

They've Done it Again...USPS Board of Governors Decides to Raise Rates for the Second Time This Year

On May 7, 2001, in a closed session, the U.S. Postal Service Board of Governors (BOG) voted unanimously to override the decision of the Postal Rate Commission (PRC) and implement new rates on July 1, 2001. This is only the second time in the 30-year history of the quasi-governmental agency that the BOG has overturned the PRC. Essentially, the BOG felt it was their statutory obligation to assure the financial integrity of the nation's universal postal system and that there was enough evidence on the record to support the need for an additional \$975 million in revenue.

The rates that were implemented on a provisional basis on January 7, 2001 will be replaced by the modified rates on July 1, 2001. The average increase across all classes is 1.6 percent but mailers will see differing results based on class of mail, density and mailing characteristics.

Even with this rate increase, the Postal Service is expected to face a loss this year that could exceed \$2 billion. Despite an aggressive cost-cutting strategy, the Postal Service is planning to file yet another rate case as early as July of this year with a projected 10 to 15 percent average rate increase. Since this is the average, QW magazine and catalog customers could see rate increases as high as 20 to 25 percent.

The average Standard Mail customer will see their rates increase **between 1.1% & 1.4%**. The average increase in the Periodical class is **approximately 3%**.

For a more detailed analysis by class of mail, look on the Quebecor World Logistics Home Page under the Postal link.

Product Redesign

Once this case is filed, the Products & Pricing department at Postal Service headquarters will focus their resources on product redesign. Don O'Hara, who reports directly to Anita Bizotto, VP Pricing and Product Design, will spearhead

this effort. Product redesign (a new name for reclassification) will examine all facets of mailing regulations including processing categories, presort rules and similarities between classes. An example of an idea being explored is the separation of First Class mail into retail (Aunt Minnie mail) and commercial (business mail) and introducing drop ship discounts for commercial mailers. Other revolutionary ideas include the creation of shape-based or speed-based categories. QWL Postal Affairs has already been identified as an integral participant in these discussions.

Postal Reform

Surrounding all of the issues mentioned above, is Postal Reform. For the first time, all relevant parties (including the USPS BOG) agree that Reform is necessary to pull the Postal Service out of the financial death spiral that confronts them. Please see the next issue of *Logistic Solutions* for more information regarding this important topic.

A Word from QWL President, Dan Scapin...

Welcome to the inaugural edition of *Logistic Solutions*. Over the last 18 months, Quebecor World's logistics operations grew from over a hundred individual facilities operating as independent shipping locations into one, powerful, centralized organization- QWL, which is considered the leader in print

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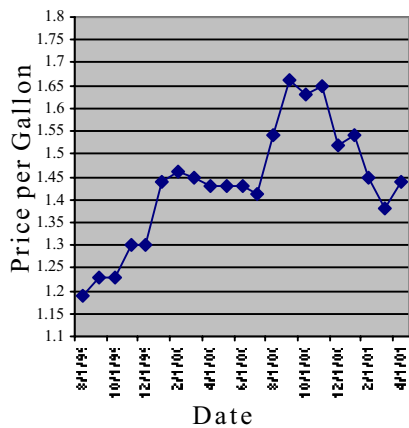
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✓ Did you know...

Oxmoor House Publishing, a division of AOL Time Warner, has awarded QWL and the Lexington co-mail facility the distribution for all mailed bound printed matter product (books). The combination of Lexington's sophisticated and efficient sortation capability and QWL's superior distribution network has allowed Oxmoor House Publishing to reduce costs and improve delivery service.

Fuel Prices Remain Elevated DOE National Average Diesel Prices



USPS Alternative Packaging Tests Underway

Quebecor World Postal Affairs is an active participant in the Alternative Packaging Workgroup of the Mailer's Technical Advisory Committee (MTAC). The mission of the workgroup is to develop and test new packaging methods for automation-compatible flats that will enable USPS to reduce its prep time labor costs at the AFMS 100 processing operations. "Allied labor," the term assigned to this prep function, was identified in the R2000 rate case as a huge cost driver for recent flat mail processing cost increases.

