

Before the
Postal Rate Commission
Washington, D.C. 20268-0001

Postal Rate and Fee Changes, 2001)

Docket No. R2001-1

REPORT OF THE CONSUMER ADVOCATE
ON QUALITY OF SERVICES
PROVIDED BY THE POSTAL SERVICE
TO THE PUBLIC

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I. PURPOSE OF THIS REPORT

From the beginning of this proceeding, the Office of the Consumer Advocate (OCA) made a determined effort to obtain information on the quality of services that the Postal Service provides to the public. It has consistently been the objective of the OCA to adduce information that covers a broad range of services used by the public (primarily individual and small business mailers) and investigate these matters as thoroughly as time and discovery would permit. At the outset, the purpose of developing and obtaining such information was threefold: (1) to see whether the Postal Service's proposed cost coverage levels appropriately reflected the quality of service associated with particular classes and services, (2) to perform an independent assessment of the contingency based upon OCA's analysis of whether the need for a particular level of contingency was truly "unforeseen" and "beyond the control" of the Postal Service, and (3) to bring to the attention of the Commission below-par provision of services widely used by the public and upon which, in many cases, the public is highly dependent.

After becoming a signatory of the Stipulation and Agreement in late December 2001, OCA abandoned any plans to challenge either the specific rates for services used by the public or to challenge Postal Service testimony on the contingency. OCA states emphatically that this report represents no challenge to the rates and classifications contained within the Stipulation and Agreement. OCA supports the Stipulation and Agreement without any reservations, exceptions or conditions. The third goal of the OCA, however, to focus attention on unacceptable service quality

remains.¹ It is the hope of the OCA that, by drawing attention to problems faced by the public in benefiting from postal services that have been purchased, these services may be improved. This report is not intended to be adversarial in nature. When the Postal Service offers high quality services to the public, everyone wins – the public does by receiving services that reflect the value of what has been paid and the Postal Service does, as well, by sustaining high Brand Equity and high Customer Equity. This may, in turn, ensure a high, dependable revenue stream that could lead to a reduced need for a contingency.

¹ The third goal – to draw attention to inadequate quality in the provision of services – is consistent with the mission statement of the OCA adopted by the Commission on July 12, 1999. It is the overarching mission of OCA “to be a vigorous, responsive, and effective advocate for reasonable and equitable treatment of the general public in proceedings before the [] Commission.” 39 C.F.R., Part 3002, Appendix A. In carrying out this mission, OCA must “[g]ive a strong and consistent voice to the views of consumers” and “[a]rgue for equity on behalf of individuals and small businesses, both as senders and as recipients of mail and mail services.”

During the past year, OCA had the opportunity to meet with a representative of the Consumer Council of Postal Services, an organization established by the United Kingdom’s Postal Services Act 2000, Chapter 26, Part I, section 2. See <http://www.legislation.hmso.gov.uk/acts/acts2000/00026—b.htm>. The Consumer Council took on the role of “consumer watchdog for postal services” and adopted the name “Postwatch.” Postwatch is independent of any control by the government of the U.K. and is independent of the Post Office, as well. See <http://www.postwatch.co.uk/whatwedotext.html>. One of Postwatch’s chief aims is to obtain the best possible service from post offices for customers. *Id.* The main constituency of Postwatch is consumers in businesses and homes. *Id.* Working closely with the U.K.’s regulator, Postcomm, Postwatch sets service standards for, e.g., delivery, queuing times in post offices, and compensation for lost and damaged mail. *Id.* Once having established these standards, Postwatch ensures that the Post Office meets the targets set for it. If the Post Office fails to meet established standards, it can be required, by Postcomm (as influenced by Postwatch) to make restitution to customers and to pay financial penalties. *Id.* Furthermore, if the Post Office does not resolve customer complaints satisfactorily, Postwatch may intervene on behalf of the complainant. *Id.*

With the support of the Postal Rate Commission, OCA has expanded its role and assumed some of the responsibilities that are performed by organizations such as Postwatch. OCA will strive to protect consumer (i.e., individual and small business) interests with respect to service, as well as rate and classification, issues.

There are two primary sources of information that are the basis for this report: (1) information obtained by OCA outreach efforts to the public and mailing tests performed on a limited scale, and (2) formal evidence provided by the Postal Service through the discovery process, largely at the request of OCA and intervenors Popkin and Carlson.

II. DEFICIENCIES IDENTIFIED IN THE PROVISION OF PARTICULAR SERVICES

A. Priority Mail

Priority Mail is one of the Postal Service's premier services in terms of price and promised delivery time. It is OCA's view that the Postal Service is not providing the priority service promised to a high enough percentage of the pieces handled. In addition, and more troubling, is that the Postal Service appears to be withholding information from consumers, leaving them unequipped to make an informed choice between First Class and Priority. Moreover, in OCA's investigation of the advertisements and information disseminated about Priority Mail, OCA has determined that the Postal Service is misleading the public about the quality of service it is likely to receive upon purchase of Priority Mail.

1. Recent history of Commission's treatment of Priority Mail

Beginning with its opinion in Docket No. R94-1, the Commission has expressed increasing concern with the service provided for Priority Mail. According to the Commission, prior to R94-1, "Priority Mail was considered to have a high value of service due to its expedited processing, transportation, and delivery."² In R94-1, however, Nashua/District Photo witness Haldi presented convincing evidence that the quality of delivery service had deteriorated since the preceding rate case, Docket No. R90-1. Witness Haldi demonstrated that Priority Mail failed to meet its service standards more often than Express Mail and First Class. This led to the Commission's recommendation of a reduced cost coverage for Priority Mail.³

² PRC Op. R94-1, para. 5117.

³ *Id.*

Again, in Docket No. R97-1, Nashua Photo/District Photo/Mystic Color Lab/Seattle Filmworks witness Haldi brought Priority Mail's comparative under-achievement to the Commission's attention. According to witness Haldi, Priority Mail performed worse than First Class in overnight, two-day, and three-day service areas.⁴ Due, in part, to "significant concerns regarding the intrinsic quality and value of Priority Mail service," the Commission recommended a cost coverage far below that proposed by the Postal Service (166 percent versus 192 percent).⁵

The level of service for Priority Mail did not show improvement when assessed again in Docket No. R2000-1. In fiscal years 1997-1999, a period for which data were evaluated in the Docket No. R2000-1 opinion, Priority Mail delivery times continued to trail that of First Class "by 5 percent or more in overnight, two-day and three-day delivery standard areas."⁶ Delivery within three days was not achieved for approximately eight or ten percent (depending on measurement instrument) of total Priority Mail volume.⁷ As a consequence, the Commission's concerns about the value of Priority Mail service did not abate.⁸

In its opinion in Docket No. R2000-1, the Commission added another element to its evaluation of Priority Mail – the principle of accurate advertising of the Priority Mail service. The Commission observed that the name "Priority Mail" connotes a superior service, and it is advertised as a two-to-three-day service. The three-day goal is often

⁴ PRC Op. R97-1, para. 5301.

⁵ *Id.*, paras 5297, 5306, and 5308.

⁶ PRC Op. R2000-1, para. 5294.

⁷ *Id.*, para. 5298.

⁸ *Id.* para. 5297.

not met, leading to ill-informed choices by consumers.⁹ The Commission strongly urged the Postal Service to present accurate advertising of Priority Mail and the tools to make possible a comparison between the service provided by the more costly Priority Mail and the lower cost First Class. The Postal Service was exhorted not to mislead consumers into purchasing a needlessly costly service when a lower cost service would suffice.¹⁰

2. Problems in the provision of Priority Mail service persist

There are several measures of Priority Mail delivery performance in the record of this proceeding. As may be seen in the next table, Priority Mail delivery times have steadily eroded since the last rate case, most dramatically in the 3-day service areas (from 76% on time in FY 1999 to only 67% on time in FY 2001, according to ODIS). Overnight and two-day service has also slipped, but not as much as for the three-day commitment.

First Class, by contrast, has actually improved its overnight on-time score between FY 1999 and FYs 2000 and 2001, going from 93% to 94%. First Class' two-day score has slipped slightly; and its three-day score has slipped by five percent.

More significant, however, is that First Class outperforms Priority Mail for every service standard area, whether Overnight, 2-day, or 3-day. This has been true for FYs 1999 – 2001.

⁹ *Id.*, para. 5303.

¹⁰ *Id.*, para. 5300-01.

Table 1**First-Class versus Priority Mail On-time Performance¹¹**

	First Class (EXFC)	Priority Mail (ODIS)	Priority Mail (PETE)
<u>FY 2001</u>			
Overnight Area	94%	82%	89%
2-day Area	85%	68%	75%
3-day Area	81%	67%	Not reported
<u>FY 2000</u>			
Overnight Area	94%	84%	90%
2-day Area	86%	72%	80%
3-day Area	84%	70%	Not reported
<u>FY 1999</u>			
Overnight Area	93%	85%	90%
2-day Area	87%	74%	79%
3-day Area	86%	76%	Not reported

Intervenor Carlson asked the Postal Service to provide the average number of days to deliver First Class and Priority Mail and received the following information:¹²

¹¹ Data source: Tr. 10A/2811 and 2814-2815 (responses of the Postal Service to DFC/USPS-5(a) and 6).

¹² Tr. 10A/2811-2815 (Postal Service responses to interrogatories DFC/USPS-5 and 6).

Table 2
First Class versus Priority Mail, Average Days to Deliver
FY 2001

<u>Service Area</u>	First Class, Single Piece (EXFC)	First Class, Single Piece (ODIS)	Priority Mail (PETE)	Priority Mail (ODIS)
Overnight	1.12 days	1.1 days	1.16 days	1.3 days
Two-day	2.07 days	2 days	2.26 days	2.5 days
Three-day	3.03 days	3 days	Not reported	3.4 days

Based upon data furnished by the Postal Service in response to interrogatory OCA/USPS-103 (Tr. 10B/3226-47), OCA calculates that the weighted average days to deliver First Class in FY2001 for a combination of all service standards was 1.74, while the weighted average for Priority Mail was 2.27, indicating a quality deficit of 30 percent.¹³

It is evident that by all measures, regardless of data collection system, First Class far outperforms Priority Mail. Priority Mail's inferior delivery times (compared to First Class) and serious failure to meet delivery standards overall leads to posing again in this proceeding the two major questions posed by the Commission in the last rate case: (1) Is the Postal Service giving consumers the information necessary to make a complete and accurate comparison of First-Class delivery performance with Priority Mail, and (2) Are advertisements of Priority Mail misleading consumers?

¹³

The underlying calculations are presented in Appendix A.

3. Limited mailing tests of First Class and Priority Mail demonstrate that First Class provides service equal to, and often better than, that obtained in Priority Mail

In order to test this hypothesis that First Class provides service equal to, or better than, Priority Mail, OCA performed limited mailing tests of Priority Mail and First Class pieces.¹⁴ OCA mailed a First-Class letter or First-Class flat (or both) and a Priority Mail piece from the same collection box or post office (also, a hotel lobby in one instance) at the same time for delivery to the same address. According to OCA's limited number of mailings, Priority Mail took 3.3 days for delivery, which was slightly better than the First Class delivery time of 3.4 days. For five test mailings, the First-Class and Priority Mail pieces arrived on the same day.¹⁵ In two instances, the Priority Mail piece arrived ahead of the First-Class piece, while in two other instances, the First-Class piece arrived first.¹⁶ To summarize, in OCA's small-scale test, First-Class letters and flats had an approximately equal record of speed as Priority Mail.

In the last rate case, Commissioner Goldway brought to the attention of the participants a study performed by a student in the Washington metropolitan area.¹⁷ The youth conducted a similar series of test mailings, which produced a similar result. He mailed 60 test pieces, 30 Priority Mail packages and 30 First-Class letters, from the same location at the same time for the same delivery address. He found that it took an

¹⁴ The test mail pieces have been filed as Library Reference OCA-LR-J-5.

¹⁵ The full set of results is presented in *Id.*

¹⁶ For one of the mailings involving both a First-Class letter and a First-Class flat, one of the First-Class pieces arrived before the Priority Mail piece and the second First-Class piece arrived after the Priority Mail piece. In another mailing, one First-Class piece arrived on the same day as the Priority Mail piece, while another arrived a day later.

¹⁷ Commissioner Goldway made this study a library reference in Docket No. R2000-1, i.e., LR PRC R2000-1/1, filed April 18, 2000.

average of 2.3 days to deliver First-Class Mail and slightly longer – 2.6 days – for Priority Mail.¹⁸ Seventeen of his mailings resulted in Priority Mail and First Class being delivered on the same day; six mailings reflected Priority Mail being delivered ahead of First-Class, while seven of the mailings had First Class delivered ahead of Priority Mail.

This student's test mailings demonstrate that, at least for the test-mailed pieces, consumers would have enjoyed equal or slightly better delivery times if they had chosen First Class over Priority Mail.

4. The Postal Service persists in failing to give consumers the tools and information necessary to compare Priority Mail with First Class

As the Commission pointed out in its Docket No. R2000-1 opinion, Priority Mail is a much costlier service than First Class. For lightweight pieces particularly, consumers can save a considerable amount of money and receive equal or better service if they choose First Class.

The Postal Service's 1-800-ASK-USPS Call Center. For questions on postal services offered throughout the nation, the Postal Service has a toll-free number (1-800-ASK-USPS) that connects the caller to the Postal Service's Call Center, a facility managed by the USPS Corporate Contact Management program, but staffed by contractors.¹⁹ It is not possible today to telephone a postal retail facility directly. Rather, all calls for information are routed to the Call Center.

¹⁸ This average was calculated from results reported in LR PRC R2000-1/1, as follows. There were 30 Priority Mail (PM) pieces. The total number of days to deliver the PM was 78 (19+28+31). The average number of days taken to deliver the PM was 2.6 (78/30) rounded. There were 30 First-Class Mail (FM) pieces. The total number of days to deliver the FM was 68 (20+24+24). The average number of days taken to deliver the FM was 2.3 (68/30) rounded. The data are found at unnumbered pages 6, 7 and 8.

¹⁹ See the Postal Service's response to OCA/USPS-306 (Tr. 10C/3559).

The Commission strongly recommended to the Postal Service that it provide to customers all of the information necessary to make an informed comparison between First Class and Priority Mail.²⁰ Without doubt, the 1-800 Call Center channel is the primary source of such information to the public. Consequently, one of OCA's early efforts in the rate case was to determine whether the Postal Service was providing detailed information to consumers on the particular First Class and Priority Mail service standards for specific ZIP Code pairs through its toll-free number. This would be essential to satisfy the Commission's recommendation. With accurate, detailed information, customers could avoid "purchasing a more expensive product that will not provide added service."²¹

The most direct approach was to make several telephone calls to the toll-free number to see if consumers would be given the information allowing them to make the comparison. Shelley Dreifuss of OCA phoned the toll-free number during the week of November 1, 2001. The conversation that took place with the Call Center agent is recounted in a declaration filed on December 17, 2001.²² Ms. Dreifuss called the toll-free number to ask how long it would take for delivery of a First-Class letter and a lightweight Priority Mail piece from Durham, NC (27705) to Burtonsville, MD (20866). During this conversation, the agent was willing to give Ms. Dreifuss the specific service standard for Priority Mail between 27705 and 20866 – two days, but would give no detailed information about First Class. The only information provided concerning First

²⁰ PRC Op. R2000-1, para. 5301.

²¹ *Id.*

Class was very general, i.e. that First Class takes between one and three days to be delivered. Furthermore, and possibly of greater concern, was that the agent pushed Priority Mail by stating that it travels on the same transportation as Express Mail. OCA views the latter statement as a high-pressure sales tactic. As will be explained below, the Postal Service's statement that Priority Mail travels on the same transportation network is deceptive and seemingly is made to pressure the caller into choosing Priority Mail.

In a declaration filed by OCA analyst Pamela Thompspon, she reported that she had planned a trip to Orlando, Florida, and intended to mail three separate one-ounce letters from Orlando to her home address in Chantilly, Virginia.²³ In connection with these mailings, she called "ASK-USPS" to gather information on the possible advantages of mailing a one-ounce letter via First-Class, Priority or Express Mail from Orlando, Florida (32830) to Chantilly, Virginia (20151). When she spoke with the "ASK-USPS" agent, she was told that the delivery standard for a letter going from Orlando (32830) to Chantilly (20151) mailed at the First-Class rate was one to three days; delivery time was not guaranteed and the cost was \$0.34. The same letter mailed at Priority Mail rates had a delivery standard of two to three days; delivery time was not

²² The Declaration of Shelley Dreifuss was attached to the Office of the Consumer Advocate's Motion to Compel Responses to Interrogatories OCA/USPS-231-233, 243, 245-47, and 239-42, 244, 248-53 (December 17, 2001) and errata to the motion filed on December 18, 2001.

²³ Ms. Thompson mailed three one-ounce letters at the same time in the same location. One sheet of paper was mailed in a USPS Priority Mail envelope and had a \$3.50 stamp affixed to it. Another sheet of paper was mailed in a 9 1/2 x 12 1/2 First-Class envelope and had First-Class postage plus additional postage for the non-standard surcharge. The third sheet of paper was mailed in a number 10 envelope with a First-Class postage stamp affixed to the envelope. Ms. Thompson found that the Priority Mail and the 9 1/2 x 12 1/2 First-Class envelopes arrived on the same day in Chantilly (20151). The number 10 envelope mailed at the First-Class rate arrived in Chantilly a day after the other two mailpieces. Ms. Thompson's declaration dated December 17, 2001, was attached to the Office of the Consumer Advocate Motion cited in full in the previous footnote.

guaranteed and the cost was \$3.50. Finally, the same letter mailed at the Express Mail rate could be mailed with either a next-day or second-day guaranteed delivery date; the cost was \$12.45. When Ms. Thompson asked the Call Center agent to identify the advantage of mailing something via Priority Mail (for an item that had a delivery standard of two to three days) versus sending it via First-Class Mail (for an item that had a delivery standard of one to three days), the agent told Ms. Thompson that the advantage of mailing a letter via Priority Mail was that Priority Mail was transported via the Express Mail network.

In another phone conversation with an “ASK-USPS” agent, Ms. Thompson asked how long it would take for a letter to go from Arlington, Virginia (22207) to Chantilly, Virginia (20151) if it were mailed via First-Class, Priority or Express Mail. A letter going from Arlington to Chantilly via First-Class (\$0.34) or Priority Mail (\$3.50) has a delivery standard of one day.²⁴ When Ms. Thompson asked the “Ask-USPS” agent why she would want to pay an extra \$3.15 for Priority versus First-Class mail service, the agent’s response was that Priority Mail was transported via the Express Mail network.

Most consumers know little about the Postal Service apart from the information provided by the Postal Service itself. The Postal Service’s toll-free number is a major source of information for the public. At the present time, it is difficult, if not impossible, to telephone an individual post office directly. It is reasonable to assume that the Call Center agents work from common scripts or common information available on a computer. It is hard to imagine that this information would not be standardized. Therefore, although OCA staff members made only three telephone calls to the Call

²⁴ The rate for the Express Mail guaranteed, one-day service is \$12.45.

Center, almost certainly the answers received should be the same or similar each time such a call is placed. It is clear that the Postal service is not merely withholding the information that the Commission explicitly asked the Service to provide, but is now embellishing the purported advantages of Priority Mail by telling the public that Priority Mail travels on the same transportation as Express Mail.

Information provided by window clerks in retail facilities. In her declaration, Shelley Dreifuss reports that in two visits to Postal Service facilities, clerks would not give the specific delivery times for First-Class Mail. One clerk would merely state that First Class takes between one and three days for delivery. In another facility, the clerk stated that all First-Class Mail takes three days for delivery, even if the destination address is across the street from the originating location (although the clerk conceded that it *might* take less than three days for delivery).

