

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-146-150, 162-165, 167-170, 173-175)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate, filed on June 10, 2005: OCA/USPS-146-150, 162-165, 167-170, and 173-175. Responses to OCA/USPS-145, 151-161, 166, and 171-172 are forthcoming.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986, Fax -6187
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OCA/USPS-146. Please refer to Attachment Two to interrogatory OCA/USPS-53.

- a. Confirm that the following services discussed in the Attachment are provided to the public by the Postal Service on behalf of another federal agency: Migratory Bird Stamps; Passport Applications; and Selective Service. If this is not confirmed, then provide a full explanation.
- b. Confirm that the following services are retailed to the public for the purpose of generating additional revenues for the Postal Service: Phone Cards; ReadyPost; Retail; Meter Manufacturers Marketing Program; Collaborative [sic] Logistics; Magazine Subscriptions; Electronic Payment; Electronic Postmark (EPM); Mailing Online; NetPost Certified Mail; and NetPost Card Store. If this is not confirmed, then provide a full explanation.

RESPONSE:

- a. Confirmed.
- b. As noted in response to OCA/USPS-145, the Postal Service is unclear on the intended meaning of the term “retail” in the context of this set of questions. Some of these programs (Electronic Payment, NetPost Certified Mail) are no longer offered under any definition. Collaborative Logistics, as described in Attachment Two to OCA/USPS-53, is one example of a service that does not conform with most notions of a “retail” service. Meter Manufacturers Marketing Program, as also described in Attachment Two, provides information to postal customers at retail locations, but the Postal Service receives payment not from those customers, but from the company whose products are being promoted. In general, however, it can be confirmed that one of the purposes of providing those services listed above (that are still being offered) is to generate revenues from products and services which support the mailing needs of our customers or provide convenient access to products relevant to postal customers.

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OCA/USPS-147. Please refer to the “Affiliates and Alliances” paragraph of Attachment Two to OCA/USPS-53.

- a. Please furnish copies of the 75 linking agreements referred to in the interrogatory. (One of the major purposes for this request is to gain a better understanding of the activities performed by the parties to the agreement, particularly the Postal Service, so as to see whether expenses incurred by the Postal Service in performing its activities have been fully and appropriately accounted for). For each, please indicate whether the purpose of the agreement is: (1) to complement the Postal Service’s core product offering; (2) to generate mail; and/or (3) to provide value to our customers.
- b. With respect to the objective to “provide value to our customers,” please confirm that the Postal Service enters into such agreements even if they are not related to postal core products and services and are not intended to generate mail, i.e., an agreement may be forged even if mail and postal core products and services are not involved.
 - i. If this is not confirmed, then explain in full.
 - ii. Please confirm that the concept of “provid[ing] value to . . . customers” may involve retail activities having nothing to do with mail or core services, e.g., sales of phone cards. If this is not confirmed, then please explain.
- c. In instances where core products and mail are not involved, who are the customers meant by “our customers?”
 - i. Are they mailers? (Please answer “yes” or “no” and explain the answer.)
 - ii. Are they mail recipients? (Please answer “yes” or “no” and explain the answer.)
 - iii. The general public outside of their capacity as mailers or mail recipients? (Please answer “yes” or “no” and explain the answer.)
 - iv. Another target group? (Please answer “yes” or “no” and explain the answer.)
- d. Please provide copies of the following agreements (if not otherwise provided in response to part a.): Mailing Online; NetPost Certified Mail; and NetPost Card Store.

RESPONSE:

- a. Objection filed.
- b.
 - i. Confirmed that this may occur.
 - ii. Confirmed that this may occur. With respect to the specific example of Phone Cards, however, it may be an overstatement to claim that the sale of

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Phone Cards has “nothing to do with mail or core services.” For example, it is not unreasonable to expect that some Phone Card customers come to the post office to mail a card or a present, and purchase a Phone Card to include with the mailed item as an additional gift to the recipient. The ability of such customers to enhance what they are sending in this fashion makes using the Postal Service a more attractive option for them.

c. i. Yes, mailers are among the postal customers who view the Postal Service as a quality provider of the product or service rendered.

ii. Yes, mail recipients are among the postal customers who view the Postal Service as a quality provider of the product or service rendered.

iii. Yes, members of the general public are among the postal customers who view the Postal Service as a quality provider of the product or service rendered.

iv. It is not possible to answer this question yes or no. While there may be other target groups for specific programs, it is difficult to state that such groups would not be members of the general public as well.

d. Objection filed.

