



School of Public Policy

Study on Universal Postal Service and the Postal Monopoly

Appendix G

Section 1

Assessment of Public Needs and Expectations

General Public

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1 Summary

The attitudes and behavior of households as they relate to elements of universal postal service and mail monopolies can be used to inform future need for these services and policies. They can also validate assumptions about the scale and scope of the current levels of postal services.

Overall, the need for mail services among households is uneven. Many people use it rarely, while quite a few are frequent users. People increasingly use the Internet for postal services such as sending correspondence, conducting transactions, and ordering merchandise. But the increase and substitution of volumes away from the mail is not equally distributed – it is high in informal communication and drops when transactions are involved.

The post office is the center of many people's mail-related activities, and most households are close to their local post office, in both travel time and distance. Yet its importance is ranked rather low compared to five other retail and service outlets, and most people, 65%, would not pay for keeping a post office open that is slated to close.

Most people, 68%, wouldn't mind reducing the number of delivery days from six to five days a week. Even for bill delivery, this would inconvenience only 35% of households. Three-day delivery, however, would affect 33% of households a great deal; 38% would even pay more to keep six days.

The preference for keeping the current levels of volume and delivery frequency of advertising mail is low: 95% would be fine with having it delivered three days or less. 78% would put their name on a do-not-mail list that stopped most advertising.

The USPS quality of service ranks high in people's opinion and so does its exclusive right to access their mailboxes. Security of the mail is currently not a big concern. If competition were allowed, a plurality of people would expect service to get worse but rates to get lower. There is a considerable level of uncertainty though on the effects of allowing competition.

2 Introduction

To assess the needs and expectations of the general public and single piece mailers with regard to universal postal service and the letter and mailbox monopolies, we chose to conduct a nationwide household survey. The 111 million U.S. households send 21 billion single pieces of mail, and receive 151 billion pieces (most of which is standard mail), for a total of 79% of all domestic mail.¹

The survey was intended to provide an empirical perspective on attitudes towards universal service and the monopolies, and to complement the historical, legal, international, and economic analyses on these issues reported elsewhere in this study. The sample, questions, and categories were designed with this specific goal in mind. In particular, we included questions relating to geographical scope (e.g., travel time to nearest post office), range of products (e.g., classes of mail sent), access mode (e.g., where letters are mailed), delivery (e.g., inconvenience of a reduction in delivery frequency), quality of service (e.g., importance of reliability), user protection (e.g., establishment of a complaint mechanism), letter monopoly (e.g., impact of competition on postage rates), and mailbox monopoly (e.g., granting access to one's mailbox.)² In addition, we asked questions on possible alternatives to using postal services and the mailbox (e.g., email use and do-not-mail preferences), and on trade-offs between service levels and costs. Finally, many questions have volume component as well.

3 Methodology and Limitations

The household survey has been administered by phone to 791 randomly selected households in the U.S., for a standard 95% confidence level within a 3.5 confidence interval. Households were identified through two commonly used commercial sample databases. Households were called a maximum of 10 times between August 10 and October 10, 2008. The completion rate was 20% of people contacted, and the response rate was 11% of valid records.

¹ USPS (2007) The Household Diary Study. Mail Use and Attitudes 2007. Washington, DC: USPS; p.1

While the sample size of 791 is large enough to be representative of all 116 million households throughout the U.S., the records contained 21% rural addresses, which is the percentage of the population classified by the U.S. Census Bureau as rural.³ If there are statistically significant differences in rural versus urban respondents, they are noted.

4 Results

4.1 Socio-Economic Characteristics

Of the households surveyed, 20% were single households, and 35% were households with children under 18 years.⁴ 31% had an annual household income before taxes of less than \$40,000.⁵ 68% of the respondents were female. Households in all 50 states and DC were surveyed, in both urban and rural areas.

13% of households run some kind of business from home.⁶ 18% state they receive their daily newspaper through the mail.

73% of households surveyed have Internet access, 75% of which have a high-speed connection.⁷ Of those currently without access, however, only 13% plan to get it within

² These categories concur with the seven elements of a legal USO and the two monopolies identified in Appendix B, with the exception of uniform rates (no questions were asked on that element.)