OCA Recommendation. As exhorted by the Commission in its last opinion, and as a matter of fundamental fairness, the Postal Service should not withhold information from the public allowing them to evaluate for themselves whether First Class or Priority Mail (often at a much higher price) will satisfy the customer's needs. *The specific service standards for every ZIP Code pair should be provided to every Call Center agent and every window clerk. Equally important, Postal Service managers should insist that this information, not only provided be when requested, but also volunteered whenever a customer seeks advice on which class of mail would meet the customer's needs.*

5. The Postal Service continues to give the public unrealistic expectations about the service likely to be provided by Priority Mail

With respect to the length of time that a Priority Mail customer can expect for delivery of the piece, the Postal Service has made limited attempts to improve the accuracy of the information disseminated. OCA personnel have observed that the advertising posters for Priority Mail displayed in retail facilities now condition the statement that Priority Mail is a 2-3 day service by adding the parenthetical statement, “on average.” That is an improvement over former unqualified statements.

Regrettably, the Postal Service has not been diligent enough in eradicating exaggerated claims. In several places on the Postal Service’s website, it states that “Priority Mail offers 2-day service to most domestic destinations.”²⁵ In the “Service Guides” area of the postal website, where a decision tree is set out for choosing the class of mail best suited to the customer’s needs, the claim for Priority Mail is “2 days to most destinations.” Misleading (arguably false) statements such as these do a great disservice to customers.

As was discussed above in section 4., the Postal Service Call Center agents “push” Priority Mail by informing callers that Priority Mail travels on the same transportation as Express Mail. Copies of advertisements furnished by the Postal Service in response to an OCA discovery request convey the same message, i.e., that there is equivalence in the transportation of Priority and Express Mail.²⁶ The chief informational content of these ads is:

²⁵ In the Domestic Rates and Fees area on the website, under “Priority Mail,” the customer is led to believe that Priority Mail is primarily a 2-day service. See <http://new.usps.com/cgi-bin/uspsbv/scripts/content.jsp?D=9743&B=-10856#priority>.

²⁶ Tr. 10B/3375-76 (interrogatory OCA/USPS-179). These ads are contained in Appendix B.

“Express Mail Service & Priority Mail Service:
fleets of planes [and] dedicated cargo space.”

While OCA readily concedes that airplanes and trucks are often involved in the transportation of both, it is deceptive to say that the transportation is the “same” or equivalent. It is OCA’s understanding that FedEx and commercial air transportation are used to carry Express Mail and Priority Mail long distances; it is also OCA’s understanding, however, that the scheduling of these trips clearly places Express Mail on earlier flights than Priority Mail. Postal Service witness Spatola testifies that Express Mail is transported ahead of Priority Mail on all FedEx flights. Express Mail travels on the night-turn network, while Priority Mail is placed on later flights, i.e., on the day-turn network. According to witness Spatola:²⁷

Night-turn volumes consist of express postal products. These include domestic Express Mail No other mail classifications are planned for the night turn.

* * * * *

[T]he day-turn will transport First-Class Mail and Priority Mail.

It is evident from a comparison of witness Spatola’s testimony and the Postal Service’s Call Center claims and Priority Mail advertising that the Postal Service is making not merely misleading statements about the transportation of Priority Mail, but false statements.

OCA’s visit to the Washington metropolitan area’s Capital HASP (Hub and Spoke) facility in Capitol Heights this summer revealed that Priority Mail and Express Mail are transported differently on surface transportation as well. A substantial amount

²⁷

USPS-T-20 at 8 and 10.

of Priority Mail moves through the HASP, but it was OCA's understanding that Express Mail did not move through the HASP. OCA personnel were informed about the East Coast surface transportation network, and the information provided indicated that the transportation of Priority Mail throughout most of the East Coast of the United States, from Ohio eastward to the Atlantic Coast, is effected by surface modes. This is borne out by witness Spatola's response to question 8 of Presiding Officer's Information Request No. 5.²⁸ Witness Spatola testified that a Priority Mail piece originating in Washington, D.C. and destinating in Bangor, ME would travel solely on surface transportation.

In order to effect overnight service for Express Mail it is obvious that a much greater usage of air transportation will take place for the "middle" distances than would take place for Priority Mail. To the extent that differences exist, Call Center agents mislead the public in stating that the transportation is the same.

Furthermore, during OCA staff members' tours of local postal facilities, staff members learned that to achieve Express Mail service standards, carriers are dispatched several times a day from Processing and Distribution Centers to deliver Express Mail since this service guarantees noon or 3 p.m. delivery. Additional measures taken by the Postal Service to accomplish noon/3 p.m. delivery are to have city and rural carriers deliver Express Mail pieces first on the route, before commencing the regular line of travel. Priority Mail, on the other hand, generally is delivered by the city or rural carrier in the regular line of travel, as part of the ordinary route.

²⁸ Tr. 11C/4499.

In addition, the Postal Service maintains separate mailstreams for the processing of Priority Mail and Express Mail, with Express Mail processed ahead of Priority Mail and all other classes and services. Most members of the public have no knowledge of how the transportation, processing, and delivery of Priority Mail and Express Mail is accomplished. To begin with, the statement that Priority Mail receives the same transportation as Express Mail is, in large part, a false one. When the other functions involved in the processing and delivery of these two services are added to the picture, it is clear that consumers are being pressured into buying a service that will not be as expedited as they are led to believe, and which, in fact, might very well be slower than the First-Class Mail alternative that they have been told may take “one to three days” to be delivered.

OCA Recommendation. OCA urges the Commission to recommend to the Postal Service that it cease making statements that express or imply that Priority and Express Mail are transported in the same way or equivalently.

6. Advertisement of Priority Mail and information given by Postal and Call Center personnel to the public on Priority Mail delivery times must reflect the ability of the Postal Service to provide promised service

In the Commission's opinion in Docket No. R2000-1, it cautioned the Postal Service not to mislead consumers and to review its advertising policies carefully.²⁹ With those principles in mind, OCA has endeavored to make a determination of what would constitute an accurate advertisement of Priority Mail. OCA is of the opinion that the statement that Priority Mail is a 2-3 day service (even when qualified with the phrase "on average") is deceptive. As shown in Table 1, in FY 2001, one third of the 3-day Priority Mail volume was not delivered by the end of the third day. This results in an average delivery time for 3-day Priority Mail of 3.4 days.³⁰ Misleading consumers about the time for delivery of Priority Mail is unfair in two important ways: (1) consumers may purchase a more expensive service when a less expensive service will do,³¹ and (2) consumers may be diverted from purchasing a service that matches their true need for speed of delivery.

OCA will share an anecdote to illustrate this point. A member of the OCA staff received a distraught telephone call last year from a mailer who had believed a window clerk's representation that Priority Mail is a 2-3 day product. The caller had actually allowed 2 extra days (5 altogether) for delivery of the mailpiece. This proved to be an insufficient allowance. The Priority Mail item was delivered more than 5 days later and, as a consequence, the caller had lost \$8000. While the caller did not specify how the

²⁹ PRC Op. R2000-1, para. 5301.

³⁰ According to ODIS data. Table 2 above.

loss was incurred, it is not difficult to speculate about possible situations where that might arise, such as failure to submit a timely bid for a job to be performed or failure for a sell order to be received on time, or conversely, failure for a buy order to be received on time.

To give another example, an OCA staff member ordered discount airplane tickets from one of the Internet travel brokers. The broker mailed the tickets from New Jersey to North Carolina, allowing 5 days for the trip. The tickets, sent via Priority Mail, were not delivered in 5 days and, in fact, were not delivered until the trip was long over. A lost ticket form had to be filled out at the airport, accompanied by a threat of charging a lost ticket fee (of \$100). If, in fact, the Priority Mail piece had been delivered in 3 days, or 5 days for that matter, the OCA staff member would not have had to undergo the inconvenience and expense of replacing lost tickets. Had the OCA staff member realized that Priority Mail might take far longer than 5 days to be delivered, the individual might have paid extra for Express Mail service and been spared the anxiety of not receiving airplane tickets in advance of a planned trip.

OCA has given serious thought to what a truthful representation of Priority Mail delivery times would be and has reached the conclusion that Priority Mail should be advertised as 2-5 day service. If the Postal Service wants to add a parenthetical phrase such as “2-3 days for most locations,” that would seem to be reasonable. OCA’s reasoning process follows.

OCA first needed to select a benchmark for determining what level of achievement might be the correct measure for marking the end of the Priority Mail

³¹ With respect to the timeliness feature of mail, as discussed above, First Class, which generally provides service equal to, or better than, Priority Mail, is a much better value.

delivery period. Characterizing Priority Mail as a 2-3 day service clearly deceives the public and may cause severe hardship. At the end of 3 days, the Postal Service has delivered only 88.6% of total Priority Mail.³² Even at the end of 4 days, only 94.6% of total Priority Mail has been delivered.³³ Finally, by the end of 5 days, 97.3% has been delivered.³⁴

OCA was also concerned about the expectations of mailers falling specifically within the 2- and 3-day service periods. By the end of the 5th day, 97% of 2-day Priority Mail has been delivered, but only 92% of 3-day Priority Mail has been delivered.³⁵

Most postal pundits would agree that the two entities that offer services most comparable to Priority Mail are FedEx and United Parcel Service (UPS).³⁶ Both carriers now offer 3-day expedited services, as well as ground services.³⁷ There is little

³² This percentage is computed as follows:
For FY 2001, total Priority Mail volume (as reported by ODIS), provided in response to interrogatory OCA/USPS-103 is 841,998,382 (i.e., = 161,938,794 + 644,775,458 + 35,284,130). Tr. 10B/3229. Total Priority Mail volume delivered by the end of the third day is 745,774,029 (i.e., = 157,872,580 + 564,103,276 + 23,798,173). *Id.*; and 745,774,029/841,998,382 = 88.6%.

³³ This percentage is computed by using the total Priority Mail volume figure calculated in the previous footnote and dividing by the total Priority Mail volume delivered by the end of the fourth day, i.e., 796,721,916 (i.e., = 159,615,030 + 607,606,572 + 29,500,314). *Id.*; 796,721,916/841,998,382 = 94.6%.

³⁴ This percentage is computed by using the total Priority Mail volume figure calculated in the previous footnote and dividing by the total Priority Mail volume delivered by the end of the fifth day, i.e., 819,578,975 (i.e., = 160,455,873 + 626,835,456 + 32,287,646). *Id.*; 819,578,975/841,998,382 = 97.3%.

³⁵ Tr. 10B/3229.

³⁶ For example, the American Customer Satisfaction Index (ASCI), discussed in section IV of this report, treats FedEx, UPS, and the Postal Service as close substitutes for one another in measuring consumer satisfaction in the transportation/communications/utility industry. See <http://www.theacsi.org/first_quarter.htm#par>.

³⁷ FedEx, for example, has 2-day and 3-day express services. See <http://jcapps.dmz.fedex.com/us/services/waystoship/domesticexpressservices.html?link=2>. United Parcel Service offers a 3-day Select service. See <http://www.ups.com/using/services/domestic/3ds-guide.html>. Information on FedEx's ground service may be accessed at <http://grd.fedex.com/cgi-bin/map2000.exe?func=viewmap>. Information on UPS' ground service is available at <http://www.ups.com/using/services/domestic/gnd-guide.html>.

information on the achievement of promised service times by FedEx and UPS. OCA is aware of only one source – an article contained in the December 1998 issue of *Consumer Reports*.³⁸ *Consumer Reports* tested and compared Next-day, 2-day, and ground services offered by FedEx, UPS, and the Postal Service. The postal services were uniformly inferior to their private counterparts, however, there is useful information in the article for benchmarking purposes.

FedEx, clearly a leader among the three organizations,³⁹ achieved a 97% level of success in both its overnight and 2-day services. United Parcel Service had a 94% on-time rate for its overnight service and a 90% on-time rate for its 2-day service.⁴⁰ Consequently, OCA views 90 – 97% as the logical boundaries for accurately represented Priority Mail service times.

OCA is of the opinion that it is important to look at Priority Mail's overall level of achievement and its specific 2- and 3-day performance. OCA settled on 5 days as the most realistic indicator of the type of service that may be obtained through Priority Mail. By the end of 5 days, 97.3% of total Priority Mail has been delivered. Ninety-seven percent of 2-day Priority Mail will have been delivered; and 92% of 3-day Priority Mail will have reached recipients. The 5-day cutoff falls within the 90 – 97% range.

³⁸ The article was attached to interrogatory OCA/USPS-60, filed on October 11, 2001. Figures cited appear on the last page of the article. See also Office of the Consumer Advocate Motion to Correct Transcript to Include Complete Copies of Designated Written Cross-Examination, filed March 1, 2002.

³⁹ Both the Consumer Reports test and the ASCI show FedEx ahead of UPS and the Postal Service in terms of achievement of promised performance and customer perception of quality.

⁴⁰ Far behind the competition, Express Mail was delivered on time for only 65% of the test pieces, and Priority Mail was on time for only 60% of the test pieces. It was noted in the article, however, that judged as a 3-day service, Priority Mail was delivered on time in 91% of the cases.

OCA recommendation. Advertise Priority Mail in the various print, broadcast, and Internet media as a 2-5 day service (with the parenthetical phrase that delivery will be made in 2-3 days for most locations). Toll-free Call Center agents and window clerks should be instructed to describe Priority Mail using precisely this language.

B. Certified Mail and Return Receipt

For more than a decade, the Commission has been concerned about the quality of return receipt service.⁴¹ In Docket No. R97-1, the Commission voiced concern that the bulk processing of return receipts by the Internal Revenue Service did not conform to procedures set forth in the Domestic Mail Manual (DMM).⁴² This failure to comply with the DMM might result in provision of service below customer expectations and indicates a below-par quality of service.⁴³ Troubled by the unreliability of return receipt service, the Commission rejected the Postal Service's request for a \$1.45 fee for non-merchandise return and a \$1.70 fee for return receipts for merchandise, instead recommending fees of \$1.25 (14% less than the Postal Service had proposed) and \$1.40 (18% less than the Postal Service's request), respectively.

In Docket No. R2000-1, the Certified Mail situation did not appear to improve. Indeed, the failures were of so serious a nature that the Commission recommended a fee of \$1.90,⁴⁴ (20 cents lower than the Postal Service's proposed fee of \$2.10). The \$1.90 fee covered the volume variable unit cost of \$1.68, but was less than the

⁴¹ PRC Op. R97-1, para. 5951, citing PRC Op. R90-1, para. 6576, n. 110.

⁴² PRC Op. R97-1, paras 5949-51.

⁴³ *Id.* at para. 5951.

⁴⁴ PRC Op. R2000-1, para. 6083.

incremental unit cost of \$2.00.⁴⁵ This unusual step was caused by the Commission's "concern for value of service" and mitigation of "the effect on the consumer."⁴⁶

One of the chief sources of information on the Certified Mail failures, and an important influence in the Commission's decision, was a report prepared by the U.S. Postal Inspection Service,⁴⁷ issued May 18, 1999.

The broad findings of the Inspection Service were that:

- Better internal controls were needed at Northeast Area Postal facilities delivering large volumes of certified mail to individual businesses and government agencies. (Tr. 14/5469).
- Customers were paying for services advertised, but not provided. (*Id.*)
- During peak tax seasons, the Postal Service failed to staff its facilities adequately, did not follow correct delivery procedures, and could not even determine who was responsible for the failures. (*Id.*)
- Purchasers of return receipts had to file duplicate request forms and experience long delays in receiving an answer, while customer complaints and inquiries to Consumer Affairs increased materially. (*Id.*)
- It was common for facilities to turn over certified letters without documenting their receipt and without recipient signatures. (*Id.*)
- Automation equipment was not effectively programmed to separate Certified Mail, likely allowing undocumented and unsigned Certified letters to be delivered directly into the hands of the recipient. (*Id.* at 5470).
- Return receipt forms were filled out when the recipients found it convenient, and the Postal Service took no steps to insure that return receipt cards were *ever* returned to Return receipt purchasers. (*Id.* at 5470 – 72).

⁴⁵ *Id.*, para. 6074.

⁴⁶ *Id.*, para. 6083.

⁴⁷ Special Services Case No. 040-1241887-PA(2), titled "Area Coordination Audit, Special Services." The portion of the Report addressing Certified Mail deficiencies (pages 18 – 23) were part of the evidentiary record in Docket No. R2000-1 (Tr. 14/5469 – 74).

- Mail that was delayed in the Certified Mail processing operation (averaging 2 –3 days in Middlesex, MA) was not reported delayed as required on the Daily Mail Condition Report. (*Id.*)

These unacceptable practices were widespread throughout the Northeast area.

Postal officials responsible for Delivery Policies and Programs agreed that the lapses in the Northeast were indicative of systemic problems throughout all areas of the United States. (*Id.* at 5463).

In interrogatory OCA/USPS-T36-1 (Docket No. R2001-1), OCA asked witness Mayo whether the problems identified in the Postal Inspection Service's Special Services Report had been corrected. She responded that "to the best of [her] knowledge," problems at the particular District offices that were studied by the Inspection Service had been corrected.⁴⁸ Resolution of the problems occurred after: (1) plants were instructed on the proper procedures for scanning mail-piece information into the computers; and (2) offices achieved the proper staffing levels prior to tax filing deadlines. Witness Mayo noted that the problem could still occur whenever the taggant detector on a barcode sorter does not detect and extract a Certified Mail piece from Delivery Point Sequence letter mail.

In response to OCA and Carlson inquiries about the current state of Certified Mail processing, the Postal Service filed Library Reference J-172, consisting of an Office of Inspector General Report summarizing the results of an audit requested by the Chairman of the Subcommittee on the Postal Service.⁴⁹ The Chairman of the Postal

⁴⁸ Tr. 8/1898-1900.

⁴⁹ Committee on Government Reform, House of Representatives. The full title of the OIG Report is "Office of Inspector General Audit Report Number AC-AR-01-001-Certified Mail Processing and Delivery Functions," issued March 9, 2001.

subcommittee had been spurred into action by various newspaper articles reporting that Certified Mail had been delayed by as much as 30 days in California, Connecticut, Delaware, Illinois, and New York. The fact that these delays were identified in California and Illinois, as well as in the Northeast, is further proof that the Certified Mail snafus are systemwide.

The findings of the Inspector General were not unlike those of the Postal Inspection Service's 1999 Report. The general findings made by the Inspector General were that:

- Certified mail delays at facilities investigated ranged from 2 to 38 days.
- Delays were due to inadequate planning, staffing, and supervision.
- Delays and failures go undetected because of the lack of a standard system to report Certified Mail.
- Certified Mail is processed, measured and reported inconsistently.
- There is too heavy a reliance on manual processing. Much of the electronic equipment and software is outdated.
- There was a suggestion that the Postal Service's Economic Value Added Pay Program for managers created a perverse incentive with respect to the handling of Certified Mail, i.e., managers are rewarded for staying within their budgets, and the deployment of additional employees working overtime hours during peak tax seasons could cause the managers to exceed their budgets.
- Government taxing authorities lost substantial interest income because of Certified Mail delays.
- Although the Mail Condition Reporting System and the Customer Service Daily Reporting System require the reporting of delayed Certified Mail, this requirement is often breached.
- During peak tax return periods, city, state, and federal taxing authorities often experience long delays in the delivery of Certified Mail.

After reviewing the OIG Report (LR J-172), OCA posed another interrogatory (OCA/USPS-236) inquiring about procedures instituted in particular regions of the

country to rectify the Certified Mail deficiencies. The Postal Service response consisted of letters and memoranda from Postal Service Vice-Presidents of Operations and Managers throughout the country to John Potter. On the whole, the reporting officials painted a picture of a fairly trouble-free Spring 2001 tax season. Below, the individual communications are summarized.