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OCA/USPS-148. Please refer to the “Affiliates and Alliances” paragraph of Attachment Two to OCA/USPS-53 where it is stated: “Today, we limit consideration of Affiliates to those that complement our core product offering, generate mail, and/or provide value to our customers.” Also refer to the Electronic Postmark (EPM) paragraph.

- a. Please provide a copy of the Authentidate agreement cited in the EPM paragraph.
- b. Is EPM offered to the public by the Postal Service:
 - i. to complement the Postal Service’s core product offering? (Please answer “yes” or “no” and explain how this purpose is achieved by the agreement.)
 - ii. to generate mail? (Please answer “yes” or “no” and explain how this purpose is achieved by the agreement.)
 - iii. to provide value to our customers? (Please answer “yes” or “no” and explain how this purpose is achieved by the agreement.)

RESPONSE:

- a. Objection filed.
- b.
 - i. Yes. The USPS EPM complements the core product by reinforcing the behavior of postal customers to rely upon the Postal Service when they need to conduct business. Whether the customer needs to use hardcopy or electronic means, they have a common infrastructure to protect their documents.
 - ii. No. EPM usage is not expected to generate additional traditional mail volume. EPM does provide the Postal Service an opportunity to get additional revenue from customers who value the trust and security of the Postal Service and are likely to use electronic forms of business transactions and communications.
 - iii. Yes. The intent in providing this service is to provide value to customers by providing a way to time and date stamp electronic files securely.

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OCA/USPS-149. Please refer to Attachment One to OCA/USPS-53.

- a. Please confirm that Electronic Postmark (EPM) has had losses every year since inception. If this is not confirmed, then please explain.
- b. Please confirm that EPM's revenues have declined every year since inception. If this is not confirmed, then please explain.
- c. In view of EPM's unfavorable financial impact on the Postal Service, does the Postal Service have plans to terminate this program? If so, when will it be terminated? If not, why not?
- d. What will EPM's status be in the test year, i.e., will it be an ongoing program? Please explain.

RESPONSE:

- a. Confirmed.
- b. Not confirmed. EPM revenues declined from FY2001 to FY2004. During the first six-months of FY 2005, however, revenues have already surpassed FY2004 and FY2003 levels.
- c. The Postal Service has an existing contract in place with Authentidate for a term which runs through July 31, 2007. The Postal Service plans to abide by the terms of this contract. At this point, no decision has been made to terminate the contract prior to July 31, 2007.
- d. No decisions have made concerning the next steps beyond the existing agreement in place, which runs through the test year and ends July 31, 2007.

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OCA/USPS-150. With respect to NetPost Mailing Online, as provided by PosteDigital.

- a. Please confirm that Lee Garvey is an officer and/or owner of PosteDigital. If this is not confirmed, then please explain.
- b. Please confirm that Lee Garvey had a key role in the development of Mailing Online and was, in fact: "responsible for managing the development of Mailing Online." USPS-T-1 at page iv, Docket No. MC98-1. If this is not confirmed, then please explain.
- c. Please explain whether, and how, the current Mailing Online offering (with PosteDigital) compensates domestic postal ratepayers for their expenditures on the start-up costs for Mailing Online as detailed in Docket No. MC2000-2. Provide spreadsheets, calculations, and source documents used to answer this question.
- d. Please explain whether, and how, the current Mailing Online offering (with PosteDigital) compensates domestic postal ratepayers for the losses produced by Mailing Online as detailed in the 6 reports filed with the Commission Docket No. MC2000-2, from May 11, 2001, through July 11, 2003 . Provide spreadsheets, calculations, and source documents used to answer this question.