³ The definition and unit of measurement for “rural population” is rather ambiguous. The Office of Management and Budget’s definition of metropolitan and nonmetropolitan populations and the Census Bureau’s definition of rural and urban do not identify the same populations as rural. Depending on how the categories are combined, the rural population can vary from 10% to 28%. See Hart, L. Gary, Eric H. Larson, and Denise M. Lishner. “Rural Definitions for Health Policy and Research.” *Am J Public Health*. 2005 July; 95(7): 1149–1155. It should be noted that the number of actual respondents from rural areas was only 9%.

⁴ According to the U.S. Census Bureau, of the 111 U.S. million households in 2006, 30.5 million householders lived alone (27%), and 35.0 million were households with children under 18 (32%) (American Community Survey, United States Selected Social Characteristics in the United States: 2006). The USPS HDS Diary Sample reports 16% single-person households.

⁵ 11% of respondents refused to answer this question, and another 10% refused to give a more specific answer than being over or under \$40,000. According to the U.S. Census Bureau, 40% of all households earn less than \$40,000 (Current Population Survey, 2008 Annual Social and Economic Supplement, Table HINC-06. Income Distribution to \$250,000 or More for Households: 2007).

⁶ According to the U.S. Census Bureau, 49% of businesses were home-based (2002 Survey of Business Owners (released 2006), Company Statistics Series). The USPS Household Diary Study includes a question on businesses operated from home, but the percentages are not publicly available. However, this result is consistent with findings from other marketing studies.

the next year, indicating that the adoption rate is leveling off and there will remain a core of non-adopters for some time, as predicted in technology dissemination studies. Rural households have similar access rates (slightly less than 70%) but a majority reports still using dial-up (42%).

4.2 Volume

56% send up to 10 pieces of mail per month, and 41% send more than 10 pieces. Unlike most normal distributions, the lowest and highest categories were relatively strong here i.e., 19% send less than 5 pieces, while 13% send more than 20 pieces. This indicates an uneven reliance on the mail across households – many people use it rarely, while quite a few are frequent users.

People increasingly use the Internet for postal services such as sending correspondence, conducting transactions, and ordering merchandise.

Of all households with Internet access, 86% have emailed correspondence items (email messages e-cards, or photos) in the last month. 31% have sent up to 10 items, and another 54% have sent more than 10 items. Of the same households, only 73% have used the postal service for similar correspondence. 63% have sent up to 10 items, and another 10% have sent more than 10 items. Clearly, the ease of sending emails compared to mailing letters explains the higher quantities of items emailed. The lower percentage of households who use the postal service versus those using their internet service, however, is a more qualitative indicator of propensity to use a certain medium when able to choose.

Internet transactions are still lagging the correspondence levels, with only 47% of online households paying bills electronically. Of those who do, about one-half have paid up to five bills, about one-third have paid between 6 and 10, and one-sixth have paid

⁷ These numbers are consistent with the USPS HDS Diary Sample, which reports 77% of households have Internet access, 71% of which have broadband. However, according to the U.S. Census Bureau, of the 118 million U.S. households in 2007, only 62% had Internet access, 82% of which was broadband. (Current Population Survey, October 2007). Note that the estimate of total households from this survey varies significantly from the number reported in the American Community Survey. Since the ACS does not cover Internet usage, and the CPS does not report single households, both sources had to be referenced here.

more than 10 bills. Interestingly, people seem more comfortable ordering merchandise over the Internet than paying bills: 61% have ordered items in the past month.

Of all households with Internet access, 84% still use the postal service at least for some of their bill payments, and 97% still receive bills through the mail. At the same time, 32% of households also receive electronic bills, at an average of 4 per month. It seems that incentives might increase that number: 40% of households would allow substituting paper bills with electronic bills if they received a discount of fifty cents (but only 24% of rural households feel the same). Of those who said no or don't know to fifty cents, 12% could be convinced if the discount was one dollar.

4.3 Access Mode

The preferred mode of sending mail is the post office (40% overall; just over 50% for rural), closely followed by the household mailbox (38%). Only 14% use collection boxes.

In 11% of households, someone rents a mailbox at a local post office, and 12% use other mailing services such as Mail Boxes Etc.