1. Allegheny Area (Vice-President, Operations), April 25, 2001; problems identified, steps taken to correct. Tr. 10C/3467.
2. Capital Metro (Manager, Operations), May 1, 2001; some backlogs noted, but additional scanners were deployed to correct. *Id.* at 3468.
3. Great Lakes Area (Vice-President, Operations), May 1, 2001; some Certified Mail pieces addressed to the Illinois Department of Revenue were being turned over without having the return receipt cards signed and detached. This practice was halted and correct procedures followed thereafter. *Id.* at 3469.
4. Mid-Atlantic Area (Vice-President, Operations), April 27, 2001; no problems identified. *Id.* at 3470.
5. Midwest Area (Vice-President, Operations), May 1, 2001; whatever problems were identified were corrected; reported no delays. *Id.* at 3471.
6. New York Metro Area (Manager, Operations Support), May 1, 2001; all Certified Mail delivered on time. *Id.* at 3472.
7. Northeast Area (Vice-President, Operations), April 27, 2001; every IRS and State Tax processing facility was monitored via on-site visits and daily contacts; all Delivery Units and Mail Processing Operations were required to report delays or problems through the Daily Mail Condition Report or Customer Service Daily

Reporting System; additional equipment and personnel were deployed; with one minor exception, all Certified Mail was delivered on time. *Id.* at 3473.

8. Southeast Area (Vice-President, Operations), May 2, 2001; there were difficulties in isolating Certified Mail which were overcome by going through each IRS tray by hand; a two-line address problem was uncovered. *Id.* at 3476.
9. Southwest Area (Manager, Operations Support), May 11, 2001; Certified Mail for IRS in Austin was delayed (for three days) on April 16, 17, and 18. *Id.* at 3477.
10. Western Area (Vice-President, Operations), April 27, 2001; only one insignificant delay reported. *Id.* at 3478.
11. Pacific Area (Vice-President, Operations), April 27, 2001; problems isolating Certified Mail at originating plants – especially flat mail volumes, as the FSM - 100 does not recognize certified flats; there was an initial shortage of scanners, but additional scanners were procured and scanners normally used to process Express Mail were reprogrammed to process the overflow. *Id.* at 3474-75.

In the instant docket, the Postal Service has described solutions it has devised to contend with the problem of separating Certified Mail from other mail during processing. Witness Kingsley testified that Certified Mail detector (CMD) hardware and software are currently used to separate those letter and card volumes with a “hot,” fluorescent, certified label into a separate stacker during Delivery Point Sortation, sector/segment, or automated incoming secondary processing.⁵⁰ This separation is performed so that delivery scans and signatures can be obtained when Certified Mail is delivered. In February 2002, an enhancement to CMDs is expected to hold out multiple stackers of

⁵⁰ USPS-T-39 at 8. See also, USPS witness Kingsley’s revised response to OCA/USPS-T36-12.

Certified Mail on all outgoing and incoming bar code sorter sort plans. OCA recommends that the Commission encourage the Postal Service to develop hardware and software CMD enhancements for flat sorting equipment as well.

Additionally, one solution to the problem of getting Return Receipts signed and returned was devised by creative Postal employees in Sacramento, California.

In response to an interrogatory from intervenor Popkin, the Postal Service explained that:⁵¹

Postal employees modified a Mark II facer canceller machine to stamp the name, date and toll-free number of a state representative on the PS Form 3811 for Return Receipts. This expedited method of return receipt stamping/signing made it possible to complete return receipts while the certified mail was still in the possession of the postal employee handing the mail to the state tax agency.

The OCA commends the creativity of Postal employees to improve the processing of tax returns and coordinate with state and federal authorities to deliver them in a timely manner. It would be beneficial if facer canceller machines could be modified in other facilities throughout the country to imprint information needed for the PS Form 3811 for Return Receipts.

Although the Postal Service has made advancements in its capability to identify and deliver promptly Certified Mail pieces, there does not appear to be a firm enough commitment to provide all of the services promised for the Return Receipt service.

Return Receipt mail is accountable mail; and the Postal Service charges patrons an additional fee for it. Intervenor Popkin asked the Postal Service about its ability to obtain a signature for a Return Receipted item by the addressee at the time of delivery.

⁵¹

USPS response to DBP/USPS-105.

Witness Mayo responded to the interrogatory, citing a response made by witness Plunkett in Docket No. R97-1. For Return Receipts, obtaining a signature at the time of delivery is an “objective” not a requirement.⁵² Further, witness Plunkett indicated that in some cases it was possible that the signature is generated after the mailpiece has been delivered.⁵³ For bulk delivery of Certified Mail, if the Postal Service turns over the Certified Mail pieces without first obtaining signatures, there is no guarantee that the sender will ever receive the Return Receipt card from the recipient.

This is certainly not the service that the Postal Service advertises for Return Receipt. Handbook PO-130, *Postal Products and Services*, for example, provides that: “Proof They Received It: Yes. You get a Return Receipt.”⁵⁴

In this docket, Mr. Popkin posed the following question:

Please advise why the Atlanta, Memphis, and Cincinnati Post Offices continue to process return receipts in a manner that does not meet the requirements of the DMM/POM.

The interrogatory was redirected by the Postal Service to witness Mayo for a response:⁵⁵

Their practices probably reflect difficulties in coordination with the IRS to handle high volumes at peak periods.

⁵² See the response of witness Mayo to DBP/USPS-113 (Tr. 8/1860-62).

⁵³ See Docket No. R2001-1, Witness Mayo’s response to DBP/USPS-25(a) and (b); Docket No. R2000-1, Tr. 14/5416 (Witness Mayo’s response to DBP/USPS-52(a-b)); and, Docket No. R97-1, Tr. 3/921 (Response of Postal Service witness Plunkett to interrogatories of David B. Popkin), DBP/USPS-32(a) and (b),

⁵⁴ The Handbook may be accessed on the Postal Service’s website at: <http://new.usps.com/cpim/ftp/hand/po130.pdf>

⁵⁵ Response of witness Mayo to interrogatory DBP/USPS-108 (Tr. 8/1888).

OCA is troubled by the lack of a firm commitment to provide fully the service paid for by the Return Receipt customer.

While the Postal Service has corrected some problems, others persist. Upon questioning by OCA about the irregular service in processing Return Receipts for high volume recipients, the Postal Service stated that problems had been corrected only “[t]o some extent.”⁵⁶ Further, the Postal Service admits that there are no programs currently in place to improve the percentage of Return Receipt mailpieces that are processed in accordance with the provisions of the DMM.⁵⁷ Therefore, until the Postal Service can comply with the provision of the DMM that Return Receipt supply a signature obtained at the time of delivery, the OCA recommends that the Postal Service give the public more realistic information about Return Receipt service – namely, that the customer *may* get proof of delivery, though there is no guarantee.

C. Insurance

One of the service problems uncovered in the instant proceeding is the unacceptable length of time for the Postal Service to process insurance claims. In response to an OCA interrogatory, witness Mayo stated that insurance claim processing takes 62 days.⁵⁸ By its own admission, 62 days is excessive. According to witness Mayo, it is established Postal Service policy to process insurance claims within 30 days, a length of time deemed reasonable.⁵⁹ The OCA recommends that the Postal Service

⁵⁶ Postal Service response to interrogatory OCA/USPS-237 (Tr. 10C/3506).

⁵⁷ Response of witness Mayo to DBP/USPS-104 (Tr. 8/1884).

⁵⁸ Response of witness Mayo to OCA/USPS-T36-55 (Tr. 8/2024).

⁵⁹ Response of witness Mayo to interrogatory OCA/USPS-T36-57 (Tr. 8/2026), citing Publication 122 at 6.

take steps immediately to improve insurance claim processing procedures and reduce the current 62-day wait to no more than 30 days.

OCA was contacted by two consumers during the pending proceeding to complain about treatment by the Postal Service in processing insurance claims. In one instance, a consumer mailed a box of used textbooks and insured the contents of the package. The package was lost. Upon application to the Postal Service for indemnification under the purchased insurance, the mailer was informed that she would not be reimbursed because she could not prove the value of the textbooks. Under section S010.2.6b of the Domestic Mail Manual (DMM), the “Customer’s own statement describing the lost or damaged article and including the date and place of purchase, the amount paid, and whether new or used,” can be evidence of value. In addition, “The statement must describe the article in enough detail to determine whether the value claimed is accurate.” Neither OCA nor the customer are able to understand why the customer’s statement of value was insufficient evidence to form the basis for indemnification. It is also troubling that the window clerk did not question the customer carefully to determine whether she had receipts or proof of the value of the books if it is Postal Service policy not to cover such items. The Postal Service should establish a firm policy to advise mailers, before they purchase insurance, whether they possess the type of documentation required for indemnification.

A related situation came to OCA’s attention through the intervention of Senator John McCain, on behalf of a constituent who was denied restitution for a damaged laptop computer. The correspondence forwarded by Senator McCain to the Commission is reproduced in Appendix C. Two mailers, Paul and Carrie Elsass, mailed

a laptop computer via Express Mail. According to the Elsasses, when they mailed the laptop it was in working order, but when it arrived at its destination, it was irreparably damaged.⁶⁰

The Postal Service first denied the claim on the ground that the Elsasses could not prove that the laptop was in working order when they mailed it.⁶¹ After the Elsasses furnished the requisite proof, the claim was denied on the alternative ground that the exterior packaging contained no evidence of damage.⁶² In basing the rejection of the claim on this ground, the Postal Service took the position that Section S010.2.14p of the Domestic Mail Manual absolves the Postal Service of liability when damage is caused by “shock or transportation environment without evidence of damage to the mailing container.”⁶³

After exhausting their appeals at the Postal Service, the Elsasses filed a claim in the U.S. District Court, District of Arizona.⁶⁴ In their complaint to the Court, the Elsasses argue that the Postal Service failed to apprise them of the numerous exceptions to liability that may apply. Even the postal clerk who assisted the Elsasses in the final packaging of the laptop did not know that it was Postal Service policy that the mailer has to prove to the window clerk that a mechanical or electronic device is in working order.⁶⁵ As a consequence, he was unable to caution them about relying on

⁶⁰ Appendix C at 6.

⁶¹ *Id.* at 7.

⁶² *Id.* at 16.

⁶³ *Id.* at 19.

⁶⁴ Complaint No. CIV 01-1103 PCT JAT, August 15, 2001.

⁶⁵ Appendix C at 21. (Letter of window clerk)

postal insurance to cover their potential loss. The Postal Service effectively charged the Elsasses with knowledge of all the rules, regulations, and exceptions in the DMM applicable to insurance.

After examining at the long list of exemptions from liability in the cited DMM section S010.2.14, it is difficult to believe that the Postal Service pays many of the claims submitted to it. This is particularly true in the case of the Elsasses, since the postal clerk who waited on them assisted them with the final packaging.⁶⁶ If the packaging was insufficient to withstand “shock” or the “transportation environment,” why didn’t he inform them of this risk?

It is also unfair that in describing the extent of coverage for insured items, the insurance form merely contains a reference to “postal regulations in the . . . DMM,” without listing the many requirements for evidence of value and exemptions from liability that apply when a claim is filed.

OCA Recommendation. Whenever a customer is contemplating the purchase of insurance, a complete set of requirements, conditions, and exemptions should be furnished by the window clerk. These should not be in the form of DMM regulations, but should be written in simple, comprehensible language. In addition, the clerks should be better trained to warn customers of the many pitfalls that will be encountered once a claim is filed so that customers may either forego the purchase of insurance as not comprehensive enough to be of value or so that the customer may choose another carrier.

⁶⁶ *Id.* at 6.

III. MAJOR AREAS OF CUSTOMER DISSATISFACTION AND OCA-RECOMMENDED REMEDIES

A. Long Waits in Post Offices

One of the chief sources of dissatisfaction with the Postal Service is long waits and long lines at post offices. In library reference USPS-LR-J-139, containing reports from the Consumer Affairs Tracking System, 3641 complaints about waiting time in post offices were listed.⁶⁷ For FY 2001, the number of complaints had grown to 8818.⁶⁸

OCA's alternative sources of data on customer satisfaction confirm this result. In the customer satisfaction surveys performed by the Center for Customer Driven Quality, Purdue University, the chief complaint was long lines. It outnumbered the next highest source of dissatisfaction by a factor of 3 to 1.⁶⁹ Dr. Feinberg, Director of the Center, observes that open-ended questions, that give respondents an opportunity to express what is uppermost in their minds, are among the most important types of information.

The surveys performed by students in the "Business Decisions Under Uncertainty" class at the University of Southern California corroborate this result, i.e., most respondents strongly agreed that there were fewer than adequate postal clerks in post offices.⁷⁰

Focus group participants echoed these views. It was a comment made by several individuals at all focus group sessions.⁷¹

⁶⁷ "Consumer Affairs Tracking System Data for Complaints from Consumer Service Cards for FY 2000, (Q III and IV), and FY 2001." 3620 + 9 + 8 + 4 = 3641. FY 2000 section at 3.

⁶⁸ 8564 + 241 + 8 + 5 = 8818. *Id.*, FY2001 section at 4.

⁶⁹ OCA-LR-J-3, survey of 2036 consumer professionals, Part 2, Open-ended questions.

⁷⁰ OCA-LR-J-2 at 14.

⁷¹ OCA-LR-J-4, *inter alia*.

OCA Recommendation. The most direct action that the Postal Service may take, of course, is to increase the number of clerks at retail facilities. Other, less costly remedies, may be implemented, as well. First, the Postal Service should improve the purchase of products at vending machines. Vending machines are the ideal alternative to waiting on line to purchase stamps. The Postal Service should exercise more diligence in maintaining the vending machines (problems with vending machines is another major source of complaints as reported in the Consumer Affairs Tracking System).⁷²

Enhancing the convenience of using vending machines is an important element in re-directing traffic from retail counters to self-service devices. In the Purdue surveys, most respondents favored credit card payment options at vending machines.⁷³ Likewise, the University of Southern California reported that approximately half of the respondents agreed that they would likely used credit cards at vending machines if that payment option were available.⁷⁴ Respondents in the 20-34-year-old age group very strongly favored the idea of using credit cards at vending machines.⁷⁵ It is apparent that satisfaction with the Postal Service's retail of products would be greatly increased by adding a credit card payment feature to all postal vending machines.

⁷² USPS-LR-J-139, FY 2000 Section at 4 (13,714 complaints about stamp machines were reported). In FY 2001, consumers lodged 9207 complaints about stamp machines. FY 2001 section at 5.

⁷³ OCA-LR-J-3 at 5: 60% of respondents to a survey of consumer contact managers expressed strong preference for this payment option.

⁷⁴ OCA-LR-J-2 at 15.

⁷⁵ OCA-LR-J-2 at 101.

In response to an OCA interrogatory,⁷⁶ the Postal Service stated that it is testing debit/credit options at vending machines and may present a Decision Analysis Report (DAR) to the Board of Governors in the middle of 2002. If the expenditure is approved, vending machines with this capability could be deployed in the first half of 2003. In light of the strong support evidenced in the university surveys, OCA urges the Postal Service to act affirmatively on the DAR.

Another convenience that should be deployed more extensively is the sale of coils of stamps in vending machines. Many customers prefer to purchase stamps in coils and are forced to wait in line at most facilities to do so. OCA asked the Postal Service about the availability of coils of stamps in vending machines.⁷⁷ The response was that, out of 31,000 vending machines in use in the United States, only 5000 sell coils of stamps. According to the Postal Service, “local demand determines if coils will be sold in those machines capable of dispensing them.” Given the large expense of having postal clerks sell coils of stamps, it seems logical to assume that over the long term, the Postal Service would save money by vending coils of stamps in machines. Equally important, lines of customers waiting to be served could be shortened by shifting traffic to the vending machines. It cannot be gainsaid that this is a change that should be made as expeditiously as possible.

One member of the OCA staff visited postal retail facilities throughout the country to see how prevalent the long wait/long line problem is. In some locations, the staff member observed retail offices that availed themselves of the most up-to-date

⁷⁶ OCA/USPS-75 (Tr. 10B/3176).

⁷⁷ *Id.* and OCA/USPS-177 (Tr. 10B/3370).

methods for reducing lines. Of all the facilities visited, the retail post office just outside Postal Service headquarters at L'Enfant Plaza made the most favorable impression.

The L'Enfant Plaza office uses a number system to prevent customers from lining up in front of the counter. (This is illustrated in photo two in Appendix D). With a number system, customers can move freely about the facility. In doing so, they may browse through the product sales area and may make an impulse purchase; but more importantly, they can use this time to read and fill out forms and paperwork, finish addressing mail items, apply stamps, finish wrapping packages, and read informational materials about services they are interested in purchasing.⁷⁸ The benefits to the Postal Service are unmistakable – if customers take their turn at the counter fully informed (because they have read available informational materials) and fully prepared (all forms filled out, etc.), far less clerk time is consumed in the transaction. Window clerk time is costly. Minimizing the amount of time a clerk needs to spend with each customer generates important savings for the Postal Service.

The number system, of course creates a more relaxed, informal atmosphere, reducing customer dissatisfaction with the visit. Another distinction of the L'Enfant post office is its full array of self-service devices.⁷⁹ These are well-marked and easy to spot. Instructions are displayed prominently in large, bold letters on each device.⁸⁰

⁷⁸ The L'Enfant Plaza office has a changing video display that cycles information about postal products and services. Appendix D, photo three.

⁷⁹ *Id.*, photo five.

⁸⁰ *Id.*, photo six.

The L'Enfant post office has been well laid out. Upon entering the facility, a customer has a full view of all areas.⁸¹ This permits a quick decision on where to proceed first, also cutting down on customer frustration.

B. Present Information to the Public to Improve Understanding about Postal Services

One of the outcomes of the OCA's outreach efforts was a dawning awareness that consumers know very little about postal services and are very confused about the differences among them. OCA learned from its communications with all focus groups and its review of the university survey results that consumers are ill informed about what features are included with particular services.

In the morning session of the December 4, 2001, focus group, a participant commented that the "semantics" between First Class and Priority Mail is confusing. He wondered which service is given preference.⁸² In the afternoon session of the December 4, 2001, focus group, participants commented that Priority Mail was a "bai[t] and switch;" there is overlap of Priority and First Class; delivery times need to be clarified; it is not clear what happens with Priority Mail; it is not clear what you get for your money with Priority Mail.⁸³ Other participants commented that there is no clear value for Priority Mail like there is for Express Mail and that it is unclear how Priority Mail differs from other classes of mail.⁸⁴

⁸¹ *Id.*, photo four.

⁸² OCA-LR-J-4 at 13.

⁸³ *Id.* at 27.

⁸⁴ *Id.* at 33.

In one of the surveys administered by the Center for Customer Driven Quality at Purdue, an open-ended question was posed to consumer professionals, “What is priority mail?” Dr. Feinberg, the Center’s Director, observed that most of the respondents did not know what priority service is. Only 31% percent were able to describe it correctly.⁸⁵ The authors of the report aggregating the University of Southern California responses surmise that there is a significant level of unfamiliarity with Priority Mail, Express Mail, Certified Mail, and Delivery Confirmation.⁸⁶

There are a number of misconceptions about postal services as well. Some focus group participants said that the Postal Service fails to dispel the belief that Priority Mail is guaranteed and gives the impression that it “will be there” in 2-3 days.⁸⁷ A participant in the afternoon session of the December 4, 2001, focus group said that the “value proposition” for Priority Mail is “irritating.” He wondered whether Priority Mail was really worth more than First Class and even harbored a suspicion that it was slower than First Class.⁸⁸ Respondents to the open-ended question in the Purdue survey answered that:

- Priority Mail is a next-day delivery service
- it is an overnight service, like FedEx
- it is mail service that gets special handling like guaranteed overnight
- guaranteed delivery in 3 – 5 business days

⁸⁵ *Id.* at 27.