RESPONSE:

- a. Confirmed.
- b. Confirmed that Lee Garvey was responsible for managing the development of MOL throughout Docket No. MC98-1, but not Docket No. MC2000-2.
- c. To the extent that the current Mailing Online offering generated more revenue than expenses in FY04, and continues to do so going forward, it reduces the contribution required from all other postal customers to allow the Postal Service to achieve its breakeven objective. In the alternative, in the absence of the current Mailing Online offering and any net revenue it can generate, all other postal customers would need to generate greater contribution to allow the Postal Service to achieve its breakeven objective. The more germane issue for

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OCA/USPS-150, Continued

domestic postal ratepayers, therefore, is whether they are better off with or without the current Mailing Online offering, and not whether the current Mailing Online offering can “compensate” for the start-up expenditures associated with previous incarnations of Mailing Online. Furthermore, there is no established basis for the implicit assumption in this question that domestic postal ratepayers were the source of funds for expenditures on the start-up costs of previous incarnations of Mailing Online, as opposed to, for example, international ratepayers, or customers of nonpostal services.

d. To the extent that the current Mailing Online offering generated more revenue than expenses in FY04, and continues to do so going forward, it reduces the contribution required from all other postal customers to allow the Postal Service to achieve its breakeven objective. In the alternative, in the absence of the current Mailing Online offering and any net revenue it can generate, all other postal customers would need to generate greater contribution to allow the Postal Service to achieve its breakeven objective. The more germane issue for domestic postal ratepayers, therefore, is whether they are better off with or without the current Mailing Online offering, and not whether the current Mailing Online offering can “compensate” for the losses associated with previous incarnations of Mailing Online.

Nonetheless, it may bear mention that the losses referred to in this question were incurred by Mailing Online when it was contemplated and offered as an experimental domestic postal service (albeit a hybrid one). Specifically, the Postal Service intended to offer it as an alternative channel for mailers to

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submit mailings. Domestic postal ratepayers potentially stood to benefit from MOL in three ways. First, some customers could actually find it more convenient and/or economical to enter their mail through this channel, and would thus become MOL customers in order to better satisfy their existing demand for postal services. Even for those mailers who did not enter their mail through this channel, if MOL could generate additional contribution, the institutional cost burden for all postal customers would be reduced. Additional contribution could come from two sources. Some customers (new or existing) could find the features of MOL so attractive that they could begin to generate new mail that would not have existed but for MOL. Additional contribution would be expected from the postage charged to such new volume. Lastly, it was anticipated that new contribution could be obtained from the fees being charged for the MOL service itself. Hoping to benefit postal customers by offering better service, by generating additional contribution from new volume, and by generating additional contribution from MOL fees, the Postal Service proposed this experiment to the Commission, litigated the proposal, and implemented the Commission's recommendation.

The experiment was not a success if success is defined as making a positive contribution. The level of demand necessary to fulfill the business plan did not materialize. However, the experiment was a success in that it informed management's judgment regarding the role best played by the Postal Service in the provision of a hybrid mailing option to customers.

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In any event, experiments such as Mailing Online entail the risk that sometimes (in fact, many times) losses are incurred. This was such an occasion. It is not dissimilar to an instance in which the Postal Service invests time and money into a potential variety of mail processing equipment, only to discover that the technology does not yet exist to produce a feasible piece of equipment. Under the fundamental breakeven structure of the Postal Service, those types of costs are ultimately borne by the Postal Service's customers (domestic, international, and nonpostal). To the extent that domestic postal ratepayers stood to benefit financially, whether directly and/or indirectly from a successful MOL experiment, it is not unreasonable that they might be called upon to bear some portion of the losses from a financially unsuccessful experiment.

What ultimately appears to be most critically absent from this question is an awareness that any attempt to apply new technology to improve domestic postal services involves a risk that costs will exceed benefits, and "losses" will be incurred. The Postal Reorganization Act was written to grant the management of the Postal Service the flexibility to undertake such risks, however, despite the sure knowledge that in some instances mailers would be called upon to bear the burden of planning decisions regarding postal services not sustained by later eventualities. It is important to recall that, despite the fact that the Postal Service now treats the ongoing revenues and expenses relating to the current MOL arrangement as it treats revenues and expenses relating to nonpostal services, by no means did MOL start out as a nonpostal service.

