

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001**

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**DOUGLAS F. CARLSON
INTERROGATORY TO THE UNITED STATES POSTAL SERVICE
(DFC/USPS-118)**

July 29, 2000

Pursuant to Rules 25-27, I hereby submit this interrogatory to the United States Postal Service.

The instructions contained in my interrogatories to witness Mayo (DFC/USPS-1-9) are incorporated herein by reference.

Respectfully submitted,

Dated: July 29, 2000



DOUGLAS F. CARLSON

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the required participants of record in accordance with section 12 of the *Rules of Practice*.



DOUGLAS F. CARLSON

July 29, 2000
Emeryville, California

DFC/USPS-118. Please refer to Attachment 1 to DFC/USPS-118.

- a. Please confirm that the July 28, 2000, *New York Times* article reproduced in Attachment 1 to DFC/USPS-118 accurately describes delivery problems that the Postal Service has experienced with certified mail. If you do not confirm, please identify the specific portions of the article that do not accurately describe the delivery problems and provide corrected information.
- b. Please describe the function, operation, and purpose of the new computer system for tracking certified mail to which the article refers on page 1.
- c. Is the Postal Service aware of problems with delivery of certified mail in states other than Delaware, Illinois, California, New York, and Connecticut, the states identified in the article? If so, please describe the nature and scope of these problems.
- d. Please confirm that Postal Service's spokesman Mark Saunders' claim that "There is no national problem" is not accurate. If you do not confirm, please explain why the problems described in the article do not indicate a national problem.
- e. Please provide a copy of the June 23, 2000, letter from Danny Jackson, vice president of area operations for the Great Lakes Area, to Illinois tax officials describing the problem with delivery of certified mail.
- f. Please provide copies of any headquarters directives or memos describing the recent problem with delivery of certified mail.
- g. Please confirm that the Postal Service delivers approximately 870,000 pieces of certified mail daily and that deliveries generally peak at 1.3 million pieces per day in April. If you do not confirm, please explain. If you do confirm, please confirm that the spike in volume in April is attributable to tax filing.
- h. For how long have the recent problems been delaying delivery of certified mail, and when will the problem be resolved?

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July 28, 2000

Postal Service Gives 'Check's in the Mail' a Whole New Twist

By DAVID CAY JOHNSTON

In the annals of poor excuses, "the check is in the mail" has an exalted place. But it turns out that tens of thousands of taxpayers can rightly blame the Postal Service for delays of a month or more in delivering their payments to government offices around the country.

Local postmasters have acknowledged that a failure to assign enough workers to move the mail and problems installing a new computer system for tracking certified mail have led to pileups of those letters -- which include not just tax payments, but legal documents like foreclosure notices and court filings -- in postal warehouses from Manhattan to Los Angeles.

Yesterday, New York City finance department officials met with Postal Service executives to ask why \$75 million of tax payments sat in the Church Street post office in Manhattan from mid-June until mid-July. The city realized something was wrong early this month, when "people began to notice there was a lot of property tax money due and started asking where it was," said Dave Neustadt, the spokesman for Alan G. Hevesi, the city comptroller.



Richard Mei for The New York Times
Gene Gavin, Connecticut revenue chief, called mail delays 'systemic.'



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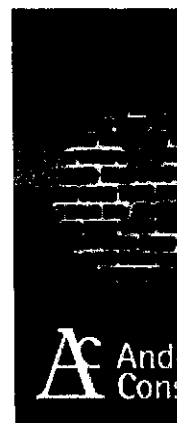
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Before the city discovered that the Postal Service was at fault, hundreds of city taxpayers were sent notices demanding penalties and interest for failing to make their June property tax payments on time.

"Correcting this will be an embarrassing and costly process," Andrew S. Eristoff, the city revenue commissioner, wrote to Pat Vacchiarelli, the Church Street postmaster, on July 14. The tax authorities in Connecticut discovered the problem in May, when they realized that regular first-class mail had arrived in the expected volumes, but that the number of certified letters delivered was much lower than in previous years.

Officials went to the West Hartford post office, where they were told that there was no undelivered mail. But then a postal official opened a door and shouted an exclamation at seeing thousands of certified letters on a floor, said Gene Gavin, the Connecticut revenue commissioner.

The letters, containing \$140 million in tax payments, were found days after the Legislature passed a budget and then adjourned. Only after grilling Mr. Gavin at a special hearing were Democratic legislators satisfied that the Republican administration had not purposely understated state tax revenues.

Problems with delivery of certified mail have also been reported in Delaware, Illinois and California. Because of the volume of tax payments that are sent by certified mail, some tax agencies track it closely, but "it is clear that this is a systemic problem affecting the Postal Service nationwide and not just a problem of tax payments," Mr. Gavin said. He estimated that the delivery delays cost Connecticut as much as \$300,000 in interest earnings.

Mark Saunders, a spokesman for the Postal Service in Washington, said yesterday that he was aware of problems in only two cities -- Hartford and Los Angeles -- and that the Postal Service thought the problems were limited to mid-April, when income tax payments are due.

"There is no national problem," Mr. Saunders said. As for other first-class mail, Postal Service standards call for certified letters to be delivered within three days -- sooner, for deliveries in the mailer's home city.

Local and regional postal executives across the country, in their communications with tax officials, have been more forthcoming. Danny Jackson, the Postal Service's vice president for operations in the Great Lakes region, wrote to Illinois tax officials on June 23 that the delays were caused by problems with a new electronic system for tracking certified mail.

Mr. Jackson said there was "a lack of available equipment for bar code scanning," compounded by the absence of a contingency plan to make up for the lack of scanning equipment.

The Postal Service issued a nationwide directive that on March 15, all old certified mail forms were to be destroyed and only new ones -- with scannable bar codes -- were to be used. But the software to scan the bar codes was not downloaded into post office computers until this week, said Julie Rios, a Postal Service information systems manager.

When they met with New York City tax officials yesterday, "the postal guys attempted to explain how from their point of view everything was working fine," said Mr. Eristoff, the city revenue commissioner. "And then we proved with their own documents -- manifests and date stamps and such -- that there is a problem at Church Street station."

By the end of the meeting, he said, "the postal officials were beginning to contemplate acknowledging a problem." Mr. Vacchiarelli, the Church Street postmaster, could not be reached for comment.

Informed by a reporter of the tax officials' concerns, Representative John M. McHugh, the New York Republican who is chairman of the postal subcommittee of the House Government Reform Committee, said yesterday that he would ask the Postal Service's inspector general to audit the certified mail system.

When the subcommittee was told about the new system earlier this year, he said, "we were given no indication from the Postal Service that a problem was likely to arise out of this change."

Taxpayers should not face penalties because of delays in delivering their payments, because deadlines are based on when a letter is postmarked, not when it is delivered, tax officials said.

About 870,000 pieces of certified mail are delivered each day; deliveries generally peak at 1.3 million pieces a day in late April, according to Mr. Saunders, the Postal Service spokesman. It costs \$1.40 to send a letter by certified mail, and \$1.25 more for a receipt documenting that the letter was delivered.

Mr. Saunders said it was too early to say whether the Postal Service would consider paying any expenses that New York City and other government agencies incurred because of late delivery of certified mail.

A related service, registered mail, has a much smaller volume. Used for shipping valuables like stock certificates and jewelry, registered mail is transported in locked containers. Tax officials, who do not

receive much registered mail, said they had no indication whether it was also affected by the delays.

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