⁸⁶ OCA-LR-J-2 at 11.

⁸⁷ Focus group leader summary. *Id.* at 17.

⁸⁸ *Id.* at 22.

- guaranteed delivery with a certain window of time
- it requires a signature
- a.m. delivery
- delivery by a specific date.

OCA's recommendation. The Postal Service should design a chart to be prominently displayed at all retail facilities and mailed to each home and business as an enclosure in the Postal Service's periodic mailings. The chart should also be prominently displayed on the home page of the Postal Service's website. OCA has provided an exemplar for such a chart in Appendix E.

C. The Two-line Address to IRS Service Centers Can Cause Looping

In the present docket, the following problem became apparent:⁸⁹

The IRS's uses two-line addressing. The AFSM 100 platform requires the machine to look for a three-line address. When the AFSM 100 is unable to locate a three-line address, it scans the entire mailpiece, often finding the return address which satisfies the three-line requirement, sorts the mailpiece to the return address creating loop mail.

In response to OCA/USPS-312, the Postal Service indicated that "postal operations staff met with IRS officials to request that they add another line to the IRS address format."⁹⁰ Thus far, the IRS officials have declined to change the address format. In consequence, to prevent misdirected IRS mail, the Postal Service plant managers must implement exceptional processing procedures to capture the IRS flat mail.

⁸⁹ Response of the Postal Service to OCA/USPS-236, Attachment at page 10. (Tr. 10C/3476).

⁹⁰ Tr. 10C/3568-69.

With the hope that this problem could be remedied by a change in IRS printed materials (reissuing materials disseminated to taxpayers to include a three-line, rather than a two-line, address), OCA contacted Mr. Henry Lamar, Deputy National Taxpayer Advocate and the IRS's Office of the Governmental Liaison. Mr. Lamar took immediate action and assigned an analyst from the IRS's Wage and Investment Division of the Customer Assistance Relationships and Education Department to investigate the address issue. The IRS analyst is currently working with a Postal Service National Account representative (IRS account) on the issue.

OCA telephoned the IRS analyst as this Report was being prepared so as to be able to relate the latest developments in resolving this problem. The IRS analyst informed OCA that he has asked the Postal Service for detailed information on how widespread the two-line problem is and whether returns to the IRS might be delayed because of it. The analyst expressed some reluctance to change from a two-line to a three-line address on a voluntary basis. The analyst stated that two-line addresses are not unique to the IRS and he wondered whether other entities would be asked to add a third line to their addresses. He added that if the Postal Service manages the problem with new regulations requiring mail recipients to utilize three-line addresses, then, of course, IRS would comply. At this time, further meetings are scheduled between the Postal Service and IRS.

IV. CONSUMER PERCEPTIONS OF POSTAL SERVICE PERFORMANCE

Throughout the current proceeding, OCA has endeavored to develop or obtain data on customer assessments of the quality of services provided by the Postal Service. To a large degree, the original intent was to determine whether the cost coverages proposed by the Postal Service for particular classes and services adequately accounted for the “value of the mail service actually provided each class or type of mail” with respect to both the sender and the recipient. This, of course, is criterion two of the pricing factors⁹¹ employed by the Commission in establishing the proper rate levels for each class and service. Customer perceptions of the quality of service they receive from the Postal Service are a good indicator of value to them as purchasers and recipients. As stated in the “Purpose” section of this report, however, OCA does not challenge either the rates contained in the Stipulation and Agreement nor the cost coverages underlying them.

Customer perceptions of quality and value offered by the Postal Service as an enterprise are also valuable indicators of the Postal Service’s Brand Equity and Customer Equity. Brand Equity and Customer Equity, as discussed below, will have profound implications for the Postal Service’s ability to survive as a breakeven provider of postal services.

A. Introduction and Summary

Concerns about the Postal Service’s declining volumes and increasing costs are voiced with increasing frequency in the trade press and newspapers. These concerns

⁹¹ 39 U.S.C. §3622(b)(2).

include lower than expected revenues in FY01,⁹² increased use of the Internet,⁹³ the need to take measures to protect the safety of the mail, the effect of increased rates on the economic viability of some types of mail, and the possibility of mail diversion to competitors.⁹⁴ Singly, or in combination, such phenomena could lead to scenarios of increasingly impaired postal finances.

An analysis of customer perceptions about the quality and reliability of service, suitability of products, and satisfaction can provide insight into the potential for further significant and rapid changes in product demand beyond those already projected by the Postal Service. Trends in market share are of crucial importance to a business: market share is correlated with operating performance. In the event that a company is losing market share, a marketing analysis would suggest that prices are too high,⁹⁵ or that customer expectations are not being met. Accordingly, information on customer perceptions provides unique insight into potential changes in customer demand, possible volume and revenue forecast risks not already considered, and ultimately some insight into revenues, costs, and market risks. Adverse customer perceptions could be the “unknown unknown” that causes a major deviation from expected revenues as competition increases.

⁹² “Work-Hour Reductions Lead Efforts to Control Costs, While Revenues, Mail Volumes Decline,” United States Postal Service, Release No. 3, January 8, 2002.

⁹³ Direct Testimony of Peter Bernstein, USPS-T-10, Docket No. R2001-1.

⁹⁴ USPS-LR-J-163/R2001-1. As discussed in the Library Reference, “Concepts for Postal Transformation,” USPS, September 30, 2001 the Postal Service faces intense direct competition. Further comments on competition may be found in OCA/USPS-T6-37 and OCA/USPS-T6-43.

⁹⁵ Supply and demand set the equilibrium price that can be attained. A company facing a market price that does not permit profitable operations is faced with several options: cut costs, or change production levels.

Brand Equity is the value of the reputation that a brand or company enjoys. Brand Equity can be measured as the discounted value of future sales of the brand. McKinsey has found that in both consumer and business-to-business markets, brand is a key factor behind the decision to purchase. Based on the analysis of 27 case studies covering 5,000 interviews, on average, the brand was responsible for 18 percent of the total purchase decision.⁹⁶ By driving market share, Brand Equity drives profitability. The Postal Service appears to enjoy a significant level of Brand Equity. However, Brand Equity is only one part of the marketing challenge. Customer Equity, the value of the future business brought by the customer, is based on Brand Equity (consumer acceptance of the product) as well as customer relationships and customer perceptions of value.

The Postal Service is facing a variety of marketing challenges for the retention and acquisition of business. Market share has declined for some products and is relatively low for other products. There is the likelihood on a longer-run basis that mail is being diverted to other carriers based on cost or customer service issues. In FY2001, the Postal Service operated at a deficit: revenues were below projections. The Postal Service appears to have significant Brand Equity but possibly relatively low Customer Equity.

In an effort to gauge customer satisfaction, personnel from the Office of the Consumer Advocate (OCA) performed a literature search, conducted three focus groups, and reviewed customer satisfaction surveys conducted at the University of Southern California and Purdue University. (Data collected by the Postal Service in

⁹⁶ "Uncovering the value of brands," by David Court, Anthony Freeling, Mark Leiter, and Andrew J. Parson, *The McKinsey Quarterly*, 1996 Number 4, pp. 176-178.

various Customer Surveys were also reviewed by OCA, but comments on these data are made separately in a sealed OCA report, given the Presiding Officer's determination that such results might put the Postal Service at a competitive disadvantage if they were released publicly).⁹⁷

Publicly available survey information discussed in this Report is available in Library References, i.e., OCA-LR-J-4 (the focus Groups), OCA-LR-J-2 (the University of Southern California Survey), and OCA-LR-J-3 (the Purdue University Survey). Organizations can measure the level of service through surveys on various aspects of product and service quality, performance, value, satisfaction, etc. Such surveys would typically be benchmarked against the results for other companies with similar functions, markets, and risks. To a significant degree, one would expect customer satisfaction to correlate with overall marketing success and corporate profitability. The American Customer Satisfaction Index (ACSI), as discussed below, substantiates this conclusion.

B. Customer Satisfaction and Equity

Professor Roland Rust advocates the analysis of Customer Equity rather than Brand Equity, which measures the profitability of a specific product.⁹⁸ Brand Equity is focused on the product, with essentially no measure of whether the brand assists in the marketing of other products. In contrast, Customer Equity measures the ability of the firm to leverage its current position into new markets, products, and opportunities. A company's Customer Equity is the discounted value of a company's customers – i.e.,

⁹⁷ POR R2001-1/17, "Presiding Officer's Ruling Directing the Production of Data Subject to Protective Conditions," issued December 7, 2001 at 13.

⁹⁸ Roland T. Rust, Valarie A. Zeithaml, and Katherine N. Lemon. *Driving Customer Equity*, The Free Press, 2000.

how much business the customers will do with the company. One could have substantial Brand Equity but be unable to generate Customer Equity.

An example of substantial Brand Equity without corresponding Customer Equity can be found in the marketing performance of American Telephone and Telegraph. AT&T clearly provided a high degree of excellence in terms of technology, network operation, technical service, and quality for many years. The Bell System became an international standard of excellence in the provision of telephony. However, AT&T's recent history has been one of lost business, poor profitability and declining market share. Brand Equity did not translate into Customer Equity. Once competitive alternatives became available, customers appear to have evaluated AT&T as an enterprise, looking at criteria such as customer service, company responsiveness, price, ease of contact, problem resolution, and timeliness of company response, in addition to the quality of specific products. One could hypothesize that the Postal Service may be in a position similar to that of AT&T prior to deregulation. Some observers have asserted that Postal Service competitors may even now offer increased options in pricing, service quality, customer responsiveness, product design, etc., such that Customer Equity at the Postal Service is lacking.

Drivers of Customer Equity include the following:

- Value Equity (formed primarily by perceptions of quality, price, and convenience),
 - Brand Equity (the subjective appraisal of the brand; may be relatively emotional, subjective, and irrational), and
 - Retention Equity (customers choosing to do business with the company; this involves retention programs and relationship building activities).
-

The surveys that are presented in subsequent sections of this paper contain data on all three aspects of Customer Equity. The surveys were obtained from publicly available sources or are based on information developed in university projects. Accordingly, additional information would need to be compiled on various aspects of each of the Customer Equity drivers in order to provide a definitive understanding of the Customer Equity issues. Nevertheless, the available information provides a good beginning in exploring Customer Equity issues.

The results of the surveys reviewed are disquieting in terms of the longer-run market outlook for Postal Service. The Postal Service has a significant degree of Brand Equity. However, the Customer Equity appears weak even though the Service has traditionally enjoyed a commanding market position. Furthermore, the service standard data discussed in the first section of this Report indicate that in terms of performance (e.g., time to deliver Priority Mail) the Postal Service has substantial room for improvement, suggesting that Retention Equity may be a problem. Value Equity presents mixed results: there is significant agreement that the Postal Service presents good value for 34 cents in First-Class Mail, but other services offered by the Postal Service appear to offer less value and lower possibilities for retention as competition increases. If Customer Equity is low, a decline in volume may result in generating revenue shortfalls and the need for increased rates.

C. Surveys of Customer Perceptions Provide Information on the Risk of Losing Business

1. Associated Press Polling Report

The Polling Report (www.pollingreport.com) has presented an Associated Press poll, January 13-17, 1999, sample size number =1,015 adults nationwide. There were three major questions.

Q. "Overall, do you think the United States Postal Service is doing an excellent job, a good job, a fair job, or a poor job?"

	<u>Percent</u>
Excellent	22
Good	50
Fair	21
Poor	7

Q. "Compared to five years ago, do you think the level of service provided by the post office is better than it was, worse than it was, or has it stayed about the same?"

	<u>Percent</u>
Better	29
Worse	9
About the same	60
Don't know	2

Q. "As you may know, the U.S. Postal Service just raised the cost of mailing a one-ounce letter by a penny. Do you think the cost of a stamp is a bargain, is it too expensive, or is the cost about right?"

	<u>Percent</u>
A bargain	14
Too expensive	32
About right	51
Don't know	3

A majority of the respondents believe that the Postal Service is doing a good job and charging the right price. Of particular interest are the top and bottom options, identifying the percentage of respondents who feel strongly about an issue. For example, only 14 percent of the respondents conclude that price is a bargain, whereas 32 percent concluded that the price was too expensive. This suggests a potential problem with value equity; however, 65 percent in total believe that prices are acceptable. Similarly, 72 percent of respondents believe that service is good or excellent, but only 22 percent selected "excellent," a finding relevant to Brand Equity. The survey shows satisfaction, but not strong satisfaction; business could be at risk in the long run.

2. American Customer Satisfaction Index

A recognized source of customer information is the American Customer Satisfaction Index (ACSI). The Survey (www.bus.umich.edu/research/nqrc/asci.html) measures consumer satisfaction with the quality of goods and services available to household consumers in the United States. The University of Michigan Business School produces the Index for Quality, based on a 100-point scale. The ACSI

measures satisfaction with 164 companies and 30 government agencies. The U.S.-owned companies produce approximately 40 percent of the Gross Domestic Product.

Customer Satisfaction is important. The ACSI links customer satisfaction to financial returns. The methodology uses an econometric model that ties customers' evaluations of quality and value to satisfaction. Market Value Added, stock price, and return on investment are highly related to the score for consumer satisfaction on the ACSI.

The Survey measures the performance of private companies and government agencies. For the year 2000, the overall customer satisfaction score for the Federal Government was 68.6, unchanged from 1999. In comparison, for the private sectors the ACSI index overall was in the neighborhood of 71. An article by Professor Claes Fornell, (www.bus.umich.edu/research/nqrc/govt-key-00.html) discusses the consumer perception drivers that contribute to high scores on the index.⁹⁹

Consumer Perceptions Contributing to Higher Satisfaction Scores

- Accessibility of information
- Usefulness of information *
- Courtesy of personnel dealing with customers *
- Professionalism of personnel dealing with customers *
- Ease of use of various processes *
- Positive experiences with processes *
- Re-use of Federal programs and facilities
- Willingness to be advocates about Federal programs that have satisfied them.

⁹⁹ Some of the factors have an asterisk after them. Areas of Postal Service performance noted as weak in the focus groups, as discussed in a subsequent section, are denoted with an asterisk.

Consumer Perceptions Contributing to Lower Satisfaction Scores

- Timeliness of delivery of services or feedback information needed *
- Clarity of information *
- Learning opportunities
- Facility maintenance
- Facility cleanliness
- Willingness to rely in the future on specific Federal programs
- Confidence in the future of specific Federal programs
- Website organization

The actual ASCI performance scores for the Postal Service are denoted for 1994 to 2001 in Table 3. Comparisons can be made with several competitors as well as several other industries.

Table 3**1994-2001 ACSI Scores**

Sector/Company	1994	1995	1996	1997	1998	1999	2000	2001
Parcel Delivery and Express Mail								
Trans/Comm/Util	75.5	75.1	75.5	71.6	71.2	70.3	70.6	68.4
FedEx	85	85	86	82	80	83	83	82
UPS	82	83	87	82	77	79	81	78
Postal Service	69	70	74	70	75	75	75	73
Postal Service	61	69	74	69	71	71	72	70
Telecommunications				75	74	73	72	70
Utilities	75	74	75	73	73	74	75	69

Note: There are two Postal Service tabulations in this table. One tabulation is for the Parcel and Express Mail Service. The other tabulation is an overall measure of consumer satisfaction.

The Postal Service has a lower score than its two major competitors: Federal Express and United Parcel Service. Based on the criteria outlined by Professor Fornell and consistent with focus group research to be presented in a subsequent section, it appears that the Postal Service may be deficient in some important areas of meeting customer satisfaction.

3. Consumer Federation of America Report, May 18, 2000

The Consumer Federation of America (CFA) presented a report on the quality of service received from letter carriers and post office personnel and the issues of increasing the First-Class rate, decreasing the rate for advertising mail, and

privatization of the Postal Service. The telephone survey was conducted with a national probability sample of 1009 adults living in private households in the continental United States. The Opinion Research Corporation performed the survey work, and a summary of the survey is contained in Table 4. The survey questions generally focus on information relevant to Retention Equity. Approximately 30 percent of the respondents did not respond "very favorable," suggesting a potential problem in a competitive environment.

Table 4 -- Percentage of Responses

Consumer
Federation
Report

Service From Letter Carriers Delivery of Mail Sent of Delivery Received of Mail Service from Personnel at Post Offices

Percentages of Response

All Respondents

Very Favorable	65	63	62	63
Somewhat Favorable	23	28	27	26
Somewhat Unfavorable	5	5	6	3
Very Unfavorable	2	3	3	2
Don't know/Didn't use	7	1	1	7

The study focused on service rather than product. Approximately 65 percent of the respondents found service to be very favorable. The remainder did not. This means that approximately 35 percent of business is potentially subject to competitive pressures. The study provided an indication on major opportunities for increasing the quality of consumer service.

D. The Postal Service Obtains High Ratings for Consumer Satisfaction, but There are Indications of Potential Longer-Run Problems

Based upon a review of the Associated Press Polling Report, the ACSI, and Consumer Federation of America reports, it is OCA's observation that the Postal Service has obtained, overall, favorable ratings for quality of service. OCA found no major risk of unknown public dissatisfaction that would contradict the forecasts of volume and revenue in the next several years. Postal Service performance is perceived as being better than government agencies "on average." However, the Postal Service is rated lower than two major competitors--Federal Express and United Parcel Service, as well as utilities and telecommunications in general. In the increasingly competitive markets, service less than top rated may put the retention of business at risk.

Accordingly, there is no evidence to suggest in the aforementioned studies that the Postal Service is at imminent competitive risk--the type of risk that would cause major volumes of mail to shift precipitously. However, based on this preliminary review, two of the important drivers of Customer Equity, i.e., Value Equity and Retention Equity, may be weak.

E. Additional Sources of Information Were Provided by OCA Focus Groups and Student Surveys

Additional sources of research information include the results of three OCA focus groups and two survey efforts, one by students at the University of Southern California and the other at Purdue University.

1. OCA conducted three focus groups

A focus group provides overall background information and impressions about products or services. OCA-LR-J-4 contains summaries of the three focus group sessions, and tapes for two of the sessions. For a focus group, a number of individuals are brought together to talk about a topic of interest, thereby providing a useful method for gathering ideas and insights.

First and Second Focus Groups

The morning focus group on December 4, 2001, in Washington D.C., was generally representative of consumers drawn from middle management business, professional, and government personnel in the Washington area. The afternoon group was largely representative of association, governmental, consumer group, and industry personnel – individuals dealing in government-oriented issues and advocacy.

It is likely that neither group was representative of the typical postal customer. The focus group participants could be characterized as being more demanding in service expectations, having higher incomes, being more politically and socially aware, and having greater resources at their professional and personal disposal than the average postal consumer. Both groups were composed of individuals with expectations of high levels of service and quality of product. Accordingly, the focus groups were

representative of the type of consumer expectations that the Postal Service could encounter in the future.

The focus groups did not meet some of the requirements outlined in the literature on the conduct of this type of research; these deficiencies are cited in the literature as presenting potential problems:

- Many participants had previously participated in focus groups on other subjects; however, it did not appear that any group members were intimidated by others' opinions. That is, no "professional focus grouper" dominated the conversations.
- The moderator knew many of the participants from previous professional interactions. However, it was clear that prior contacts were generally of a professional nature, and there was no evidence that the comments were biased by previous contact.