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Once it was determined not to go forward with MOL along the lines contemplated under the original business plan litigated at the Commission, it was necessary to address the possibility of salvaging anything from the experiment. If there were a fair possibility of obtaining some positive net revenue stream going forward, it would not be reasonable to forgo such opportunities merely because they might be unlikely to generate sufficient net revenue to recover past losses over a short time horizon. The current arrangement regarding MOL was selected in preference to simply shutting down the service completely and abandoning any prospects for future earnings of any magnitude. And as shown in Attachment One to the response to OCA/USPS-53, MOL did generate nonpostal revenues in excess of costs in FY04.

Moreover, unlike some other nonpostal services, MOL creates benefits beyond those reflected in the net of MOL direct expenses and revenues. As noted above in the discussion of the product as originally conceived, if MOL causes the creation of mail volume that would not have existed otherwise, there is additional contribution obtained from the postage for such pieces. That contribution is not included in the Postal Service's aggregate figures for nonpostal services, because it is already included as contribution from postal services. It is, of course, difficult to identify which pieces in the MOL-related programs would not have been mailed if such programs did not exist, but an estimate of 38 percent was accepted by the Commission in Docket Nos. MC98-1 and MC2000-2. Postage from mail pieces tendered through MOL in FY04 was \$5.2 million, the vast majority of which was First-Class Mail, with its relatively

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high contribution/revenue ratio. It seems obvious, therefore, that a substantial amount of contribution was obtained in FY04 from MOL postage, and that some of that was contribution from mail pieces that would not have existed but for MOL. Thus, by virtue of both types of new contribution (nonpostal fees and new postal volume), it is possible that, over time, the existing incarnation of MOL will produce benefits that exceed the losses incurred during the period in which the product was an experimental postal service.

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OCA/USPS-162. Please refer to the response to OCA/USPS-T10-3, redirected from witness Waterbury.

- a. Refer to the table "Registry Volume and Volume Variable Cost." During the period FY 2000 to FY 2004, please confirm that the cost elasticity of Registered Mail is 0.0904 ($(\$81,269,000 / \$84,619,000 - 1) / (5,008,595 / 8,319,000 - 1)$). If you do not confirm, please explain.
- b. Where the cost elasticity of Registered Mail is 0.0904, please confirm that a 10 percent increase (decrease) in Registered Mail volume would cause a 0.904 ($0.0904 * 10$) percent increase (decrease) in costs. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed that the ratio of the percentage change in nominal Registered Mail volume-variable cost (VVC) to the percentage change in Registered mail volume between FY 2000 and FY 2004 is 0.0904. However, the calculation has several limitations. The change in measured costs may not solely reflect the change in volume, holding other things equal (as in the formulation of the elasticity, $\partial \ln C / \partial \ln V$). By using nominal (current dollar) costs, this calculation understates to some extent the degree with which Registered Mail VVC varies with volume, since the BY 2000 costs would be higher in constant BY 2004 dollars. Also, the calculation does not necessarily indicate the degree of volume variability in any specific cost pool or other cost component where Registered Mail costs may be incurred.
- b. Confirmed, given a cost elasticity with respect to volume of 0.0904 that is constant over a +/- 10 percent volume change.

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OCA/USPS-163. Please refer to the response to OCA/USPS-T10-2, redirected from witness Waterbury, where it states in part that “Registered Mail costs are fairly independent of volume.” Also, please refer to OCA/USPS-162(a), above.

- a. Where the cost elasticity of Registered Mail is 0.0904, please confirm that 9.04 percent of Registered Mail costs vary with volume, and 90.96 percent of such costs do not. If you do not confirm, please explain.
- b. Is a cost elasticity of 0.0904 consistent with the claim that “Registered Mail costs are fairly independent of volume?” Please explain.
- c. If “Registered Mail costs are fairly independent of volume,” why are such costs that are independent of volume treated as volume variable? Please explain.

RESPONSE:

- a. Not confirmed. The elasticity of volume-variable cost (VVC) with respect to volume, as in OCA/USPS-162(a) describes how Registered Mail VVC will vary on the margin with respect to changes in volume, as in OCA/USPS-162(b).
- b. “Fairly independent of volume” appears to be consistent with the term “inelastic”—i.e., a relationship between VVC and volume with less than unit elasticity. An elasticity of 0.0904 is inelastic.
- c. The existence of volume-variable costs only suggests that the cost elasticities with respect to volume are nonzero. Insofar as the response to OCA/USPS-T10-2 did not describe Registered Mail costs as “independent of volume,” which might imply zero elasticity, but rather in terms that suggest an inelastic VVC-volume relationship, there is no contradiction.

