

opening the packages and preparing the mail for piece processing.

Reduced Mailer Production Costs

Increasing the package minimum would also lower mailer production costs, as mailers would prepare fewer packages, with no negative impact on rates or service for pieces that move from 5-digit to 3-digit packages. Analysis of mailings that used a 17-piece minimum for preparing 5-digit packages showed reductions in the total number of 5-digit and 3-digit packages.

Specifically, for low-weight pieces, more packages were eliminated because more pieces that would have been prepared in small 5-digit packages of less than 17 pieces were added to existing 3-digit packages or combined into a single new 3-digit package, and these larger packages were still within the 20-pound maximum package weight. For heavier pieces, fewer packages were eliminated, and the savings in package handlings did not sufficiently offset the costs of the additional piece handlings.

An informal survey of the mailing industry revealed that only a small number of mailers are taking advantage of the option to set their 5-digit package minimum higher than 10 pieces (up to 17 pieces), particularly for mailings of low-weight pieces. With such limited participation by the mailing industry, the Postal Service and mailers are unable to realize the potential cost saving opportunities associated with fewer package handlings.

New Proposed Required Preparation

Because the proposed changes in minimum package size would help reduce mail processing costs—which in turn would help to mitigate future rate increases—and because these proposed changes would have no negative impact on mailers' postage or Postal Service revenue, the Postal Service now believes that it would be in the mutual interests of the mailing industry and the Postal Service to implement the proposed changes before the next omnibus rate case.

Pieces weighing 5 ounces or less represent approximately 80 percent of the volume of Standard Mail flats (both regular and nonprofit rates) not mailed at Enhanced Carrier Route rates. For heavier pieces weighing more than 5 ounces up to the maximum weight of less than 16 ounces, there is a significant drop in cost savings when a 5-digit package minimum higher than 10 pieces is used because fewer total packages, and associated reduced handlings, are eliminated to offset the increased piece handlings. The number

of packages that can be eliminated is limited by the maximum package weight of 20 pounds and by restrictions on package height, such as the maximum height of 3 inches for some packages prepared in sacks, related to maintaining package integrity (*see* DMM M020).

The fact that many mailers set their maximum package size below 20 pounds (*e.g.*, 15 pounds) for other reasons, such as creating more uniform packages for building pallets or to limit counterstacking within packages, also reduces the potential savings from using a higher package minimum. For pieces weighing up to 5 ounces, mailers would no longer be able to use an optional minimum higher than 15 pieces. Current standards permit a minimum up to 17 pieces. At the same time, under this proposed rule, mailers would not be permitted to prepare 5-digit or optional 5-digit scheme packages when there are fewer than 15 pieces to a 5-digit or 5-digit scheme destination.

For Standard Mail mailing jobs consisting of flat-size pieces that weigh more than 5 ounces or that are more than $\frac{3}{4}$ inch thick (automation rate UFSM 1000-compatible pieces only), mailers would be required to prepare 5-digit and optional 5-digit scheme packages whenever there are 10 or more pieces to a 5-digit or 5-digit scheme destination. For ease of administration, mailers would also be required to use the 10-piece 5-digit package minimum for mailing jobs of nonidentical-weight pieces when those jobs include a combination of pieces that weigh up to and including 5 ounces and pieces that weigh more than 5 ounces. Mailers would no longer be permitted to use optional 5-digit package minimums greater than 10 pieces, and up to 17 pieces, as currently permitted for such mailings.

The Postal Service and mailers recognize that the optimal 5-digit package size can vary somewhat from mailing to mailing, based on mailing characteristics such as piece weight, presort density, piece thickness, maximum package size parameters selected, containerization methods, and manufacturing processes. However, for ease of use, a single minimum for pieces weighing up to and including 5 ounces and a single minimum for pieces weighing more than 5 ounces is proposed, rather than a range of minimums (that is, the current range of 10 to 17 pieces).

There are no changes proposed to the preparation standards for other classes of mail or for other Standard Mail processing categories and presort destination package levels. Mailers

would continue to be required to prepare 3-digit and area distribution center (ADC) packages whenever there are 10 or more pieces to those destinations, and carrier route packages would continue to be required to contain a minimum of 10 pieces. No changes are proposed for packages of automation rate flat-size pieces measuring more than $\frac{3}{4}$ inch thick (UFSM 100-compatible pieces) or for any type of container (*e.g.*, letter trays, sacks, pallets).

Current Recommended Preparation

For mailings of pieces that weigh no more than 5 ounces and are currently prepared using a 10-piece package minimum, pieces now prepared in 5-digit packages containing from 10 to 14 pieces, would move either to an existing 3-digit package or be consolidated into new 3-digit packages when the higher minimum of 15 pieces is used for 5-digit package preparation. In either case, the overall number of packages prepared by mailers and processed by the Postal Service would decrease. For example, when the proposed 15-piece package minimum is used, 3.2-ounce catalogs currently prepared in five 5-digit packages that each contain from 10 to 14 pieces for different ZIP Codes within the same 3-digit ZIP Code destination, could be combined with other pieces already in a 3-digit package; alternatively, those pieces could be placed in one new 3-digit package (that weighs less than 20 pounds).

The Postal Service recommends that mailers begin using a minimum of 15 pieces for 5-digit and optional 5-digit scheme package preparation permitted under current mailing standards as soon as possible for mailings of pieces that weigh no more than 5 ounces. The Postal Service also recommends that mailers limit the number of packages they produce and take necessary steps to ensure package integrity, by setting their maximum package size as close to the maximums permitted in DMM M020, particularly for packages prepared on pallets (*e.g.*, 20 pounds).

Movement of pieces from 5-digit packages to 3-digit packages as a result of using a 15-piece minimum under the proposed changes would not impact postage paid by mailers because Standard Mail flats are eligible for the $\frac{3}{5}$ rates whether prepared in 5-digit or 3-digit packages, and placed on any pallet level, or when placed in 5-digit sacks, followed by 3-digit sacks, containing at least 125 pieces or 15 pounds of pieces.

The Postal Service is proposing the required use of the 15-piece 5-digit package minimum beginning April 4,