The focus groups identified both positive and negative aspects of service:

First-Class Mail Comments (Summary): Seen as a good value, but not reliable if the mailed item really must arrive at its destination by a specific date. E-mail is an increasingly acceptable alternative. The comments appeared to be positive for Value Equity but weak for Brand Equity.

Priority Mail Comments (Summary): The Postal Service has commanding, eye catching packaging; this is a strong positive. However, there was a concern that Priority Mail might not offer a time advantage in terms of delivery. In fact, a number of individuals suggested that there might even be a time disadvantage. Priority Mail does not have a clear delivery date. "You pay extra for Priority--and worry." The comments were negative for Value, Retention, and Brand Equity.

Service Comments (Summary): According to the focus groups, some Postal Service employees are dedicated to quality and customer service; some are not. There

seemed to be a belief that employee attitudes ultimately affected the quality of service. In order to obtain better service, a number of individuals stated that they used Priority Mail, insurance, and other special services, having the impression that the use of such services in some way removed the mail item from the general processing stream, thereby obtaining a better quality of mail processing and delivery.

A number of focus group participants noted that interaction with the Postal Service – e.g., obtaining information, solving a problem, conducting normal business – is difficult. There was concern that the large management bureaucracy was insulated from addressing normal, expected levels of customer service and that many employees did not care whether good service was delivered. On the other hand, participants believed that they had good interactions with their letter carriers and good service from the carriers. The implications for Customer Equity are mixed.

Express Mail Comments (Summary): FedEx is seen as providing good service. Express Mail was seen as a viable alternative, but lacking the quality and value of its competitors; negative implications for Brand Equity and Value Equity.

Conclusions: Individuals who had favorable contact with employees tended to have better impressions of the overall performance of the Postal Service. The converse was also true. In general, the Postal Service was seen as good value and trustworthy, but slow, cumbersome, and bureaucratic. None of the focus group comments suggested that radical, short-term changes in the use of mail will occur. Favorable comments about specific letter carriers or window personnel seemed to translate into favorable comments about the Postal Service. There seem to be strong implications for Customer Equity: improvement in service is needed.

Third Focus Group

The third focus group was composed of clients of Suited for Change, an organization dedicated to assisting unemployed individuals to enter the workforce. Participants had relatively low incomes and were seeking jobs that could lead to a higher standard of living. The most notable fact emerging from the discussion was that the individuals received small amounts of mail, possibly two or three pieces of mail per day on average, with some individuals receiving essentially no mail. Not unexpectedly, there was relatively minimal use of outgoing mail. Initially, the group members did not articulate concerns or complaints about the Postal Service, but upon additional interaction, indicated that less rudeness and better service would be desired. Many of the problems that the individuals perceived (e.g., the letter carrier not leaving a package due to concern over theft) were recognized to be due to circumstances beyond the Postal Service's control. The only major criticism by focus group members centered on negative customer service attitudes on the part of the Postal Service personnel. As one individual noted, "If you get a \$40,000 job and don't like it, you won't be happy with the money or the customers." This has major implications for Retention Equity, which can be low when poor service is received.

2. Survey information provided by marketing classes at University of Southern California and Purdue

The OCA contacted a number of university departments, generally in marketing or research areas in business schools, to determine whether, as part of the ongoing course work, any students had performed or would be performing surveys of Postal

Service performance. OCA's discussions focused on issues concerning quality of service, customer satisfaction, and value. Professors at two universities demonstrated interest in the issue. As part of the class coursework on marketing and research, students at two universities were assigned the challenge of identifying issues, designing questionnaires, and reporting the conclusions of a customer survey.

Dr. Richard Feinberg, Director of the Center for Customer Driven Quality at Purdue University, led his students in implementing a survey effort: The surveys included:

- A brief one-minute survey e-mailed to consumer managers;
- An Internet survey of 2036 consumer professionals in the Center for Customer Driven Quality's data base, accompanied by an additional four open-ended questions;
- A telephone survey of customers in the Lafayette/West Lafayette, Indiana area.

Dr. Francis Pereira of the University of Southern California (USC) assigned a survey effort to two of his honors classes, called "Business Decisions Under Uncertainty." The two classes, totaling 70 students, were divided into groups of 3 or 4 students each. The students, with Dr. Pereira's assistance, developed a set of core survey questions; a few groups added their own questions. Although the surveys are not statistically representative of the nation as a whole, the surveys provide useful insights. Furthermore, the conclusions were generally consistent with the results of other studies.

a. Survey procedures

It is appropriate to discuss survey procedures and criteria, and then comment on how the student surveys comport with the procedures. A survey is based on obtaining

information from a sample of people representative of an overall group of people in order to make generalizations. The following criteria are important for consideration:

- Definition of issues: Before sampling data from a population it is necessary to understand the issues/subjects under consideration. A focus group is frequently used to delineate various subjects, opinions, and ideas.
- Definition of the population: It is important to be specific about the relevant population and how the population relates to the characteristics of the issues under consideration.
- Selection of the sampling procedure: Use of a random sample will avoid bias.
- Determination of the Sample Size: The level of statistical accuracy is a function of sample size.
- Development of the questionnaire: Questions need to be unbiased in wording and placement; “leading” questions will result in biased answers. Long questionnaires tend to result in fewer answers.
- Control for sample accuracy: Control for non-response assures that the survey is not biased based on a segment of consumers not replying or not reached as part of the process.
- Administration of the sampling procedure: monitoring of survey interviewers, ongoing checks for accuracy

- b. Although the student-initiated surveys are not statistically accurate, the surveys provide useful information

The surveys are presented in the appendices and are evaluated in terms of the criteria outlined:

- Definition of issues: OCA personnel discussed issues with Dr. Francis Pereira (USC) and Dr. Richard Feinberg (Purdue). Both professors teach the course material and are experts in the field. OCA discussed a variety of service, marketing, and economic issues and responded to various questions posed by the professors. It appears that the students were adequately aware of the context of the project and issues immediately relevant to the project.

- Definition of the population: For the USC survey, the students were directed to poll those people whom they knew or could readily contact. They contacted people in their hometowns as well as people in the campus environs. Many of the students attempted to obtain an ethnically and demographically balanced sample. However, it is not possible to conclude that the samples were representative of Postal Service customers in general. The overall sample population is probably has a higher income than the rest of the economy and is more sophisticated from a marketing viewpoint.
- The Purdue studies were based on previously established lists of consumer professionals. These would be knowledgeable individuals, but not representative of the general economy. However, the consumer professionals would be knowledgeable about service and marketing issues and able to provide reasoned insight on Postal Service performance. Both the USC and Purdue samples are not representative of postal customers in general but do appear to be representative of the diverse populations from which they were obtained and/or capable of offering significant insight on Postal issues.
- Selection of the sampling procedure: In the case of the USC surveys, there was no specific sampling procedure. One Purdue survey was from a predetermined list of names of knowledgeable consumer professionals. The second Purdue survey was limited to the university environs – Lafayette/West Lafayette, Indiana – the area in which Purdue is located.
- Determination of the Sample Size: In the case of the USC study, students generally used a sample size of 40. This sample size by itself is not sufficient to be statistically accurate. However, approximately 460 people were ultimately surveyed, so the sample size became more meaningful.
- Development of the questionnaire: Questions appeared to be unbiased and well developed, being based on input obtained from the professors and OCA staff.
- Control for sample accuracy: In neither case was there control for non-response. In the case of the USC surveys, there was no reason to believe that non-response error would bias the sample. In the case of the Purdue survey, the lists from which

potential sample respondents were solicited were already segmented by qualification, so non-response errors should not be a significant issue.

- Administration of the sampling procedure: Dr. Feinberg (Purdue) and Dr. Pereira (USC) provided overall assistance to the students; however, the sampling procedure was not monitored in the way that a more conventional sampling procedure would be managed.
- Development of output: Reports were provided in good form.

c. The Purdue University surveys

Dr. Richard Feinberg, Director of the Center for Customer Driven Quality at Purdue University, in conjunction with students in his research class, conducted several consumer surveys about products and service provided by the Postal Service.¹⁰⁰ Although there are a number of limitations to the surveys, they are helpful in identifying and confirming important factors that may have an impact on Postal Service revenues and marketing efforts.

First Phase – Purdue

A brief one-minute Internet survey was sent out in two waves to 500 members of a panel of consumer contact personnel. According to Dr. Feinberg, the internal reliability of measures used in the Internet survey (this phase) and the Community Survey (reported under Phase 3) was confirmed by computing the Cronbach's alpha using a sample of questions in the test data set. Cronbach's Alpha is a coefficient that describes how well a group of items focuses on a single idea or construct; this is called inter-item consistency. Anything above .70 is considered acceptable. The alpha for the

¹⁰⁰ These comments paraphrase Dr. Feinberg's statements.. Selected material has been reviewed from Dr. Feinberg's work, and any error of selection or misrepresentation, while inadvertent, belongs to the OCA author(s).

Internet survey was .83, and the community survey alpha was .79. Although internal reliability is confirmed, reliability is not equivalent to validity.

Responses were obtained for 87 respondents (questions 1-3) and 119 respondents (questions 4-7). In neither case can the sample be considered representative or statistically accurate. However, the responses are indicative of potential areas of consumer opinion. The key conclusions are summarized:

- Consumers are satisfied with mail delivery: 88 percent are either satisfied or very satisfied.
- Consumers are satisfied with service received at postal facilities: 86 percent are either satisfied or very satisfied.
- Consumers believe that the proposed three-cent increase in the cost of a stamp is reasonable. Approximately 70 percent of respondents believed it to be reasonable.
- A total of 74 percent of consumers believe that the cost of a First-Class stamp is right or a bargain.

In analyzing survey responses it is appropriate to determine the degree of consumer satisfaction--i.e., did consumers indicate the top level of satisfaction or the second level of satisfaction? The majority of consumers did not indicate the top satisfaction level; this indicates that satisfaction is not as firm as it could be. Accordingly, the survey suggests that there is room for improvement, both among those considered satisfied and those rating the service somewhat lower. One could be concerned about Retention Equity.

Second Phase – Purdue

Requests for participation were sent via the Internet to 2036 consumers in a database maintained by the Center for Customer Driven Quality. These individuals

work as professionals in the customer contact industry. The 20 percent response rate is relatively high for a survey of this type; 378 usable responses were obtained. Dr. Feinberg noted the limitations of the study:

- Respondents are not random or representative of any specific population other than consumer professionals. Since the study deals with consumer issues, the nature of the population appears to enhance the credibility of the conclusions.
- The degree to which this Internet based survey yields results that are similar to a survey administered on the telephone or through mail to the sample population is unknown.
- It can not be determined how the recent social and political events have affected responses.

Here are the key findings:

- Consumers believe their mail service to be excellent or good (84 percent). However, the top box score was relatively low: only 24 percent of respondents believed service to be excellent. Top box scores represent the highest levels of satisfaction, and it should be noted that extremely satisfied customers are only 24 percent of the total. This suggests some longer-run potential for problems, although in the short run it appears that there is substantial satisfaction.
- Consumers believe that the price of a stamp is about right (60 percent) or a bargain (25 percent).
- The average amount across all respondents for a reasonable rate increase level was 2.8 cents.
- Only 13 percent of consumers were “top box” satisfied with their experience in visiting a post office facility. Thirty-five percent were dissatisfied to some degree. This again represents a potential area for improvement.
- Seventy-six percent of respondents have used Priority Mail; twenty-seven percent of those who had used Priority Mail were “top box” satisfied.
- A slight majority was not aware of Delivery Confirmation service. It should be noted that Delivery Confirmation is a relatively new service.

- Only 10 percent of consumers who have complained believe that the post office is always responsive to their complaints. Forty-four percent of consumers believe the proposed three-cent increase in the price of a First-Class stamp is right. Almost 50 percent of respondents believe the increase to be too expensive.

Additional Information was Obtained as Part of the Internet Surveys

As part of the Internet-based survey, consumers were also asked a series of open-ended questions. There were four questions; the top four responses to each question are provided:

- Please identify one thing you are dissatisfied with about the post office.
 - Long lines, too few workers, no sense of urgency, lack of efficiency, slow lines
 - Poor service, unfriendly workers, little pride in work, indifferent workers, no customer service skills
 - Hours are not right for our schedule
 - Delivery time is inconsistent
- Please identify one thing you like about the Postal Service.
 - Customer service
 - Dependability/reliability
 - Delivery Services
 - Price
- What is Priority Mail?
 - Next day delivery.
 - It's a service that delivers mail supposedly faster than First-Class Mail
 - Have never used so not sure
 - I think it means overnight delivery – like Fed Ex.
- What is something you would recommend to improve the Postal Service.
 - Focus on customer satisfaction/customer service
 - More staff/shorter lines
 - Extend hours
 - No opinion

Phase Three – Purdue

The third survey was aimed at a random and representative sample of adults in the Lafayette/West Lafayette, Indiana community. West Lafayette is a “university

town,” home of Purdue University. Lafayette, across the Wabash, is a typical midwestern blue-collar light industrial city. With a sample of 200 drawn using random digit dialing techniques, a total of 197 usable surveys was included in the analysis. Results are representative within plus or minus ten percent at 95 percent confidence. According to Dr. Feinberg, the results can be summarized as follows:

- Consumers believe their mail service to be excellent or good (89 percent). However, top box scores were relatively low (only 36 percent of respondents believed service to be excellent). Top box scores are important in assessing satisfaction in that they represent the highest levels of satisfaction. The 53 percent of respondents who believe mail service to be only good shows there exists significant room for improvement.
- Consumers believe that the cost of a First-Class stamp is about right (58 percent).
- 58 percent of consumers are aware that the Postal Service has requested a rate increase. The average of an amount thought to be reasonable for the increase was 1.6 cents.
- 23 percent of consumers are “top box” satisfied with their experience in visiting a post office facility. Sixty-nine percent were dissatisfied to some degree. Only thirty-seven percent of consumers knew what Priority Mail service was. Eighteen percent of those who have used the service are “top box” satisfied. Thirty-three percent were aware that Delivery Confirmation service is available.
- 32 percent of consumers replied that the proposed 3-cent increase in the price of a First-Class stamp is right. Fifty-one percent of respondents believed the proposed 3-cent increase to be too expensive.

d. The University of Southern California survey

Professor Francis Pereira of the Marshall School of Business Center for Telecommunications Management at the University of Southern California teaches an honors statistics class. As a class project, his students formed teams and conducted

consumer surveys of Postal Service products and services. The survey results are presented in Table 5.

Questionnaire: Students were responsible for the development of their questionnaire; in general, certain core subjects were covered. In a number of cases, additional questions or areas of interest were considered. A copy of a typical questionnaire is included in OCA-LR-J-2. The objective was to measure consumer satisfaction with various types of service and products. In general, each questionnaire had a total of six possible responses, a “don’t know” response and five levels of satisfaction, ranging from 1 (poor) to 5 (excellent), with 3 being average. Recognizing that the top two ratings would be “above average,” percent satisfied was defined as the sum of responses receiving the top two ratings--i.e., “above average.”¹⁰¹

Sample Selection: Students were free to select samples of people to be interviewed based on availability of contacts. Accordingly, no claim that the samples are unbiased can be made. However, it was clear that students attempted to obtain samples across age groups, genders, and ethnicity. Hispanics may be somewhat under-represented, and consumers earning over \$50,000 are probably over-represented. It is logical to conclude that the samples generally represent middle income people likely to be associated with college students in California. This is a demographic profile that, exclusive of geography, is likely to represent a substantial proportion of the U.S. population.

¹⁰¹ Percent Satisfaction: Defined as percentage of respondents in top two of six possible replies, including “don’t know,” with exception of Fohrer report (four possible replies, including don’t know), and Ward report, for which the top three responses were combined within the report.

TABLE 5**Summary of Results Reported by Study Teams**

Study Team	Ahn	Allen	Baker	Bauer	Danielson
Number Interviews	40	93	40	40	
Percent Satisfaction:	Percent	Percent	Percent	Percent	Percent
Delivery Confirmation	46	42	48	43	
Certified Mail	49	60	44	50	
Express Mail	44	49	72	45	
Priority Mail	42	58	71	55	
First Class	62	79	70	60	
Timeliness		49		50	
Responsiveness				18	
Insurance claims				10	
Buying Stamps		77		20	
Mail Package		45		58	
Picking Up Package		38		33	
Overall Satisfaction	55	43		43	37
Value of 37 Cents	30	28			33

TABLE 5 (continued)

Study Team	Fohrer	Harrington	Healy	Motley	Oh
Number Interviews	40	51	40	40	53
Percent Satisfaction:	Percent	Percent	Percent	Percent	Percent
Delivery Confirmation	38	31	33		45
Certified Mail	43	45	48		58
Express Mail	50	43	38		63
Priority Mail	43	59	38		72
First Class	58	65	65	38	55
Timeliness		25	35		45
Responsiveness	18	17	8		9
Insurance claims		43	8		13
Buying Stamps		34	60		72
Mail Package		24	25		42
Picking Up Package		19	20		28
Overall Satisfaction		92	65	38	
Value of 37 Cents	10	47	35	25	

TABLE 5 (continued)

Study Team	Pavlov	Tom	Ward	Mean--All Samples	
Number Interviews			40		
Percent Satisfaction:	Percent	Percent	Percent	Sample Size	Mean Percent
Delivery Confirmation		28	60	10	41
Certified Mail		27	68	10	49
Express Mail		48	78	10	53
Priority Mail		65	93	10	60
First Class	69	65	80	12	64
Timeliness		55	80	7	48
Responsiveness		25	60	7	22
Insurance claims		35	50	6	27
Buying Stamps		60	83	7	58
Mail Package	62	52		7	44
Picking Up Package		38	75	7	36
Overall Satisfaction	51			8	53
Value of 37 Cents			25	8	29

Statistical Accuracy: Approximately 460 responses were obtained, but the total sample is actually composed of a number of sub-samples of approximately 40 responses each. Even though the results are not statistically accurate, they are probably substantially representative as delineated in the sample selection consideration. At the very least, the results are at least as meaningful as the types of results that one would obtain from focus groups (not that one would conduct 17 focus groups). Accordingly, OCA maintains that the conclusions should be given careful consideration.

- e. The survey findings suggest that the service at the Postal Service is in the mediocre to somewhat above average range

This section examines issues that are relevant to the overall level of business: that is, are there trends in consumer opinion and satisfaction that could cause the volume estimates presented by Postal Service witness Tolley to vary from their econometric projections?

Postal Products

Between 41 and 70 percent of postal customers on average believe that postal services are in the top two categories of customer satisfaction:¹⁰²

Percent of Customers Placing Customer Satisfaction in Top Two Categories

Express Mail: 53 percent
 First Class: 64 percent
 Priority Mail: 60 percent
 Certified Mail: 49 percent
 Delivery Confirmation: 41 percent

First, overall the ratings suggest that there is good acceptability of products – in the top two categories. Second, between 30 percent and 60 percent of Postal Service business is somewhat at risk to competitors – being perceived as average or below average.

¹⁰²

An unweighted mean was computed across project groups, based on data availability.

Service

The quality of service is rated somewhat lower:

Percent of Customers Placing Customer Satisfaction in Top Two Categories

Timeliness: 48 percent
 Responsiveness: 22 percent
 Insurance Claims: 27 percent
 Buying Stamps: 58 percent
 Mailing a Package: 44 percent
 Picking Up a Package: 36 percent

The above implications for Retention Equity are negative. Finally, the overall level of satisfaction was rated at 53 percent for the top two categories. Whether a 37-cent stamp cost was appropriate was rated at 29 percent by the top two categories.