The initial feedback from the USPS has been favorable; the test mail is easy to detect and is not being held up. The USPS reported no slowdowns in service, which is especially critical for time-sensitive customers, like *Time* and *ESPN*.

For more information regarding packaging tests, visit the Quebecor World website at www.quebecorworld.com under the Postal link.

Newsstand Update

- Wholesalers continue to consolidate, with three merging in the Northeast. In the Southeast, Fort Mill, South Carolina will merge with Atlanta. Continued consolidation will create "mega facilities" with large areas to service. Smaller retail outlets in these areas will find it more difficult to receive magazines from the "mega centers."
- Newsstand sales continue to decline, as smaller retailers are no longer supplied with magazines. Some smaller publishers are considering eliminating their newsstand copies, except for the copies distributed through bookstore chains.
- Anderson News Company, already the largest wholesaler in the industry, continues to expand their service areas. Anderson has now taken over the distribution of magazines at the Chicago and New York airports.
- Anderson has taken on a new policy that prevents retailers from being paid any form of allowance once existing contracts have expired.

Scapin (cont.)

logistics. In the United States, QWL is now the largest producer of mail by volume to the USPS, the second largest Freight Brokerage operation, one of the top five largest Mail List Services operations, one of the top 100 small parcel producers, one of the top five LTL carriers, the largest "bound printed matter" parcel company, operating five Consolidation Facilities and the best "on-time" delivery carrier into the USPS. Pretty incredible considering this organization is less than two years old!

Thank you for a successful launching and implementation of Quebecor World Logistics and I look forward to speaking to you through this newsletter or more importantly, in person. I can always be reached at 203-532-4272 or daniel.scapin@quebecorworld.com.

What do you think of the first issue of *LogisticSolutions*? We continue to look for ideas and we encourage any suggestions you may have. Contact:
Jennifer Lukasiak
phone: 630-438-2317
fax: 630-438-2210
email:jennifer.lukasiak@quebecorworld.com



Quebecor World

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Welcome QW Express

QW Express (formerly QWA) will complete the menu of services that the Logistics group currently provides to Quebecor World's plants and suppliers. The new division will supplement the current services of truckload, LTL, rail, fulfillment, warehousing and consolidation by adding a service that offers reliable and dedicated in-house expedited air and surface transportation for both domestic and international shipments.

The new division will also market and provide air and expedited surface services to the shipping public. The division will ultimately expand its geographic coverage throughout the United States maintaining terminals in all major airport cities. The growth plan includes utilization of current and future QWL consolidation centers, opening company-owned stations where required and contracting with independent companies in various cities under exclusive independent sales and service agreements.

The key to success, as in any service-oriented business, is the people- personnel with positive attitudes who are problem solvers and like to help people. QWE services are dependent on the airlines as well as on a network of agents and truckers. QWE is committed to effectively respond when things do not go as planned. Good communication is critical for problem solving. Everyone at QW Express is very excited about the state-of-the-art tracking and tracing software being installed, which will ultimately ensure and support successful communication.

Consolidation Network Upgrade

ATLANTA CF—Moved Feb. 2001

From	To
40,000 sq. ft.	80,000 sq. ft.
12 dock doors	19 dock doors
840 single racks	3,200 single racks
NO truck parking	legal street parking

JERSEY CF—Move Aug. 2001*

From	To
90,000 sq. ft.	146,000 sq. ft.
9 dock doors	34 dock doors
1,600 single racks	3,000 single racks (minimum)
15 car parking	35 car parking
7 yard parking (trucks)	20 yard parking (trucks)

CHICAGO CF—Move Sept. 2001**

From	To
120,000 sq. ft.	180,000 sq. ft.
14 dock doors	34 dock doors
2,000 single racks	9,500 single racks
20 car parking	50 car parking
10 yard parking (trucks)	40 yard parking (trucks)

