

POSTAL NEWS

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1. Postal Service High-Speed Sorters Get Smarter, Faster

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Board of Governors Approve Funding for New Technology

WASHINGTON, DC —In a move to enhance mail sorting technology to better serve customers, the Postal Service Board of Governors today approved funding to purchase technology to postmark letters faster and sort them smarter. The 550 Advanced Facer Cancellor System (AFCS) machines will replace existing sorters operating on 1980's technology.

Today's AFCS machine locates a stamp's phosphorescent ink and uses it to position the letter for postmarking on the upper right corner of the envelope. It then sends the letter to one of seven bins for additional sorting. The new AFCS will be 15 percent faster, apply barcodes, and process broader-sized letters before sorting them to one of 12 destination bins. The additional bins will reduce downstream processing needs for about 20 percent of the mail. The new equipment, which is more energy efficient, will be deployed between May 2010 and July 2011.

During its meeting today, the Board also approved funding to purchase 400 computer systems to replace existing National Directory Support System (NDSS) and the Integrated Data System (IDS). The Postal Service's 13,000 automated sorting machines process 212 billion letters, large envelopes (flats) and packages annually. Key to these operations is providing information to the machines to enable proper mail sorting and retrieving information from the machines about their operations.

The NDSS contains the nation's 148 million addresses and downloads ZIP Code directories to more than 13,000 letter, flat and parcel sorting machines weekly. On a daily basis, the NDSS generates and downloads more than 25,000 programs to sort mail in the order of delivery.

The IDS collects and distributes operational and management data to help the Postal Service achieve optimum machine performance. It also provides valuable mail sorting information that is shared with business customers.

These nationally deployed systems provide critical data used to manage automated mail processing operations. They also keep the Postal Service competitive by providing essential data used to support a variety of programs that generate revenue

and reduce operating costs. Deployment of the new IDS-NDSS computer systems begins in January 2009 and will be completed in July 2009.

Also at today's meeting, the Board approved a new 10-year lease for the Bethpage, NY, Logistics and Distribution Center. The 409,054-square foot facility plays a major mail processing role for the New York City metropolitan area. The new lease will run from March 6, 2009, through March 5, 2019.

In other action, the Board today honored former Board chairman James C. Miller III for his three years of service as chairman. The Board also established the honorary title of chairman pro tempore for the immediate past chairman. Mr. Miller will be first to hold this honorary title. Miller was succeeded as chairman by Alan Kessler in January and Carolyn Gallagher was elected vice chairman at that time.

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2. Battle looms over bypass mail

ALEX DeMARBAN

April 04, 2008 at 8:30AM AKST

A U.S. Postal Service proposal to cut costs by expanding the number of Western Alaska villages where bypass mail is distributed has sparked a turf battle over the lucrative program.

A handful of villages support the idea because they could become distribution hubs – sites where tons of bulk mail is transferred to outlying communities, village leaders and a Postal Service official say. For them, it would mean new jobs and direct flights to Anchorage, saving residents thousands of dollars in annual shipping and travel costs.

The villages' larger neighbors, such as Bethel and Kotzebue, are reluctant to share the bypass mail flowing through their airports. Leaders there say it will help some villages, but hurt the region overall.

In Bethel, small airlines delivering that mail to surrounding villages rely on the Postal Service money to stay afloat, said Wally Baird, city manager.

"If that mail is cut back, they could be out of business. And even if we lose one business, the impact to the region would be much greater than the savings to the Post Office."

Created by Sen. Ted Stevens in the 1970s, the \$150 million bypass program subsidizes bulk-mail delivery and air travel in rural Alaska. It's especially important in poor, remote areas, getting groceries and clothing to stores at reduced costs and holding down airfares.

Here's how it works: Because villages aren't connected to the rest of the state by roads, the Postal Service pays airlines to deliver bypass mail, also called bulk mail. It charges the sender, such as a grocery store owner, a fraction of the actual shipping cost.

The bypass mail – pallets of packages weighing 1,000 pounds or more – is usually flown from Anchorage or Fairbanks to a distribution hub such as Bethel. From there, it's flown to surrounding villages.

The Postal Service loses more than \$50 million a year under bypass, said Steve Deaton, USPS coordinator for the proposed expansion.

The idea would create new distribution hubs in villages in the Bethel, Kotzebue and Nome service areas, saving the Postal Service more than \$5.75 million annually.

USPS pays airlines much lower rates to fly the mail from Anchorage to a rural hub than it pays to have the mail flown between rural communities, Deaton said. Creating more hubs reduces the costly flights between villages.

"As any business would do, we are looking to reduce operational costs and losses," he said.

Officials are considering seven villages as potential distribution sites. Only three – one per service area – would become hubs. The seven are Chevak or Hooper Bay in the Bethel area; Kiana or Noorvik in the Kotzebue area; and Shishmaref, Savoonga or Wales in the Nome area.

The Postal Service in recent months has pitched the idea to airlines, state and federal officials and held meetings in the Bethel and Kotzebue regions, Deaton said. Meetings in the Nome region will be held this month.

The Postal Service could create a formal proposal as early as May, initiating a yearlong public comment period.

The biggest savings, \$3.77 million, would come if Chevak becomes a hub, he said.

In Bethel, airlines distribute 28 million pounds of bypass mail to 27 villages, Deaton said. Under the proposal, the city of 6,000 would lose five villages and about five million pounds of mail to Chevak.

"It will be a huge benefit," said Chevak's young mayor, Ulric Ulroan.

The struggling village of 900 would get new jobs as airport facilities are built, cargo is transferred to communities and planes are fueled, said Ulroan, 30.

Flying to Anchorage would be cheaper for residents in Chevak and nearby villages, since they wouldn't have to travel to Bethel first. Direct Anchorage flights would also reduce freight costs.

Ulroan recently sent a snowmachine to Anchorage for repair, a \$1,600 round-trip stopping in Bethel each way. He would have paid nearly half the price if planes flew between Chevak and Anchorage, he said.

"We won't have to pay double for our flights. This (proposal) will lower the cost of groceries, snowmachines, ranges, dishwashers, driers, all that stuff that's needed out here," he said.

Chevak will benefit somewhat, but the region will lose, said Baird of Bethel. Residents in many villages could pay more to fly and lose air travel options if a carrier goes out of business.

If Chevak or Hooper Bay becomes a hub, the five weekly passenger and mail flights from Bethel to those villages and nearby communities will likely drop, because airlines won't be paid to fly mail on that route, he said. That can hurt villagers trying to reach Bethel including for treatment they can only get at the regional hospital.

"We're trying to convince the Postal Service that making the change isn't in the best interest of all the people out there," Baird said.

Flights won't drop in the area, Ulroan said. The Postal Service added new hubs in the 1990s at the Yukon River villages of St. Marys and Emmonak. There are plenty of flights to those villages, he said.

Chevak is working with state officials to expand its short runway to attract airlines and increase its chance of becoming a hub. Being a distribution hub would also make Chevak a transportation hub, which might encourage the state to build roads from Chevak to nearby communities.

The village needs the help, Ulroan said.

"We'll have money coming in, resources, to help Chevak become a self-sustaining economy to rely on ourselves and not rely on state and federal projects," he said, his voice rising. "That's something people in Bethel don't look at."

Alex DeMarban can be reached at (907) 348-2444 or (800) 770-9830, ext. 444.

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Collected by Chairul Anwar, Bandung, Indonesia.

E-mail address : chairulanwar49@operamail.com, uyungchairul@plasa.com.