- f. In general, the surveys indicate a mediocre degree of consumer satisfaction with the Postal Service

The results of a number of surveys have been presented and assessed.¹⁰³ Customer satisfaction with Postal Service competitors is greater than that expressed for the Postal Service. In addition, in discussing the Postal Service, customer satisfaction is usually not “top box,” but is rather at the second level. In today’s increasingly competitive economy, consumers have shown the ability to shift products and product suppliers abruptly in the pursuit of increased satisfaction. It appears that the Postal Service may face problems in retaining or adding business in the future, i.e., sales are at risk.

¹⁰³ The Postal Service has several other surveys available to it and, if it believes that the above results are inaccurate, it may be prudent for the Service to release the results of such data collection efforts. To be credible, entire surveys should be presented, not merely selected, favorable portions. Some of these surveys are discussed in a sealed section of the OCA report, filed this date.

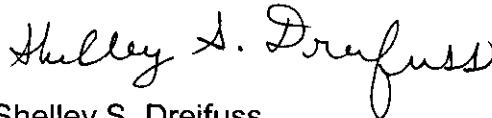
In Docket No. R2001-1 the Postal Service sponsored witnesses with extensive experience in modeling mail volume. There is no reason to expect that major changes in the economy will occur that will render their forecasts invalid. Nevertheless, there is ongoing concern with the potential erosion mail volumes and revenues. A matter of concern is whether the econometric models may be missing some of the important factors related to Customer Equity.

Consumer opinions on service are important. For example, the public expects Priority Mail to be at least as fast, and probably faster, than First-Class Mail; the claims that the mail is given priority service is worthless without performance to back it up. Insurance becomes worthless if documentation requirements to substantiate a claim are not clear or too onerous. The ability to track packages appears to be a service desired by consumers, but is available only for Express Mail, and even then not with the same degree of currency and accessibility as competitors' tracking services. Customer opinions about the aforementioned matters were not complimentary, and the overall impression of the Postal Service from the focus groups was one of "utility style" mediocrity. As discussed in both the ACSI material and in Professor Rust's work, consumer dissatisfaction can ultimately result in lost business.

Although the survey material presented in this paper is not statistically representative of the national population, the consistency of the results is evident. It is likely that additional analysis would improve the precision of measurement but not the accuracy of the conclusions. The interpretation of the results may be controversial, however, OCA emphasizes that there is no evidence that the Postal Service is performing badly across the board or is perceived as performing badly across the

board. Billions of items are processed annually, yet the probability of adequate delivery is very high, even though there may be deficiencies in the quality of service. In fact, the attention to service and willingness to experiment with new products is better than one would expect from a regulated utility. On the other hand, the Postal Service is now subject to competition for much of its business, and competitors have opportunities to enter various segments of the traditional postal markets. Work by Professor Rust and other marketing experts underscore that there is a need for careful attention to customer satisfaction and service.

Respectfully submitted,


A handwritten signature in cursive script that reads "Shelley S. Dreifuss".

Shelley S. Dreifuss
Acting Director
Office of the Consumer Advocate

1333 H Street, N.W.
Washington, D.C. 20268-0001
(202) 789-6830
FAX (202) 789-6819
e-mail: dreifusss@prc.gov

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 of the rules of practice.



h'Enri Whitseyjohnson

Washington, D.C. 20268-0001
March 6, 2002

Appendix A

USPS Response to OCA/USPS-103 - FY 2001

Days to Deliver		1	2	3	4	5	6	7	8	9
First Class *	Cumulative TTL by Day	229,732	335,324	386,970	400,965	406,048	408,093	409,100	409,892	410,214
	Delivered by Day	229,732	105,592	51,646	13,994	5,083	2,046	1,007	792	322
	% of TTL by Day	56%	26%	13%	3%	1%	0%	0%	0%	0%
	Weighted by Days to Deliver	229,732	211,185	154,937	55,977	25,417	12,273	7,047	6,337	2,896
Priority *	Cumulative TTL by Day	1,973	6,065	7,458	7,967	8,196	8,290	8,337	8,373	8,390
	Delivered by Day	1,973	4,092	1,393	509	229	94	47	36	17
	% of Ttl by Day	23%	49%	17%	6%	3%	1%	1%	0%	0%
	Weighted by Days To Deliver	1,973	8,183	4,178	2,038	1,143	565	328	288	150
Days to Deliver		10	11	12	13	14	15	Total Mail	TTL Mail	Avg Days To Deliver
First Class *	Cumulative TTL by Day	410,432	410,598	410,713	410,794	410,854	410,894		411,060	
	Delivered by Day	218	165	116	80	60	40	410,894		
	% of TTL by Day	0%	0%	0%	0%	0%	0%			
	Weighted by Days to Deliver	2,183	1,819	1,388	1,046	839	597		713,672	1.74
Priority *	Cumulative TTL by Day	8,400	8,405	8,409	8,411	8,413	8,415		8,420	
	Delivered by Day	10	6	3	3	2	1	8,415		
	% of Ttl by Day	0%	0%	0%	0%	0%	0%			
	Weighted by Days To Deliver	100	63	39	33	31	21		19,134	2.27

* Data is the sum of Overnight, Two-day and Three-Day deliveries divided by 100,000 and rounded.



DEAR MR. FORGETFUL:
YOU MIGHT NEED
THE PRODUCT FOR
THE PRODUCT DEMO.

Anna (your assistant)
Palo Alto, CA

UNITED STATES
POSTAL SERVICE

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GUARANTEED FOR DELIVERY

Express Mail Service & Priority Mail Service:

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- ✓ dedicated cargo space
- ✓ call 1-800-222-1811 for pickup

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GOTTA-HAVE-IT-OR-I'LL-CRY TOY
FOR YOUR SHELVES.
JLI Toys Inc.
St. Paul, MN

UNITED STATES
POSTAL SERVICE

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URGENT

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Express Mail® Service & Priority Mail® Service:
☒ fleets of planes ☒ dedicated cargo space ☒ call 1-800-222-1811 for pickup

The U.S. Postal Service is everywhere so you can be anywhere.
www.usps.com



POSTAL RATE COMMISSION

Washington, DC 20268-0001

George A. Omas
Chairman

January 23, 2002

The Honorable John McCain
450 W Paseo Redondo STE 200
Tucson, Arizona 85701

Attention: Amber Moore

Dear Senator McCain:

This is in response to your letter of October 16, 2001, regarding Mr. & Mrs. Paul Elsass of Kingman. Unfortunately, your letter just arrived at the Commission's offices yesterday. As you are aware, since the closure of the primary mail-processing center in Washington several months ago, downtown government offices have not received regular delivery. I sincerely regret the delay.

The Postal Rate Commission has no authority over postal regulations or management practices that would permit our intervention on behalf of Mr. & Mrs. Elsass with regards to their insurance claim against the US Postal Service. However, I am forwarding a copy of their file to our Office of Consumer Advocate (OCA) for that office's review when next it considers this service. The OCA represents the public in rate proceedings before the Commission and I believe they will find the experiences of Mr. & Mrs. Elsass of interest. Of course, if you have not already done so, I would recommend you discussing this issue with the U.S. Postal Service as well.

With best regards I am

Sincerely,

A handwritten signature in cursive script that reads "George Omas".

George Omas
Chairman

Enclosures

cc: Shelley Dreifuss, Acting Director ✓
Office of Consumer Advocate
Postal Rate Commission

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
COMMITTEE ON ARMED SERVICES
COMMITTEE ON INDIAN AFFAIRS

RECEIVED
United States Senate
JAN 8 3 07 PM '02
November 29, 2001
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

241 RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510-0303
(202) 224-2235

4450 SOUTH RURAL ROAD
SUITE B-130
TEMPE, AZ 85282
(480) 897-6289

2400 EAST ARIZONA
BILTMORE CIRCLE
SUITE 1150
PHOENIX, AZ 85016
(602) 952-2410

450 WEST PASEO REDONDO
SUITE 200
TUCSON, AZ 85701
(520) 670-6334

TELEPHONE FOR HEARING IMPAIRED
(202) 224-7132
(602) 952-0170

United States Postal Rate Commission
133 H Street NW
20268-0001

Dear Chairman:

I am inquiring about the status of my request made in my letter of October 11th regarding my constituent, Paul Elsass.

Please provide me with an updated status of this inquiry so that I may reply to my constituent. Please mark the envelope to the attention of DANIEL R. FORDE:

Office of Senator John McCain
450 W. Paseo Redondo
Suite 200
Tucson, Arizona 85701

Thank you for your cooperation. I look forward to your reply at your earliest convenience.

Sincerely,



John McCain
United States Senator

JM/tdf

Attn:
Amber
Moore
REPLACED
DANIEL FORDE

JOHN MCCAIN
ARIZONA

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
COMMITTEE ON ARMED SERVICES
COMMITTEE ON INDIAN AFFAIRS

Appendix C Page 3 of 25

United States Senate

RECEIVED

JAN 22 4 18 PM '02

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

241 RUSSELL SENATE OFFICE BUILDING
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(602) 952-2410

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SUITE 200
TUCSON, AZ 85701
(520) 670-6334

TELEPHONE FOR HEARING IMPAIRED
(202) 224-7132
(602) 952-0170

October 16, 2001

Chairman
United States Postal Rate
133 H Street NW
Washington, DC 20268-0001

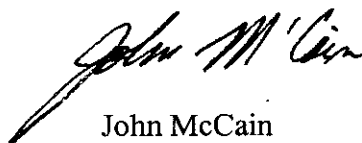
Dear Chairman:

I wish to bring to your attention the matter concerning my constituents, Paul and Carrie Elsass, who has encountered a problem with the United States Postal Service. Please investigate, within the existing rules, regulations and ethical guidelines, the statements made in the enclosed letter and return the response to me with the enclosures. MARK ALL CORRESPONDENCE TO:

Attn: DANIEL R. FORDE
Office of Senator John McCain
450 W. Paseo Redondo
Suite 200
Tucson, Arizona 85701

The response you provide will be most appreciated and will be forwarded to my constituent. If you should have any questions in the meantime, you can reach my office at (520) 670-6334. I look forward to your reply at your earliest convenience.

Sincerely,



John McCain
United States Senator

JM/tdf
Enclosures

AUG 20 2001

224 Silver St.
Kingman, AZ 86401
(928) 753-6369

August 15, 2001

Senator John McCain
450 W. Paseo Redondo Ste 200
Tucson, AZ 85701

Dear Senator McCain:

Thank you so much for all your hard work on behalf of the citizens of Arizona and of the United States.

We wish to ask for your assistance in a matter which affects all citizens of this country who mail packages through the United States Postal service. While we have never considered legal action against any person or entity, we felt so wronged in this situation that we did file a complaint in small claims court. We then received the enclosed letters stating that the case had been transferred to the US District court and citing various statutes, etc. We certainly cannot match the high-powered lawyers of the US government and feel very helpless. We can't in fact afford a lawyer at all. Carrie is 8 1/2 months pregnant and quit her teaching job to stay home with the baby- this is one of the reasons we so desperately need the money they owe us. We are confident that we are in the right on this matter but don't know where to turn or how to proceed. It seems this is an instance of big government getting ready to completely confuse us, trample our rights and dismiss us. It's almost funny that the money they've paid thus far to transfer the case and to the lawyers who drafted the letters we received could have been used to pay the claim!!

We are still amazed that this has happened and must happen to hundreds if not thousands of Americans each day who feel safe about mailing packages with the USPS because they have purchased insurance. Please read our enclosed complaint- I feel confident you will agree this is a serious and widespread issue which should be addressed.

Can you offer any advice or help? Do you know anyone who would want to do an investigative report on this, such as a news station or program like Dateline or 60 Minutes? Our hope is that you would pass this on to a national news program that might be willing to cover this as a story. We know that if you were to make the request on our behalf, it is much more likely that someone might actually consider doing the story.

We see the Republican party as the party of personal responsibility, and hope that somehow the USPS will be forced to accept responsibility in this matter- not just in our case alone, but in the future as policy. We would so appreciate any help you could offer.

In Gratitude,
Paul & Carrie Elsass

Paul & Carrie Elsass

CONSUMER AFFAIRS & CLAIMS



UNITED STATES
POSTAL SERVICE

September 13, 2001

Mr. Daniel R. Forde
Office of Senator John McCain
450 W. Paseo Redondo, Ste. 200
Tucson, AZ 85701-8275

Dear Mr. Forde:

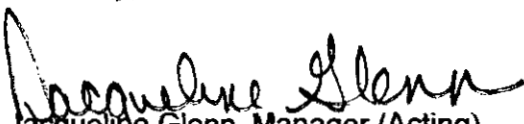
This is in response to the information provided to your office by Senator McCain's constituents, Paul and Carrie Elsass.

Mr. Elsass submitted a claim on October 30, 2000 for a damaged laptop computer. The original claim was denied. Mr. Elsass followed the appeal process and was again denied payment of the claim. In March 2001, the Consumer Advocate's Office reviewed the claim request and upheld the prior decision. On May 21, 2001 the Consumer Advocate's Office once again upheld the decision to deny payment.

Mr. Elsass has followed Postal procedures regarding this claim. Regrettably, the Arizona Office is unable to over-turn the decision of the National Consumer Advocate's office.

I understand Mr. and Mrs. Elsass' frustration and apologize that I cannot provide a more favorable response.

Sincerely,


Jacqueline Glenn, Manager (Acting)
Consumer Affairs and Claims

Reference: S25066783

1 Paul & Carrie Elsass
2 224 Silver St.
3 Kingman, AZ 86401

4
5 UNITED STATES DISTRICT COURT
6 DISTRICT OF ARIZONA
7

8 Paul & Carrie Elsass)
9 Plaintiffs,)
10 vs.)
11 United States Postal Service)
12 Defendant)

**PLAINTIFF'S AMMENDED
COMPLAINT**

CIV 01-1103 PCT JAT

(Formerly Justice of the Peace Court
Precinct, County of Mohave, State of
Arizona No. 801 01 CV-894 SC)

13
14
15
16
17
18 This formal complaint is being filed Pro se by plaintiffs Paul and Carrie Elsass
19 against the United States Postal Service for fraudulent
20 misrepresentation and nonpayment of an insurance claim.
21 On October 27, 2000, we mailed a laptop computer from Kingman, Arizona. We
22 purchased insurance in the amount of \$600. Paul informed the employee, Robert
23 Galvin, that the item was a laptop computer and requested that Mr. Galvin include
24 the words "Fragile" and "This Side Up" on the packaging. Mr. Galvin himself
25 personally assisted in final packaging of the laptop. For whatever reason, the phrases
26 we requested were not included on the packaging (see attached letter from Mr.
27 Galvin and customer service representative Pat Colwell). We have also included
28 a copy of the insurance form we received stating that contents are insured against
29 "loss, damage, or rifling".
30 The computer left our possession in working order and arrived irreparably damaged
31 (see attached letter from computer specialist Kenneth Wadley).

1 We therefore sent in the insurance claim with the USPS. We were first denied
2 based on the argument that they had no way of knowing that the computer was
3 working before it was sent. When we disproved that argument, they denied at the
4 second and third levels based on the fact that there was no visible damage to
5 the outer packaging. First, anyone familiar with computers knows that they are
6 extremely fragile and the outer packaging would certainly not need to sustain
7 visible damage when the computer is broken through mishandling. Second, we
8 did not pay to insure outer packaging, we paid to insure a laptop computer! This
9 information about outer packaging is not given to the customer when purchasing
10 postal insurance. If it had been, we would have certainly made the informed
11 choice to mail this fragile parcel with another company. Even more disturbing, the
12 postal employees at our post office and at a branch in another state who we
13 interviewed were unaware of this regulation. These employees have stated that we
14 should be reimbursed for our loss. This information is allegedly contained within
15 postal regulations, but these are not readily available to the consumer (neither
16 through the wording of the insurance contract nor through the employees who sell
17 the insurance). This is not a minor nor technical loophole, and it is not reasonable
18 to expect a customer to inspect and thoroughly read the entire USPS Domestic
19 Mail Manual prior to mailing a package. This is especially unreasonable when the
20 copy of the insurance form we receive and the employees who sell the insurance
21 state that damage is covered. Any rules such as these should be known by the
22 employees who sell the insurance and/or should be stated in writing to the
23 customer. This is a basic responsibility of any company using contracts and selling
24 insurance, but particularly of a company of the size and scope of the USPS.
25 A few years ago many lawsuits were brought against large magazine
26 publishers such as Publishers' Clearing House and American Family
27 Publishers because some consumers (particularly the elderly) were misled
28 into believing that they must make purchases to win, and others believed
29 that they were already winners. In that situation, the consumers even had
30 the information they needed to make an informed decision (albeit in fine
31 print!), and it was only a sweepstakes entry situation. We did not have the benefit

1 of even fine print, and here we are discussing the much more serious matter of an
2 insurance contract.

3 **Demand:**

4 We are requesting that we be reimbursed the \$600 value of the insurance policy
5 that we purchased to insure our laptop, as well as reimbursement for expenses incurred
6 in bringing this suit in an attempt to recover funds legally owed to us. These expenses
7 include but are not limited to: court fees, postage, long-distance charges, and our time
8 (in excess of 40 hours at this point). In addition, we would request that the judge
9 award reasonable damages and any punitive damages that the court may feel are
10 warranted.