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OCA/USPS-164. Please provide any internal (or external) standards or benchmarks the Postal Service has established for the successful provision of Post Office Box service.

- a. State when each individual standard or benchmark was established.
- b. What is the internal system for establishing such standards or benchmarks?
- c. For each standard or benchmark provided, state the percentage of time Post Office Box service fails to meet, meets, or exceeds the standard or benchmark. Provide the figures underlying the calculation.
- d. If the Postal Service has not established standards or benchmarks, explain why not?
- e. If the Postal Service fails to measure the performance of its employees in providing Post Office Box service, then isn't it likely that Post Office Box holders will find that the service provided to them is unsatisfactory a high percentage of the time? Please explain any negative answer.
- f. Does the Postal Service have a target time by which mail should be in a Post Office Box holder's box?
 - i. If so, what is the time?
 - ii. If not, why not?
 - i. Is the target time a requirement or only a guideline? Please explain.
- g. Please provide response to parts a. – c., and f., for FY 2001, FY 2002, FY 2003, FY 2004, and FY 2005 to date.

RESPONSE:

PO Box Up Times are established at each office. The box clerk is supposed to have all box mail placed in all boxes by the Box Up Time.

- a. These box up times were first established about 10 years ago.
- b. Post office boxes receive EXFC mail. Such mail that is not delivered by the Box Up Time may be treated as delivered the following day for purposes of EXFC performance standards.
- c. Box mail is generally up by the PO Box Up Time 98 percent of the time.
- d-e. Not applicable
- f. Yes.

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- i. The Box Up Time varies by office. Generally, the time is between 9:00am and 12:00pm.
 - ii Not applicable
 - ii. Meeting the Box Up Time is treated as a requirement.
- g. The responses to these parts apply to FY 2001-2005.

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- OCA/USPS-165.** Please provide any internal (or external) standards or benchmarks the Postal Service has established for the successful provision of Merchandise Return Service.
- a. State when each individual standard or benchmark was established.
 - b. What is the internal system for establishing such standards or benchmarks?
 - c. For each standard or benchmark provided, state the percentage of time Merchandise Return service fails to meet, meets, or exceeds the standard or benchmark. Provide the figures underlying the calculation.
 - d. If the Postal Service has not established standards or benchmarks, explain why not?
 - e. Please provide response to parts a. – c., for FY 2001, FY 2002, FY 2003, FY 2004, and FY 2005 to date.

RESPONSE:

There is no separate standard for Merchandise Return Service. The applicable standard is based on the underlying class of mail.

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OCA/USPS-167. Please provide any internal (or external) standards or benchmarks the Postal Service has established for the successful provision of Registered Mail.

- a. State when each individual standard or benchmark was established.
- b. What is the internal system for establishing such standards or benchmarks?
- c. For each standard or benchmark provided, state the percentage of time Registered Mail fails to meet, meets, or exceeds the standard or benchmark. Provide the figures underlying the calculation.
- d. If the Postal Service has not established standards or benchmarks, explain why not?
- e. Isn't it true that if the Postal Service fails to establish standards and benchmarks, thereby failing to measure its level of successful performance, then a significant percentage of Registered Mail purchases will result in unsatisfactory service to customers? If this is not confirmed, then please explain.
- f. Please provide response to parts a. – c., for FY 2001, FY 2002, FY 2003, FY 2004, and FY 2005 to date.

RESPONSE:

a-c, f. There are no such benchmarks.

d. Standardized benchmarks are hard to establish and apply, since many variables may affect Registered Mail service.

e. Benchmarks are not the only method for getting employees to provide satisfactory customer service. Postal employee performance is routinely reviewed by their local managers. Moreover, establishing benchmarks for each special service would lead to so many benchmarks that their value would diminish, as employees would need to focus on a wide variety of directives, and monitoring of and messaging on benchmark performance would become unduly complicated.

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OCA/USPS-168. Please provide any internal (or external) standards or benchmarks the Postal Service has established for the successful provision of Return Receipt.