Most households are close to their local post office, in both travel time and distance. Half of the respondents said it takes 5 minutes or less to get there, and 80% need 10 minutes or less. 15% need between 15 and 20 minutes, and only 2% need 30 minutes or more. Similarly, half the respondents are 2 miles or less away from a post office, and 95% are 10 miles or less away. Only 3% are 15 miles or more away from a post office.

Compared to other travel times and distances, e.g. the average commute to most people's workplaces, post offices are very easy and convenient to reach for the vast majority of people.⁸ This may explain why a majority still uses the post office for mailing their letters (40%).

In fact, people visit their post office quite frequently: Over 50% report that a member of their household visited in the past week (over 60% for rural), another 25% visited

⁸ The average daily commute time was 24.3 minutes both ways in 2005, according to the U.S. Census Bureau's American Community Survey. See http://www.census.gov/Press-Release/www/releases/archives/american_community_survey_acs/004489.html

within the past month. For 12% of households, the last visit was longer than two months ago.

Aside from mailing letters, buying stamps is the most frequent reason to go to the post office with 23%, followed by mailing a package with 19%. It appears that only few people, 11%, have more than one reason for each visit. The post office is the also place where the vast majority of people buy their stamps. Only 15% buy them at a retail store, 3% order by mail, and 1% uses the Internet. This may explain why half the respondents would oppose closing the post office and replacing it with service at a nearby store.

The post office hours appear to be sufficient to about half of the population, while the other half would find it somewhat or very helpful to have the post office open an hour or two later than the current closing time.

While households visit their post office often, it does not rank very highly in importance.

When asked to rank the importance of having a grocery store, a pharmacy, a gas station, a bank, a public library, and a post office, a majority ranked the post office as fifth out of six on that list. Most people thought that the grocery store ranks first, and that the public library ranks last. Looking at how many people ranked the post office in the top three versus the bottom three, nearly two-thirds put it in the bottom three. This is a higher rate than for any other service except the public library. Pharmacies, gas stations, and banks were each picked by at least half of the respondents for their top three, while 86% chose the grocery store in the top three.

Table G1-1: Ranking of six retail service outlets (% of respondents)

Rank	Grocery	Gas Station	Pharmacy	Bank	Post Office	Library
1	56	13	12	13	6	3
2	19	25	20	21	11	5
3	11	20	18	24	20	7
4	8	16	17	20	27	11
5	4	16	19	13	27	18
6	2	10	13	8	9	55

Note: The total may not add to 100% because of rounding. The order in which the choices were listed in the survey was rotated.

Along the same lines, some 47% wouldn't care or even favor closing the local post office and replacing it with service at a grocery store (although that number drops to 34% for rural households.) And 65% would not be willing to pay a special fee in order to keep the local post office open, while only 8% would spend \$50 or more per year for that convenience.

4.4 Frequency of Delivery

The USPS generally delivers mail to households six days a week.⁹ However, a reduction in frequency has been discussed. So we asked how much people would be affected if delivery of all or certain items would not occur all six days.

Overall, more than two-thirds would not be affected very much or at all if the USPS delivered only five days a week. Only 13% feel it would affect them a great deal.

When asked about specific types of mail, the numbers are similar – for any given type, most households would not be inconvenienced. For bills a, delivery one day later than currently for would be inconvenient for 35% of households, followed by letters for 30%, statements for 25%, magazines for 23%, and only 8% were inconvenienced if advertisements arrived a day later. A majority of 65% would eliminate Saturday delivery, followed by Wednesday and Monday with about 10% each.

When asked about delivery every other day i.e., three-day a week delivery, a majority of 41% would not be affected much or at all. However, 33% would be affected a great

⁹ We did not ask how often mail was de facto delivered to the household.

deal, and that number increases for rural households to 42%. If people could choose to have the mail delivered only three days a week and pay the same postage as today, or keep six-day delivery but have to pay more postage, the choice is as follows: 50% would go to three days, 38% would pay more, and 9% are undecided.

When asked about advertising mail alone, which by most people's estimates amounts to more than half of their mail, only 5% think it is important to receive it six days per week. In fact, 29% think it should not be delivered at all, while another 65% would be fine with receiving it only one, two, or three days per week.