11 Respectfully submitted this 15th day of August, 2001

12 Paul & Carrie Elsass

13 Plaintiffs

14

15 Copy of the foregoing mailed this 15th

16 day of August 2001, to:

17 Paul K. Charlton U.S. Attorney, District of Arizona &

18 John R. Mayfield

19 Assistant United States Attorney

20 Two Renaissance Square

21 40 North Central Avenue, Suite 1200

22 Phoenix, AZ 85004-4408

23

24 Debbie Forakis

25 Paralegal Specialist, Law Department

26 United States Postal Service

27 9350 South 150 East, Suite 800

28 Sandy, Utah 84070-2716

29

30

Appendix C Page 9 of 25

meElsass

David J. Melich"

<elsass@ctaz.com>

Sent: Saturday, October 28, 2000 6:04 PM

Attach: bad machine.JPG

Subject: Laptop

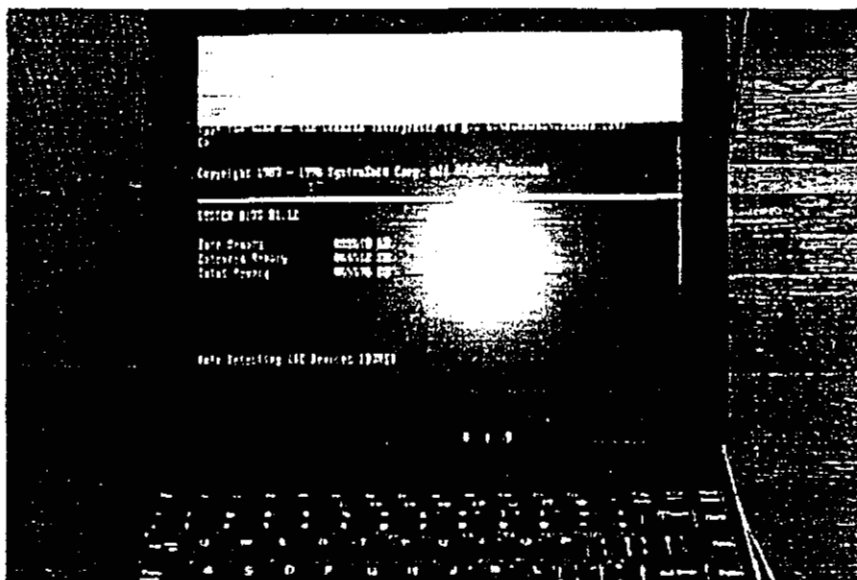
October 28, 2000

Paul:

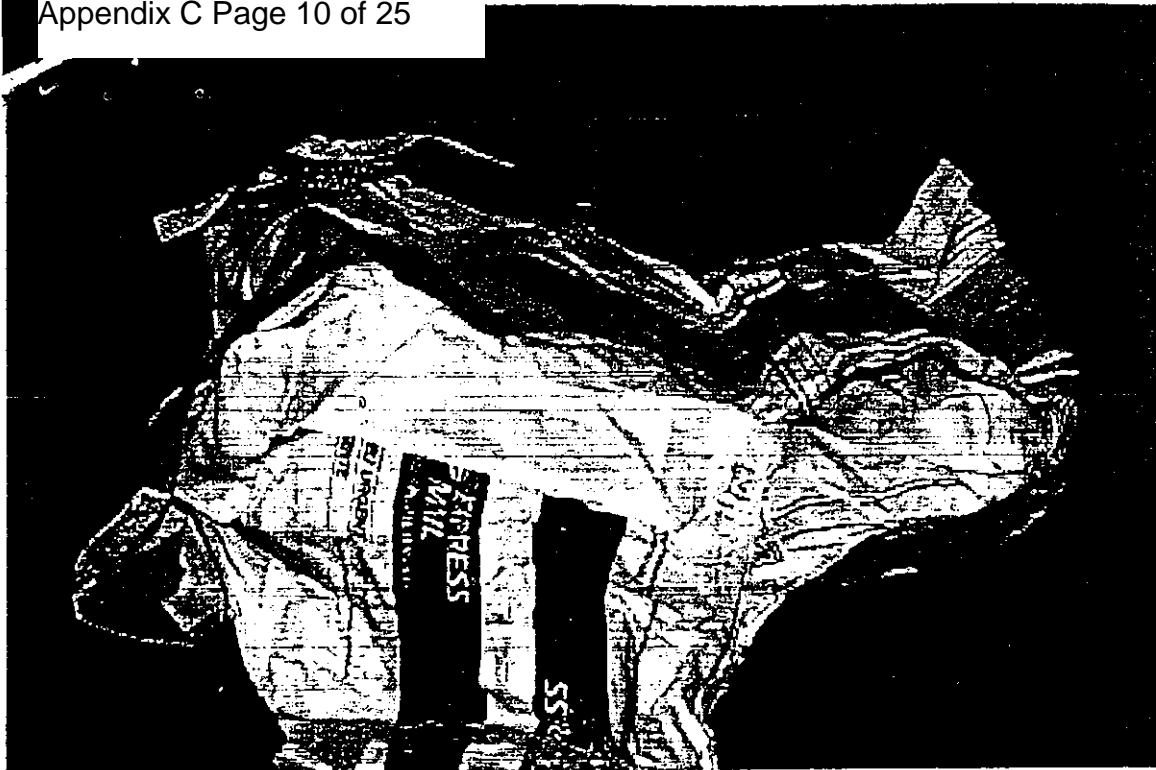
The laptop arrived earlier today. Unfortunately its basically DOA. So I'll need to send it back. It won't boot and the screen is totally screwed up. Please see the attached jpeg. The top 1/4 of the screen is completely blank, anything that does show up on the screen is all but unintelligible, and the slightest movement of the machine causes the screen to flicker to black. Its definitely a hardware problem because it never even gets a chance to load any software. Again, the accompanying jpeg will show this. when you set the machine just right you can read the text mode message that it doesn't find C:.

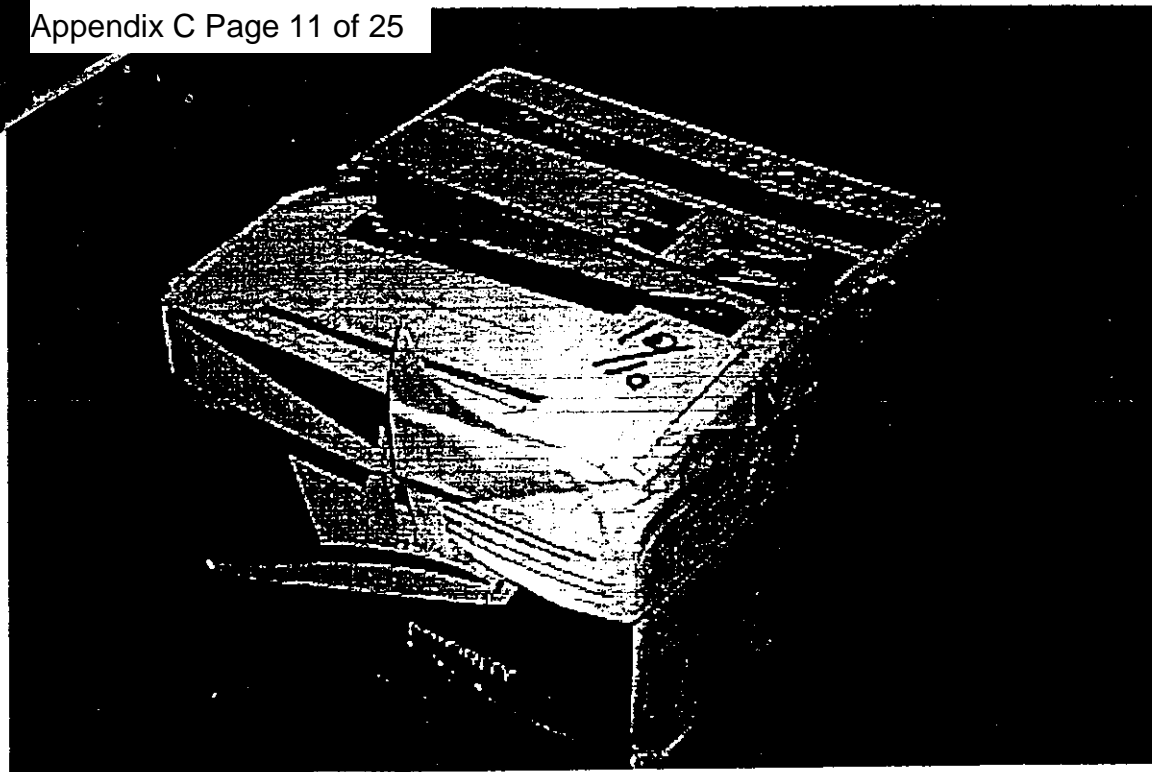
Anyway, I'll need to send it back for a refund less the total shipping. That should be around \$520. We can agree on some number, I'm very flexible. Please let me know your shipping address so that I can get it back right away.

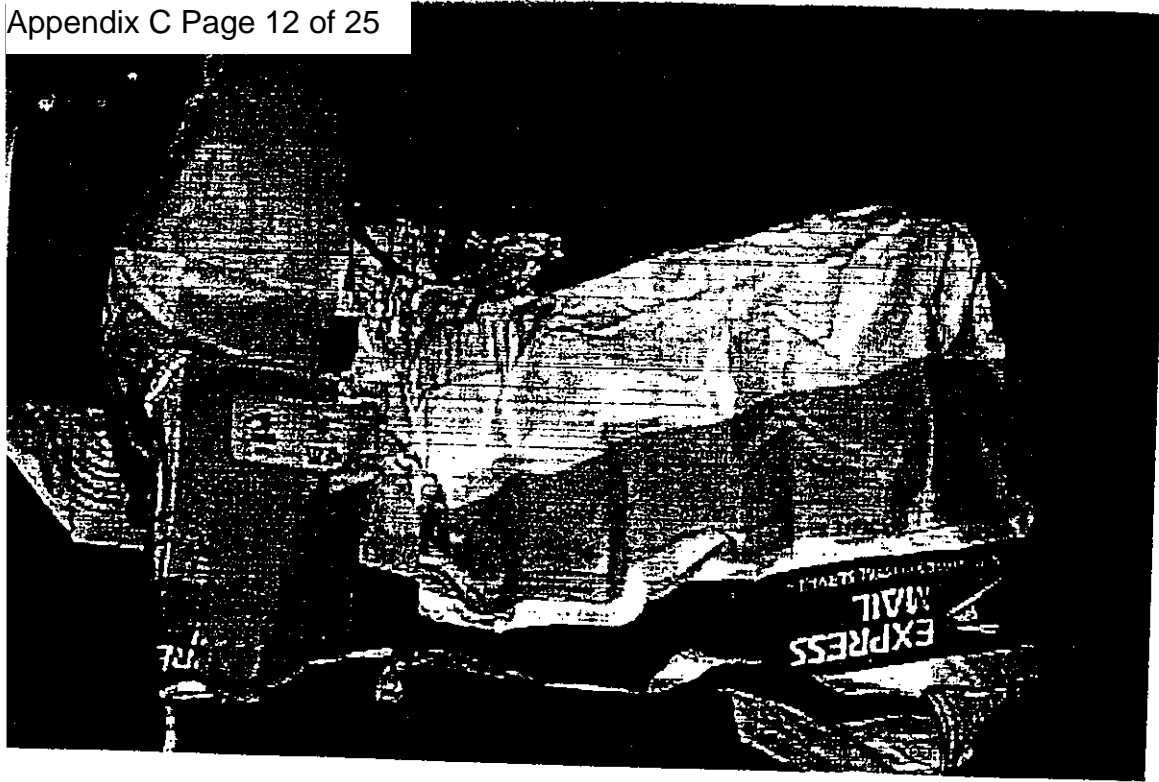
Thanks, Dave

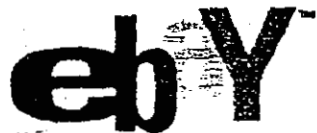


10/28/2000








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HyperData laptop 333mhz 64 megs ram +more NR

Item #470526342

[Computers:Hardware:Notebooks:System](#)

Bidding is closed for this item.



[Leave Feedback](#)
(to seller)
(to bidder)

If you are the seller or the high bidder - now what?

Currently **\$540.00**
Quantity **1**
Time left **Auction has ended.**

Started Oct-16-00 12:42:22 PDT
Ends Oct-23-00 12:42:22 PDT

Seller (Rating) **pelsass (58)** ☆ **me**
[view comments in seller's Feedback Profile](#) | [view seller's other auctions](#) | [ask seller a question](#)

High bid **impala402 (59)** ☆

Payment Money Order/Cashiers Checks. Other. See item description for payment methods accepted
Shipping Buyer pays actual shipping charges. Will ship to United States only. See item description for shipping charges

Item Revised Before First Bid To review [revisions](#) made to this item by the seller, [click here](#).

Relist item Seller: Didn't sell your item the first time? eBay will refund your relisting fee if it sells the second time around. [Relist this item](#).

First bid **\$100.00**
of bids **24** [bid history](#) | [with emails](#)
Location **Kingman, AZ**
Country/Region **USA/Las Vegas**
[mail this auction to a friend](#)
[request a gift alert](#)

Seller assumes all responsibility for listing this item. You should contact the seller to resolve any questions before bidding. Auction currency is U.S. dollars (\$) unless otherwise noted.

Description

Now is your chance to get in on the deal of the century! This computer wasn't getting used, so I am selling it. It works perfectly, I will guarantee that it won't be dead on arrival. It comes with all of the listed items below, plus with software that would cost you hundreds of dollars (there are no backups of the software included, only a Win98 boot disk and the notebook drivers CD/floppy are included). The case is also included. I am not putting a reserve on it, and bidding starts at only \$100.00. Unbelievable!! Serious bidders only! I reserve the right to not sell to anyone with negative feedback. I will ONLY accept Paypal or money order. I have perfect feedback and I want you to give me that as well, so you can relax with me! Good luck and let the bidding begin!! Check out more pictures at www.ctaz.com/~elsass/laptop2.jpg, www.ctaz.com/~elsass/laptop3.jpg, www.ctaz.com/~elsass/laptop4.jpg, www.ctaz.com/~elsass/laptop5.jpg You can email me with any questions at pelsass@azkrmc.com You pay shipping costs including shipping if returned. Hyperdata Advertise Model MEDIAGO 780, Production Model KE73/77/77T/78/78L, Machine's Model 5033, Serial Number TN88005335, CPU Type & Speed AMD K6-2 333MHZ, Memory Type & Size 64MB(ON M/B) 144PINS/3.3V EDO

12/08/00 -

Willie B. Mixon, Supervisor
Claims and Inquiry Section
Attn: WILLIAMS EURL
120400
Postal Data Center
PO Box 80142
Saint Louis MO 63180-0142

Mr. Mixon:

This letter is to appeal the decision not to refund me for the damage to my laptop computer, which occurred in shipping by the United States Postal Service. I am respectfully requesting that you reconsider your decision based on the following added information:

- 1.) I was told, by the manager of the local post office and the person who assisted me with the original shipment here in Kingman, that I should be covered for this loss.
- 2.) I have a witness that will testify that the computer was in working order prior to shipping.
- 3.) The receiving party has a witness that will testify that the computer when received did not work immediately following being unpackaged.
- 4.) I specifically increased the amount of insurance on this package so that it would be enough to cover the item if broken in transit or lost.
- 5.) If you do not cover this item, then it begs the question of why should I pay for insurance in the first place.
- 6.) No one at the local post office here asked me to see the item. If they had, I would gladly have shown them.
- 7.) It was stated to the employee here at the local post office that it was in fact a laptop computer.
- 8.) I stated to the local employee (and he will back this up if asked to) that I wanted the packaging to have "fragile" written on it and I wanted "this side up" to be placed on it appropriately. As you will see from the original packaging that you have in your possession, these phrases were never placed on the packaging. This failure to follow my specific instructions means that your belief that the item should be shown in advance to be working is moot. If the USPS employees fail to follow my instructions regarding safe shipping, then the USPS is liable for the damage. This local employee even recalled, when asked after the item was found to have been broken in transit, that I had requested the above phrases to be placed on the package.

For all of the above reasons, I believe that the USPS has an obligation to refund me for the loss of my laptop computer. I so strongly believe this, and in fact have the evidence to prove it, that if necessary I will take legal action. I would prefer not to do this, however, if the act of purchasing insurance does not cover my items, then it is an admission on the USPS part that it is just another way to make money on customers. To state that an employee would have had to have checked the item prior to shipping even though no employee stated that to me at the time of the transaction is ridiculous. If this is the USPS policy regarding how they will pay on insurance claims, then employees must state this. As I stated, this local USPS employee knew that the item was a laptop computer.

I would appreciate a prompt response to this claim, and I would also respectfully ask that I be immediately refunded the entire \$600 as requested. Please feel free to contact me with any questions. Thanks for your time and energy in this matter!

Sincerely,

Paul Elsass
224 Silver St.
Kingman, AZ 86401 (note new address)
520-692-4601 wk
520-753-6369 home

Nancy Pleimann, Supervisor
Indemnity Claims Appeals



January 22, 2001

Paul Elsass
224 Silver St.
Kingman, AZ 86401

Dear Mr. Elsass:

This is in response to your letter protesting the disallowance of your claim number 016062539 filed on Express Mail Article No. EK885354502US.

We are sorry for any problems that you may have experienced with our Express Mail Service. This office is required to adjudicate all domestic postal insurance claims in accordance with the Domestic Mail Manual and Headquarters' Directives.

The Postal Service does not accept liability for damages that cannot be confirmed by our Post Offices. Postal authorities in Wayne, PA examined the mailing container, packaging, and article. They were unable to find any visible sign of damage to the exterior or interior that is consistent with the condition of the article. It has been determined that the damage to the laptop computer could not have occurred without the mailing container showing some coinciding sign of damage. KKA

Postal regulations state in part that indemnity will not be paid when the damage was caused by shock, transportation environment, or x-ray, and no evidence of damage to the mailing container exists.

Considering the above, we have no alternative but to sustain disallowance of this claim. We regret any inconvenience this may have caused you, and that we are unable to provide a more favorable response. You may appeal the policy this decision is based on within ninety days from the date of this letter to:

Consumer Advocate
US Postal Service
475 L'Enfant Plaza SW Room 5820
Washington, DC 20260-2202

Sincerely,

Nancy Pleimann

cc:
David Melich
128 W Wayne Ave.
Wayne, PA 19087

01/28/01

Re: Nancy Pleimann's disallowance on 01/22/01
Consumer Advocate
US Postal Service
475 L'Enfant Plaza SW Room 5820
Washington, DC 20260-2202

To Whom It May Concern:

This letter is to appeal the decision not to refund me for the damage to my laptop computer, which occurred in shipping by the United States Postal Service. I am respectfully requesting that you reconsider your decision based on the following added information:

- 1.) I have contacted my Congressman (Bob Stump) and his office is forwarding this letter and copies of all previous paperwork on my behalf.
- 2.) I am also including, for the first time, a statement written and signed by two United States Postal workers that were directly involved with this incident. They are stating flat out that the decision to deny my claim is wrong.
- 3.) Damage to the package of any type, while visible or not is damage. I specifically asked the postal worker here to put "this side up" and "fragile" on the box. As you can also see by the packaging, this was never done. So whether or not there is visible damage is a moot point.
- 4.) I have a witness that will testify that the computer was in working order prior to shipping.
- 5.) The receiving party has a witness that will testify that the computer when received did not work immediately following being unpackaged.
- 6.) I specifically increased the amount of insurance on this package so that it would be enough to cover the item if broken in transit or lost.
- 7.) If you do not cover this item, then it begs the question of why should I pay for insurance in the first place? Are you prepared to make the statement publicly that any items shipped by the USPS that are damaged in transit from dropping or shaking, but with no visible damage to packaging, are not covered?!?!
- 8.) No one at the local post office here asked me to see the item. If they had, I would gladly have shown them.
- 9.) It was stated to the employee here at the local post office that it was in fact a laptop computer. He will admit to this fact.
- 10.) I stated to the local employee (see his statement) that I wanted the packaging to have "fragile" written on it and I wanted "this side up" to be placed on it appropriately. As you will see from the original packaging that you have in your possession, these phrases were never placed on the packaging. This failure to follow

my specific instructions means that your belief that the item should be shown in advance to be working is moot. If the USPS employees fail to follow my instructions regarding safe shipping, then the USPS is liable for the damage. This local employee even recalled, when asked after the item was found to have been broken in transit, that I had requested the above phrases to be placed on the package.

For all of the above reasons, I believe that the USPS has an obligation to refund me for the loss of my laptop computer. I so strongly believe this, and in fact have the evidence to prove it, that if necessary I will take legal action. I would prefer not to do this, however, if the act of purchasing insurance does not cover my items, then it is an admission on the part of the USPS that it is just another way to make money on customers. To state that an employee would have had to have checked the item prior to shipping even though no employee stated that to me at the time of the transaction is ridiculous. Also, this requirement or the statement about the condition of the packaging are not stated on the insurance form that I get a copy of. How can you invalidate my claim based on requirements that the consumer is never made aware of? In fact, how can you invalidate my claim based on requirements that the postal workers themselves are not made aware of (two Postmasters now have told me that they have never heard of this). You cannot. If this is the USPS policy regarding how they will pay on insurance claims, then employees must state this. As I stated, this local USPS employee knew that the item was a laptop computer.

I would appreciate a prompt response to this claim, and I would also respectfully ask that I be immediately refunded the entire \$600 as requested. Please feel free to contact me with any questions. Thanks for your time and energy in this matter!

Sincerely,

Paul Elsass
224 Silver St.
Kingman, AZ 86401 (note new address)
520-692-4601 wk
520-753-6369 home

CONSUMER AFFAIRS



March 23, 2001

Mr. Paul Elsass
224 Silver St
Kingman, AZ 86401-5631

Dear Mr. Elsass:

This is in response to your appeal on claim number 01-6062-539 filed with the Consumer Advocate.