- a. State when each individual standard or benchmark was established.
- b. What is the internal system for establishing such standards or benchmarks?
- c. For each standard or benchmark provided, state the percentage of time Return Receipt fails to meet, meets, or exceeds the standard or benchmark. Provide the figures underlying the calculation.
- d. If the Postal Service has not established standards or benchmarks, explain why not?
- e. Isn't it true that if the Postal Service fails to establish standards and benchmarks, thereby failing to measure its level of successful performance, then a significant percentage of Return Receipt purchases will result in unsatisfactory service to customers? If this is not confirmed, then please explain.
- f. Please provide response to parts a. – c., for FY 2001, FY 2002, FY 2003, FY 2004, and FY 2005 to date.

RESPONSE:

- a-c, f. There are no such benchmarks.
- d. Standardized benchmarks are hard to establish and apply, since many variables may affect return receipt service.
- e. Benchmarks are not the only method for getting employees to provide satisfactory customer service. Postal employee performance is routinely reviewed by their local managers. Moreover, establishing benchmarks for each special service would lead to so many benchmarks that their value would diminish, as employees would need to focus on a wide variety of directives, and monitoring of and messaging on benchmark performance would become unduly complicated.

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OCA/USPS-169. Please provide any internal (or external) standards or benchmarks the Postal Service has established for the successful provision of Return Receipt for Merchandise.

- a. State when each individual standard or benchmark was established.
- b. What is the internal system for establishing such standards or benchmarks?
- c. For each standard or benchmark provided, state the percentage of time Return Receipt for Merchandise fails to meet, meets, or exceeds the standard or benchmark. Provide the figures underlying the calculation.
- d. If the Postal Service has not established standards or benchmarks, explain why not?
- e. Isn't it true that if the Postal Service fails to establish standards and benchmarks, thereby failing to measure its level of successful performance, then a significant percentage of Return Receipt for Merchandise purchases will result in unsatisfactory service to customers? If this is not confirmed, then please explain.
- f. Please provide response to parts a. – c., for FY 2001, FY 2002, FY 2003, FY 2004, and FY 2005 to date.

RESPONSE:

- a-c, f. There are no such benchmarks.
- d. Standardized benchmarks are hard to establish and apply, since many variables may affect return receipt for merchandise service.
- e. Benchmarks are not the only method for getting employees to provide satisfactory customer service. Postal employee performance is routinely reviewed by their local managers. Moreover, establishing benchmarks for each special service would lead to so many benchmarks that their value would diminish, as employees would need to focus on a wide variety of directives, and monitoring of and messaging on benchmark performance would become unduly complicated.

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OCA/USPS-170. Please provide any internal (or external) standards or benchmarks the Postal Service has established for the successful provision of Restricted Delivery.

- a. State when each individual standard or benchmark was established.
- b. What is the internal system for establishing such standards or benchmarks?
- c. For each standard or benchmark provided, state the percentage of time Restricted Delivery fails to meet, meets, or exceeds the standard or benchmark. Provide the figures underlying the calculation.
- d. If the Postal Service has not established standards or benchmarks, explain why not?
- e. Isn't it true that if the Postal Service fails to establish standards and benchmarks, thereby failing to measure its level of successful performance, then a significant percentage of Restricted Delivery purchases will result in unsatisfactory service to customers? If this is not confirmed, then please explain.
- f. Please provide response to parts a. – c., for FY 2001, FY 2002, FY 2003, FY 2004, and FY 2005 to date.

RESPONSE:

- a-c, f. There are no such benchmarks, because they have not been seen as necessary to meet customer needs.
- d. Standardized benchmarks are hard to establish and apply, since many variables may affect restricted delivery service.
- e. Benchmarks are not the only method for getting employees to provide satisfactory customer service. Postal employee performance is routinely reviewed by their local managers. Moreover, establishing benchmarks for each special service would lead to so many benchmarks that their value would diminish, as employees would need to focus on a wide variety of directives, and monitoring of and messaging on benchmark performance would become unduly complicated.

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OCA/USPS-173. Please list all classes, products, and services (including all special services) eligible for refunds of postage.

