express) speaks on best practices for international mail preparation.
- » 10:30 a.m. - Bill Crotty (QW MLT) speaks on best practices for address hygiene.
- » 11:00 a.m. - Joel Weber (QWL) presents co-mail orientation session.
- » 11:45 a.m. - Q&A
- » 12:30 - Picnic lunch upon arrival at QWL's Bolingbrook facility.
- » 2:30 - Tours of Bolingbrook co-mailing and consolidation operations.



CONTACT US TODAY TO REGISTER FOR THE EVENT: contact.logistics@quebecorworld.com