Based on our review of all pertinent information within the claim file, we must uphold the January 22, 2001, decision issued by postal officials at the St. Louis Accounting Service Center for said claim. The Postal Service assumes liability for damage to an insured article when it is established that the damage occurred in the mailstream. Section S010.2.14p, Domestic Mail Manual (DMM) provides that indemnity is not paid for insured mail for damage caused by shock or transportation environment without evidence of damage to the mailing container.

Postal officials at the Wayne, Pennsylvania, Post Office confirmed that there was no evidence of damage to the exterior of the mailing container for the computer, and there was no tangible evidence that the item was mishandled while in postal custody. It would not have made a difference if "Fragile" had been written on the parcel. As previously mentioned, indemnity is not paid for damage caused by shock or transportation environment, without evidence of damage to the mailing container.

Under the above circumstances, your claim cannot be approved for payment. This office is the final level of postal authority concerning claim's appeal. I regret that my response could not have been more favorable.

Wayne postal officials will mail your computer to you the week of March 26.

Sincerely,

A handwritten signature in cursive script that reads "Connee Rainey".

Connee Rainey
Domestic Claims Specialist

Reference: W45018482



May 21, 2001

Mr. Paul Elsass
224 Silver Street
Kingman, AZ 86401-5631

Dear Mr. Elsass:

This is in response to your further correspondence concerning your claim.

Unfortunately, there is little we can add to the letter dated March 23, 2001 to you on this subject. The claim file was reviewed at all proper administrative levels within the Postal Service. All appropriate postal regulations have been followed in the adjudication and subsequent appeals of your claim, and the final decision rendered. As stated in previous correspondence, indemnity is not paid for damage caused by shock or transportation environment, without evidence of damage to the mailing container.

Attempts to settle any unresolved issues must be pursued through the civil process. I regret I could not provide further assistance.

Sincerely,


Connie L. Rainey
Domestic Claim Specialist

Reference: W45021968

Appendix C Page 21 of 25



February 1, 2001

Re: Claim for Paul Elsass
Claim #016062539

To Whom It May Concern:

This statement is in regards to the package that Mr. Paul Elsass mailed from the Post Office in Kingman, Arizona. Mr. Elsass mentioned to the clerk (Robert Galvin) that he was shipping a laptop computer. We did not ask him to see if it was in working order, because that is not a policy of the USPS that we are aware of. Mr. Elsass then stated that the package should have "Fragile" and "This Side Up" stamped on it. For whatever reason, this did not occur prior to shipping. When Mr. Elsass told us that the item had shown up at its destination in a condition other than working correctly, we stated to him that this should be covered by not only the standard \$500 insurance that comes with Express Mail, but also by the extra \$100 of insurance that he paid for. There is nothing on the back of the insurance form that the customer gets a copy of that would state otherwise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert Galvin".

Robert Galvin
Sales Associate
Kingman, AZ 86401

A handwritten signature in cursive script, appearing to read "Pat Colwell".

Pat Colwell
Customer Service Supervisor
Kingman, AZ 86401

<input checked="" type="checkbox"/> FILED	<input checked="" type="checkbox"/> LODGED
<input type="checkbox"/> RECEIVED	<input type="checkbox"/> COPY
JUN 20 2001	
CLERK U.S. DISTRICT COURT DISTRICT OF ARIZONA	
BY _____ CLERK	

PAUL K. CHARLTON
United States Attorney
District of Arizona

JOHN R. MAYFIELD
Assistant U.S. Attorney
Arizona State Bar No. 4848
Two Renaissance Square
40 North Central Avenue, Suite 1200
Phoenix, Arizona 85004-4408
Telephone: (602) 514-7500

UNITED STATES DISTRICT COURT

DISTRICT OF ARIZONA

PCT

CIV '01 1103 PAX JAT

Paul & Carrie Elsass,

Plaintiffs,

v.

Post Office 1901 Johnson Avenue,
Kingman, Az 86401; Pat Colwell, Customer
Service Supervisor

Defendants.

NOTICE OF REMOVAL
(Formerly Justice of the Peace Court
Kingman Precinct, County of
Mohave, State of Arizona
No. 801 01 CV-894 SC)

The United States of America, United States Postal Service dba Post Office 1901 Johnson Avenue, Kingman, Arizona 86401 and state court defendant and federal employee Pat Colwell, Customer Service Supervisor, by counsel, Paul K. Charlton, United States Attorney, pursuant to 39 U.S.C. § 405(a), hereby give notice of the removal of this action to this Court for the reasons which follow:

1. That they are defendants in the above-captioned civil action pending in the Justice of the Peace Court Kingman Precinct, County of Mohave, State of Arizona, entitled, *Paul & Carrie Elsass v. Post Office 1901 Johnson Avenue, Kingman, Az 86401; Pat Colwell, Customer Service Supervisor* and no trial has yet been set or had therein.

2. That the above-captioned action was commenced against the Federal defendants by filing a Complaint in the nature of a contract action on or about June 5, 2001, and received by the by the United States Attorney's Office on June 14, 2001. However, the United States Attorney's Office has not been served. (Copies of all process and pleadings that have been received by the United States Attorney's Office are attached hereto as Exhibit A.)

3 4. The above-named defendants are not required to file a bond pursuant to 28 U.S.C.
4 § 2408..

5 WHEREFORE, the above-named defendants pray that the above-captioned action now
6 pending before the Justice of the Peace Court Kingman Precinct, County of Mohave, State of
7 Arizona be removed therefrom to this Court pursuant to 39 U.S.C. § 409(a) and 28 U.S.C.
8 §§ 1346.

9 | Respectfully submitted this 20th day of June, 2001.

PAUL K. CHARLTON
United States Attorney
District of Arizona //

JOHN R. MAYFIELD
Assistant U.S. Attorney

15 Original filed and copy of the foregoing
mailed this 27th day of June, 2001, to:

16 Paul and Carrie Elsass
224 Silver Street
17 Kingman, Arizona 86401

Justice of the Peace Court
Kingman Precinct
524 W. Beale
P.O. Box 29
Kingman, Arizona 86402

21 Debbie Forakis
22 Paralegal Specialist
23 Law Department
United States Postal Service
9350 South 150 East, Suite 800
Sandy, Utah 84070-2716

24 Alcibiades
25

<p>KINGMAN PRECINCT JUSTICE OF THE PEACE COURT</p> <p>COUNTY OF <u>MOHAVE</u>, STATE OF ARIZONA <u>524 W. Beate</u> ADDRESS <u>401 E. SPRING STREET, P.O. BOX 29</u> KINGMAN, ARIZONA 86402 PHONE: <u>753-0710</u></p>	<p>CASE NUMBER <u>801 01-CV-894 SC</u></p> <p>SMALL CLAIMS DIVISION</p> <p>COMPLAINT / SUMMONS / ANSWER</p>
<p>PLAINTIFF (Name / Address / Telephone) <u>Paul & Carrie Elsass</u> (520) 753-6369 <u>224 Silver St.</u> <u>Kingman AZ 86401</u></p>	<p>DEFENDANT (Name / Address / Telephone) <u>Post office 1901 Johnson Ave.</u> (520) 753-2480 <u>Kingman AZ 86401</u> <u>Pat Colwell - customer service supervisor</u></p>
<p>NOTICE AND SUMMONS</p>	
<p>TO THE ABOVE-NAMED DEFENDANT:</p> <p>YOU ARE DIRECTED TO ANSWER WITHIN TWENTY (20) DAYS THE CLAIM OF THE PLAINTIFF IN THE SMALL CLAIMS DIVISION OF THE COURT CITED ABOVE. IF YOU DO NOT APPEAR AND DEFEND, YOU RUN THE RISK OF HAVING AN APPROPRIATE JUDGMENT ENTERED AGAINST YOU. If you wish to defend against the Plaintiff's claim, you must pay a \$ <u>4</u> fee at the time you file your answer.</p>	
<p><u>11-5-01</u> Date</p>	<p><u>K57KAS</u> Clerk, Small Claims Division</p>
<p style="text-align: center;">PLAINTIFF'S CLAIM</p> <p>The Defendant owes me \$ <u>600.00 + 6.00 filing fee = \$606.00</u> for the following reasons: <u>We insured our laptop for \$600.00 when mailed through USPS in Oct. '00. Claim was not paid when laptop was broken in transit. The insurance information given to the customer states that loss & damage are covered.</u></p> <p><u>5-31-01</u> Date <u>Carrie Elsass / Pat Colwell</u> Plaintiff's Signature</p>	
<p>NOTICE TO DEFENDANT: If you contest this claim, you must complete the Answer below and file it in the Small Claims Division of the Court named above within twenty (20) days of the date of service.</p> <p style="text-align: center;">DEFENDANT'S ANSWER</p> <p>I do not owe the Plaintiff because: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>Date _____ Defendant's Signature _____</p>	
<p><u>WARNING</u></p> <p>"YOU DO NOT HAVE THE RIGHT TO APPEAL THE DECISION OF THE HEARING OFFICER OR THE JUSTICE OF THE PEACE IN A SMALL CLAIMS COURT. IF YOU WISH TO PRESERVE YOUR RIGHT TO APPEAL, YOU MAY HAVE YOUR CASE TRANSFERRED TO THE JUSTICE COURT PURSUANT TO SECTION 22-504, SUBSECTION A, IF YOU REQUEST SUCH TRANSFER AT LEAST ONE DAY PRIOR TO THE DAY OF THE SCHEDULED HEARING."</p>	

Guarantee: Express Mail International mailings are not covered by this service agreement. Military shipments delayed due to Customs inspections are also covered. If the shipment is mailed at a designated USPS Express Mail facility on or before the specified deposit time for overnight delivery to the addressee, delivery to addressee or agent will be attempted before the guaranteed time the next delivery day. Signature of the addressee, addressee's agent, or delivery employee is required upon delivery. If a delivery attempt is not made by the guaranteed time and the mailer files a claim for a refund, the USPS will refund the postage, unless: 1) delivery was attempted but could not be made, or the article was available for pickup at destination, 2) this shipment was delayed by strike or work stoppage, or 3) notification was made for a law enforcement purpose.

Notice is left for the addressee when an item cannot be delivered on a first attempt. If the item cannot be delivered on the second attempt and is not claimed by the addressee within five days of the second attempt, it will be returned to sender at no additional postage.

Please consult your local Express Mail directory for noon and 3:00 p.m. delivery areas and for information on International and Military Express Mail services. See the Domestic Mail Manual for details.

Insurance Coverage: Insurance is provided only in accordance with postal regulations in the *Domestic Mail Manual* (DMM) and, for international shipments, the *International Mail Manual* (IMM). The DMM and IMM set forth the specific types of losses that are covered, the limitations on coverage, terms of insurance, conditions of payment, and adjudication procedures. Copies of the DMM and IMM are available for inspection at any post office. If copies are not available and information on Express Mail insurance is requested, please contact postmaster prior to mailing. The DMM and the IMM consist of federal regulations, and USPS personnel are NOT authorized to change or waive these regulations or grant exceptions. Limitations prescribed in the DMM and IMM provide, in part, that:

The contents of Express Mail shipments defined by postal regulations as merchandise are insured against loss, damage, or rifling. Coverage up to \$500 per shipment is included at no additional charge. Additional merchandise insurance up to \$5,000 per shipment may be purchased for an additional fee; however, additional insurance is void if waiver of the addressee's signature is requested.

Coverage extends to the actual value of the contents at the time of mailing or the cost of repairs, not to exceed the limit fixed for the insurance coverage obtained. Items defined by postal regulations as "negotiable items" (items that can be converted to cash without resort to forgery), currency, or bullion are insured up to a maximum of \$15 per shipment.

For International Express Mail shipments, insurance coverage may vary by country and may not be available to some countries. There is no indemnity for items containing coins, banknotes, currency notes (paper money); securities of any kind payable to the bearer; traveler's checks, platinum, gold, and silver (manufactured or not); precious stones, jewelry, and other valuable or prohibited articles.

Items defined by Postal indemnity regulations as nonnegotiable documents are insured against loss, damage, or rifling up to \$500 per shipment for document reconstruction, subject to additional limitations for multiple pieces lost or damaged in a single catastrophic occurrence. Document reconstruction insurance provides reimbursement for the reasonable costs incurred in reconstructing duplicates of negotiable documents mailed. Document reconstruction insurance coverage above \$500 per shipment is NOT available, and attempts to purchase additional document insurance are void.

No coverage is provided for consequential losses due to loss, damage, or delay of Express Mail, or for concealed damage, spoilage of perishable items, and articles improperly packaged or too fragile to withstand normal handling in the mail.

RATE, TERMS, AND LIMITATIONS ARE SUBJECT TO CHANGE. Please Consult *Domestic Mail Manual* and *International Mail Manual* for additional limitations and terms of coverage.

Claims: Original customer receipt of the Express Mail label must be presented when filing an indemnity claim and/or for a postage refund.

Claims for delay, loss, damage, or rifling must be made within 90 days of the date of mailing; for international, call 1-800-222-1811.

Claim forms may be obtained and filed at any post office.

To file a claim for damage, the article, container, and packaging must be presented to the USPS for inspection. To file a claim for loss of contents, the container and packaging must be presented to the USPS for inspection. **PLEASE DO NOT REMAIL.**

THANK YOU FOR CHOOSING EXPRESS MAIL.

L'ENFANT POST OFFICE NOW A MODEL FOR QUALITY CUSTOMER SERVICE

In its outreach efforts, the Office of the Consumer Advocate (OCA) has heard from many consumers that long lines at Post Offices continue to be a problem. In the past year the Postal Service has remodeled the L'Enfant Post Office, creating a more consumer friendly environment.

Attached are pictures of the L'Enfant Post Office taken on a weekday at noon.

Picture one provides an overview of the *customer service at a glance: business as usual*. The Post Office is busy, but no one is forced to wait in line. At the front of the picture are the stamp shop and retail products displays; farther back is the service counter with a changing display explaining Postal service.

Picture two shows the take a number station with the number currently being served, as well as the wait time – in this photo, 2 minutes. Consumers are freed from the constraints of standing in line. They have the opportunity to prepare materials for mailing or browse the retail area during their wait.

Picture three shows the counter activity with the informational video above. It also shows the number of the customer currently being served, as well as the waiting time for service.

Picture four provides an overview of the Post office from the self-service center. All choices for doing business are visible upon entering the Post Office.

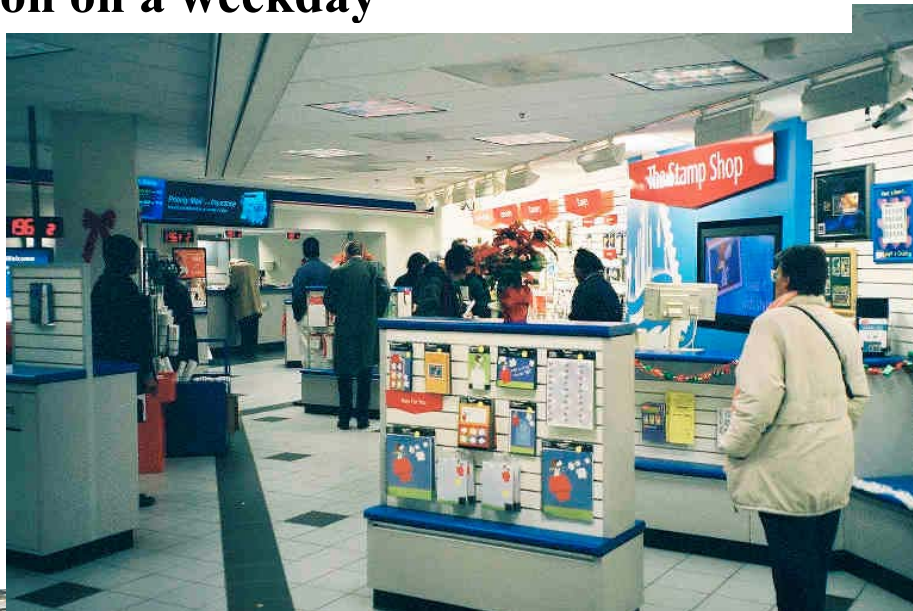
Picture five shows the self-service section complete with counter space for preparations of mailings.

Picture six shows a Postal scale with instructions on how to weigh items for mailing. (Postal scales in other Post Offices are often in obscure places without instructions.)

L'Enfant Post Office

noon on a weekday

1 (Right) – Customer Service at a glance: Business as usual.



2 (Left) - Take-a-number station with length of wait information.

3 (Right) - Changing video with information about postal products and services.

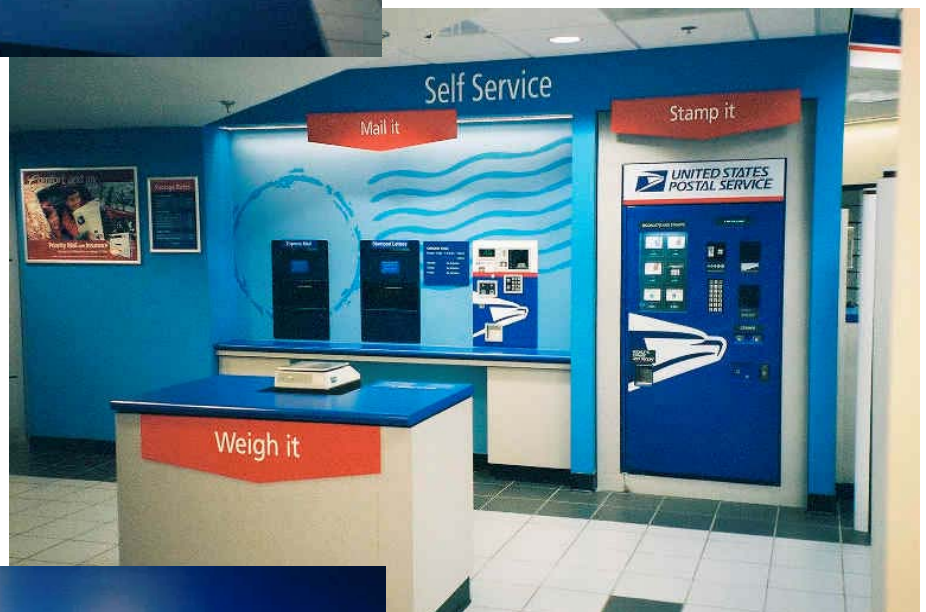


L'Enfant Post Office noon on a weekday



4 (Left) – Customer Service at a glance: all choices for doing business are visible upon entering the post office.

5 (Right) - Easy to use self-service center.



6 (Left) - Postal scale with clear how-to directions.

Appendix E

Mailing Options At A Glance

	<u>Express Mail</u>	<u>Priority Mail</u>	<u>First-Class Mail</u>	<u>Parcel Post</u>
Days To Delivery:	Overnight & Second-Day ¹	2- 5 Days ²	1-3 Days	xx Days ³
Money-Back Guaranteed Delivery	Yes	No	No	No
Mail Type	Letters, Flats and Parcels	Letters, Flats and Parcels	Letters, Cards, Flats and Parcels	Parcels
Weight Limits:	Up to 70 lbs	Up to 70 lbs.	13 oz. or less	Up to 70 lbs
Price based upon: Weight Zone	Yes No	Yes Yes if over 1 lb.	Yes No	Yes Yes
Price range: ⁴ Starts at Maximum	\$ 13.65 \$133.20	\$ 3.85 \$122.30	\$0.37 \$3.13	\$2.81 \$40.93

¹ Delivery 365 days a year, including weekends and holidays.

² 2-3-day delivery in most locations. [See discussion in section II.A.6. of the Report]

³ [To be formulated by the Postal Service based on their measurements]

⁴ [Based upon proposed settlement rates as of February 5, 2002. See http://www.usps.gov/ratecase/html_rates/R000toc.htm.]