Finally, we asked whether people would find it fair if the USPS delivered less frequently to certain areas to save costs. It is more expensive to deliver mail to some areas of the country, such as rural or low-income areas, because they have much lower than average mail volume. In fact, the postal service loses money on the mail it delivers to these areas. Based on this information, 68% of urban households (which may or may not consider themselves poor) and 80% of rural households (which, too, may or may not consider themselves poor) decided this would be unfair.

4.5 Range of Products

While the majority of USPS products mailed by households are single piece first class mail, most households also use the USPS to mail parcels. 71% use the USPS exclusively, while 10% use UPS or FedEx, and 13% use both them and the USPS. The overall amount per household is rather low: 60% send fewer than 10 parcels, and 24% send between 10 and 20 parcels. 16% do not send any parcels in a given year. Respondents are split about the importance of USPS for shipping parcels: about the same number of people would find it very or somewhat difficult to use another shipper if the USPS stopped handling as would find it not very or not difficult at all.

We also asked about preferences for standard mail. If given the choice, 78% of respondents would put their name on a do-not-mail list that would stop most advertising mail from being delivered to their home. 68% would sign up for a list that allowed them

to choose which companies to receive advertising from, rather than not receiving any at all.¹⁰

4.6 Quality of Service

Most respondents have a high opinion of the quality of service provided by the USPS. 68% rate the speed of delivery as excellent or very good, while 20% deem it adequate, and only 3% think the speed is poor. Similarly high marks were reported for reliability. Interestingly, rural households have a significantly lower opinion of speed (only 51% excellent or very good) while the numbers for reliability are equally high. At the same time, two out of three people think that they should be able to complain to an independent organization when USPS does not live up to its own standards. It should be noted here that we did not ask about attitudes towards the *public* services that the USPS arguably performs, ranging from free mail for the blind to quasi-governmental functions such as passport applications to its general presence in communities since those fall outside the scope of the study.

4.7 Letter Monopoly

Rather than asking about the USPS letter monopoly directly, we asked what people thought about competition by other companies. On the question whether mail service would improve or get worse if the law was changed to allow other companies to compete in the delivery of mail, 31% thought it would improve, 48% thought it would get worse, while 20% were uncertain about the effect – the highest such percentage in all of the survey. On the question whether postage rates would be higher or lower if there was competition, 38% thought they would rise, 45% thought they would sink, and 16% were uncertain on this.

¹⁰ There currently exist a number of websites, e.g., <http://www.catalogchoice.org>, where households can opt not to receive mail from those companies that choose to participate. More comprehensive do-not-mail

Table G1-2: Opinions on service and rate development (% of respondents)

	Service	Rates
Increase	31	38
Decrease	48	45
Uncertain	20	16

4.8 Mailbox Monopoly¹¹

One-half of the households in the survey receive their mail through a mailbox at the curb or roadside. One-quarter has a mailbox attached to the home, and on in ten use cluster boxes. Less than 10% overall use a post office box, but 32% of rural respondents do. At present, most people are not very or not at all concerned about the security of their mail. However, 18% are very concerned that mail could be stolen out of their own mailbox even now.

Regarding the use of the mailbox by companies other than the postal service, respondents were overall not very supportive, but the support increased for specific companies and purposes. While 26% support the view that other companies should generally be allowed to put mail inside mailboxes, 35% would favor receiving bills directly from their utility companies, and 40% would want FedEx or UPS to be allowed to put packages inside their mailbox.

legislation has been introduced in several states, but so far none has been passed for a variety of reasons, including constitutional problems.

¹¹ The questions for this section were taken verbatim from a 1997 GAO Report (GAO/GGD-97-85). On mailboxes, the corresponding numbers were 42% curb, 25% house, 11% cluster, 8% post office (compared to 50% curb, 24% house, 11% cluster, and 8% post office in this survey.) On security, the corresponding numbers were 11% very concerned (compared to 18% in this survey). On other companies' access, the corresponding numbers were 58% pro FedEx/UPS, and 48% pro utilities (compared to 40% and 35%, respectively, in this survey).

5 Bibliography

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6 Technical Annex: Sample Description and Survey Questionnaire

Two commercially available databases were used to draw the sample records. The first was a Random Digit Dial file of all 50 states plus DC, containing 6,912 records. The second was a Household-Listed file with all 50 states plus DC, containing 3,000 records.