



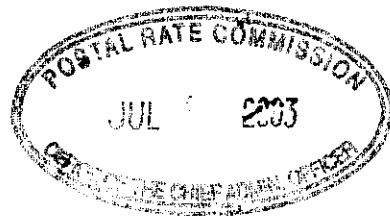
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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

June 27, 2003

Postal Rate Commission
1333 H Street NW
Suite 300
Washington DC.

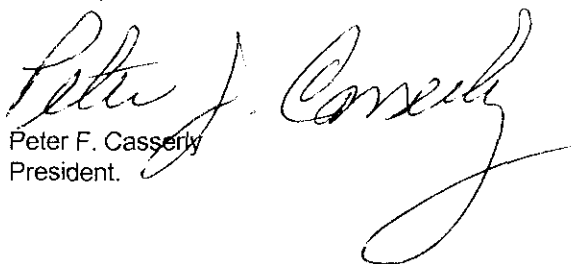


Subject: Complaint 2003-2

Dear Mr. Williams;

Please find enclosed a transcript of a speech Mr. Dorsey gave at the March 2001 Postal Forum and a copy of the tape provided by Audio Print International on behalf of the Postal Service. This tape copy can be used to verify the accuracy of the transcription if the Postal Service objects to the wording used in my Motion to Leave for a reply.

Sincerely,


Peter F. Casserly
President.

1588 SOUTH MISSION ROAD, SUITE 110
FALLBROOK, CA 92028-4112
(760) 728-0565

ATTACHMENT A

SPRING NPF 2001 - JOHN DORSEY/TOM CARTER

Good morning, I'm John Dorsey. I am the Manager of Special Services at Postal Service Headquarters. There's a few little housekeeping things that we're always reminded to share with you which you probably have heard and can quote by memory yourself by the third day of the forum. But we try to remind people that these sessions are recorded. Sometimes they do it randomly, so your voice may be heard loud and clear. The presentation part is mostly what they're recording. Handouts...we apologize we don't have a copy of what we're showing you here because we now have these materials available on National Postal Forum.com distribution. You've probably heard something about that. Everybody will be able to log on and get all the forum materials they would like. We have evaluation forms.

What we're going to do today is talk to the special services business. But unlike previous forums where you may have come to a session that had the label "special services something or other" on it, this one is far less technical. This is not going to have any bits and bytes talk about how wide and tall a bar code needs to be on a label. It's not going to talk about size, shape, dimension labels, it's not going to talk about tagants.

What we're going to talk about instead, as hopefully the title of the session suggested to you, is what are we about to do to change and ramp up the electronic capabilities around special services. So in order to do that, we're going to run through a part of the description and talk about special services. Come on up, Tom. I'm going to take a moment of interruption...one of the co-speakers I have with me today is Tom Carter, who is the President/CEO of U.S. Certified Letters.com, also known as USCL.com, I believe, and he's going to speak after I do to give you a little preview of something that the Postal Service is now offering as a part of our net post mailing on line option to click, so as we follow through the agenda, you'll see where Tom's piece will come in.

Basically I'm going to run through a quick inventory just for those who don't know what the total span of what we manage at special services are is. We're going to talk about expanding the value add that special services are intended to do, by embracing the internet. We're going to talk about how to expand new ways to electronically confirm things about mail with special services. We're going to talk a little bit about not so long out there in the future sending electronically, like today. That's pretty exciting. And of course, hybrid certified mail solution is one of those. Then following that I'm going to give you a little quick introduction of several of the other supplies and vendors in this whole special services market that help create customized solutions and things.

So let's move on with the agenda and talk a little bit about what are the Special Services and what does it really mean in terms of the amount of business. Postal Service

collects about \$2 billion a year in fees paid to do various things for your mail. Basically the value add might be and the form of confirming delivery with signatures. We did about \$340 million of those last year. We've confirmed \$350 million deliveries in the past year using the combination of the confirming services, including the newest delivery confirmation. We've protected or insured over \$65 million parcels in the past year. Our money order business is part of special services as well. We've cashed more than \$29 billion in money orders, which means a lot of people have come to find the Postal Service money order brand an incredibly good quality, especially now when buying on the internet in increasing numbers. And of course we have about 17 million places where people choose to get their mail, called the post office box or caller service. So this is a pretty important area of business. Throughout COD service we collected about 4 million payments for merchandise delivered for parcel mail order shippers.

So with that, let's run through real quickly a preview of what the current array of special services are. Starting with those that are primarily used to either prove you mailed it or confirm that we delivered it. In the package services business, expedited, priority, and package parcel select, we have the traditional delivery confirmation that's now been out there for a couple years. We have the newest member, signature confirmation, and of course we have the old, reliable return receipt with merchandise which is still the preference of a few. And of course we have the return receipt that you can also buy if you insure, register, or provide a COD service along with the package.

On the letter mail side, if you look at first class mail, the traditional special services array has been good old certified mail, one of the strongest, deepest brands in the history of the postal business, the return receipt along with that which provides the good old blue ink on green card peace of mind – yes, Joe Smith did sign it – or I can buy the return receipt after mailing if I only need to do that when needed.