- a. State the circumstances under which the Postal Service will refund postage, by discrete class, product, and service.
- b. For circumstances under which the Postal Service will refund postage, do these include complete failures to provide the service purchased so long as the customer can provide proof of failure? Please explain any negative answer. (Answer this question separately for each discrete class, product, or service).
- c. E.g., if the Postal Service accepts an item for which Delivery Confirmation has been provided, but the acceptance scan is not reported, and a mailer claims the mailpiece was never delivered, will the Postal Service refund:
 - b. the Delivery Confirmation fee?
 - ii the postage for the underlying class of mail?
 - iii. Please explain any negative answers.

RESPONSE:

The Postal Service does not explicitly exclude the possibility of refunds for any class of mail or special service, if the customer can support a refund claim, except for the permit imprint fee, and the COD, Express Mail insurance, insured, and registered mail fees after the Postal Service accepts the article. DMM section 604.10.2.6. See DMM sections 604.10.2.1a and 604.10.2.4.

- a. See DMM section 604.10.2.
- b. Yes, complete refunds are provided for postage and/or fees for the classes of mail and special services so long as the customer can prove that the service was not performed. See DMM section 604.10.2.1a.
- c. If your use of the phrase "Delivery Confirmation has been provided" means a Delivery Confirmation delivery scan was provided absent an acceptance scan, then no fee refund or postage refund would be in order, as the special service paid for was performed and the mail piece was delivered.

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If your use of the term means neither a Delivery Confirmation delivery scan or acceptance scan was made, the customer would be entitled to a fee refund. Further, if the customer can prove no delivery of the mail piece, the customer would also be entitled to a postage refund. In this regard, the lack of a delivery scan does not necessarily mean that the mail piece was not delivered.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OCA**

OCA/USPS-174. Is it the policy of the Postal Service to provide at least one form of *free* delivery to every household and business in the U.S. if the recipient so desires? Please explain any negative answer.

RESPONSE:

The Postal Service provides one free form of delivery to households and business locations in the form of carrier delivery to approved receptacles for delivery of mail. Free post office box service is available to each household or business location for which the Postal Service declines to provide carrier delivery.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OCA**

OCA/USPS-175. Is it the policy of the Postal Service to provide delivery to every household and business in the U.S., at the location of the household or business (e.g., curbside box or cluster box) if the recipient so desires?

- a. If not, please list all circumstances under which delivery at the recipient's location will not be provided.
- b. If delivery is not provided at the recipient's location, say because of safety, zoning, or economic reasons, then will the Postal Service provide a *free* post office box (smallest size) to all such mail recipients at the nearest postal facility containing postal boxes? Please explain.
- c. If the Postal Service does not provide carrier delivery at the recipient's location, but does provide free post office boxes (smallest size) in lieu of carrier delivery, what will the Postal Service provide to the recipient if all of the smallest size post office boxes are in use?
- d. In instances in which carrier delivery is not provided to a recipient, will the Postal Service provide only general delivery, and deny to the recipient a free post office box even if boxes are available? Please explain the circumstances under which this will (or may) occur.

RESPONSE:

Postal Service policy generally calls for carrier delivery to approved delivery receptacles for all business locations and residences; however, if the Postal Service chooses not to provide carrier delivery, then a free post office box of the size needed to hold that potential delivery point's mail volume is available from the post office that serves the potential delivery point. (A larger box would be provided if one of a smaller size is not available.) While no list of all possible circumstances under which a free post office box is provided has ever been developed, common reasons include: 1) an isolated residence that together with other potential delivery points cannot meet the regulations for extending carrier routes; 2) roads that are inadequate to permit regular use by a carrier's vehicle; 3) a potential delivery point that is within ¼ mile of a rural post office and not on a carrier's line or travel; or 4) how postal services have historically been provided. Free post office box service was introduced in part to address perceived

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
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unevenness in how carrier service is provided in various places. Some municipalities also implement regulations that preclude the Postal Service from providing carrier delivery service, often for perceived social benefits. In situations like this, where the Postal Service has not decided to forgo the provision of carrier delivery, no free post office box service is provided. See DMM 508.4.6.2-3. This situation exists nearby in Garrett Park, Maryland.

As a practical matter, the Postal Service provides carrier delivery to potential delivery points, which would mean an improved lot on which a business or residence is located. The word "recipient" in your question is more broad, extending, for example to customers who refuse to provide the necessary identification to obtain a free post office box and to others who have no interest in receiving mail at a residence or business. General delivery may be an option for these customers.