* Double the office space

** Five times the office space; within five miles of a major rail yard

New Mail List Technology Clients

- Brylane/Chadwicks awarded MLT with their remaining presort and inkjet business previously handled by a major competitor.
 - This move joins the *King Size* (20 million catalogs annually) presort business, the Sears 7 million name database NCOA work and the Lane Bryant (150 million catalogs annually) presort and inkjet prep- beginning September 2001.
 - All this started last year when the client called and informed us they were unhappy with their vendor.
- Disney Publishing Inc. awarded MLT the Family Fun list business- joining ESPN, Disney and Discover titles already secured as a result of a completed analysis with QWL- delivering multiple entry point savings to the client.
- *The Week*, part of Dennis Publishing, awarded MLT their weekly presort business- moving out of Palm Coast.
- Vantage Travel & Oriental Trading both transferred their merge/purge work to MLT in addition to existing presort and inkjet processing.
- MLT has gained more than 80% of the Northeast Graphics clients.

✓ Have you heard?

Jack Potter, the USPS Chief Operating Officer, has just been named the new PMG, effective June 1, 2001.



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PRODUCT TRACKING LITE - FREQUENTLY ASKED QUESTIONS

1) What is Product Tracking Lite?

Product Tracking Lite is a key component of the Quebecor World Manufacturing System. Its purpose is to give divisions and consolidation facilities the ability to track outbound pallets from the dock as well as serve as an electronic means to capture and send information to other QW facilities and QWL. The module has many benefits including improving our ability to communicate transportation needs, track and trace, and perform invoice functions quickly and efficiently.

2) What is the Quebecor World Manufacturing System (QWMS)?

The QWMS is a common name for the Quebecor World Manufacturing System. It includes Order Entry, Product Tracking, Equipment Reporting, Employee Management, Paper Inventory, Forecast Sales, Materials Management, Shipping Tickets, Ink Usage and Paper Purchasing applications.

3) Will all product types be processed in the Product Tracking Lite module?

Standard A, Standard B and Periodical mail are the only commodities to be considered at this stage of the implementation. We are working on the ability to process bulk and newsstand product through the module with plans to expand to other commodities in the future.

4) How long does the implementation process take?

The timeline varies by site and installation scope but it is estimated to take approximately four to eight weeks to implement the PT-Lite module.

5) What will Product Tracking Lite do for my location?

In addition to having the ability to transfer information electronically, the division benefits from having a system that identifies all of the containers for a given job. As each container is shipped, the status of the container is changed. With this information, the division has a method to confirm when all products have left the facility, as well as to identify any containers that have not shipped. Furthermore, the diverse reports available from the QWMS can serve as verification tools for the division as well as for the USPS. Additionally, the PT-Lite application offers many management-reporting tools for the traffic and shipping departments.

✓ Did you know...
The detail and integrity of the data in the QWL Product Tracking System allowed the USPS to approve a DSMS program before it was operational.

International Rates Not Affected by the USPS July Rate Hike

Many mailers are still reeling from this week's announcement of a domestic mail postage rate increase for July. The only good news is that no increased international mail postage rates were announced. When the Board of Governors files the next rate case this fall, they will most likely announce proposed increases for international mail at that time.

QWIL Now Has Access to a Powerful Tool

The World Guide to Direct Mail Marketing is a web-based guide designed to provide valuable and accurate information on market opportunities both within country borders and internationally. Each country's site contains: a historical overview, a statistical profile, an economic overview, cultural and environmental facts, the direct marketing infrastructure, direct mail lists, direct mail case studies, postal products/services and legal/regulatory information including customs and tariffs. Contact Rand Post at 330-670-8844 for more information.

QWIL Success Story of the Month

An emergency Air Freight shipment needed delivery for a Trade Show in France. The QWIL team orchestrated the entire Air Freight move. A successful proof of delivery was achieved 2 days before the deadline delivery date. During the initial process, the proactive French Air Freight Partner contacted the trade show organizer, who did NOT even have the client as a registered participant! This was cleared up before QWIL shipped the material. The client secured the booth that was under question with the Fairs and Exhibition organizer (who thought they had cancelled). QWIL delivered their materials on time and their presence at the show was a success.

Editor: Jennifer Lukasiak

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