Now if we look at the secure services, we like to call them, we basically have the insurance, which we've added a number of new things I'm going to talk about; registered mail, which is the ultimate – we send an armed guard along with the package to make sure it doesn't get lost. A lot of people probably know that the Hope Diamond got delivered to the Smithsonian Institute by registered mail. And of course COD is a service that's been out there, but it is increasing in its popularity for a number of reasons that I'll share and why we're going to try to do some new things with it. The post office box and the money order business gives you choices of where you can get your mail, whether you're a small business in Kansas and want to look like you operate in 20 markets, it's a good way to do it, caller service for capturing remittances. But the sending money, money order option obviously is about 220 items purchased a year which is something we can also do some value add improvements with.

So let's go through the current array of what, in terms of electronically accessible services, do we have and where are we going next. Well, in 1999 we introduced the delivery confirmation service which gives people the ability to get on the phone or get on the internet and get delivery time and date back. And just the first week in February, we

introduced the new signature confirmation service that can be purchased with the extradited priority package services, which provides the ability to get on the phone or internet and request whether you'd like to have faxed or mailed to you a hard copy of the signature, delivery time and date. We're not sending the signatures over cyberspace quite yet, but that's coming.

If you look at the current package services, the way they work, we've built a platform out. But if we look at good old Fred, the mail sender, and Fred gets the mail to the Postal Service by a number of ways, we accept the mail, put it into our system, and we have a delivery function now that looks a little different. Basically our delivery employees are carrying around in their holster this little mobile data collection device that you see here. And they're scanning bar codes, bar coded labels on right now all of the Special Services. Delivery confirmation, signature confirmation, certified, registered, insured, COD. All of those items that all of you have worked so hard to get bar codes on in the past year are now being captured electronically and basically that's giving us the ability for those services that have now been offered in the marketplace, delivery and signature confirmation, to enjoy the benefits of logging onto our USPS.com, click on Track and Confirm, punch in your delivery or signature confirmation number, and close the loop by getting the delivery information you want. And you never had to leave the office or the home.

Now if we step ahead, we have a couple other opportunities to take this information platform that I just described to you that's been built, the product tracking system that is out there for our package and priority and express services, and take that to the next step and say, why can't people who send regular old first class mail, #10 envelopes, business correspondence, personal correspondence and the like, why can't they enjoy some of this new infrastructure. So what I'm going to show you is we have very specific plans that we're working on right now, number one to put into a rate case filing with the Postal Rate Commission in the not too distant future, which is a requirement for us to go through in order to redefine how a service works and to adjust fees for these services. So here are three things that I'm going to show you that are going into this rate case filing to ramp up the end of the 10-month litigation period with the Rate Commission, our readiness to deploy these new services. Starting with building delivery time and date on the internet, just like you saw for package services, built into certified mail. I buy certified mail, I put the sticker on the piece, I give it to the Postal Service, and on day two or three, after it's delivered, voila—we have delivery time and date accessible.

Another step to make all of these things more friendly through embracing the internet is to take the return receipt after mailing, which you may choose to do instead of buying the green 3811 with the mailing, and you normally go into the post office and you give us \$3.50 and we give you the delivery date and time and signature. Now you'll be able to get on the internet, once we make these modifications, get through the rate filing, transact \$3.50 to the Postal Service, or if you had 10 pieces \$35, or whatever you had, and actually access the ability, just like you would have walked into the post office, to have that delivery time, date, and signature faxed to your fax location or mail location of

preference.

And then the real crescendo is to go to a truly electronic return receipt, which means just like with the green card, once you've given us the mail and you've paid the fees, all you do is just sit back and receive the information – delivery time, date, and signature back, right to your e-mail address, automatically. You don't have to log onto the web site and ask for five items. So these are the key things we're working on, to take this information technology platform and take it to the next step. So much like I described, good old Fred is now sending a batch of certified, first class letters. He gets it to the Postal Services, we put it through either over-the-counter acceptance, somebody picks it up, the carrier takes it away. The certified labels get scanned today, just as I described. That data is now being stored in our product tracking system and as I described, you'll be able to log onto the web site, punch in a certified mail number and get delivery time and date. Or, purchase a return receipt after mailing, or take the internet opportunity a step further and create the electronic return receipt automatically back. So there's a multitude of options, all of which will provide the ability for people to get delivery time and date and signature, if that's what they've chosen, within a matter of two to three days. Because that's about how long it takes to deliver a first class letter. If you still want the return receipt with mailing, the green card, nobody's taken that away. All we're doing is adding new features or options. You'll have the ability to buy an e-return receipt, just like you would buy a hard copy, stick it on the envelope, a hard copy receipt.

So if we look at the next category, which is the secure services, insured mail, we're also building off of several other technology platforms that are now being put into place, the ability for the parcel shippers that give us substantial volumes every day, to be able to create an electronic manifest, provide electronic proof that their mail has been accepted, transmit this manifest to us electronically, along with their insured numbers. And then process all of their claims, filings, and receive settlement, totally on line, electronically. No paper, no fuss, no muss. I might add that the first part of this system has already been built, which is re-engineering our claims and settlement process which is going into actual operational test in about a month or two. It's going to take—and I'm ashamed to say this but I might as well be honest—you know it better than I do if you're a parcel shipper, the average time for claim settlement is 90 days. That's average. This new system, by embracing some of the technology, has proven to be able to file and settle, accept claims filings, settle them in less than 10 days. So creating the electronic interface, putting the technology to work process, move all the information around between the local post office up to our St. Louis accounting services center, processing the claim, getting the settlement back, will be, I think, within industry standard and fairly competitive.

The COD service which I mentioned before, is kind of coming back to life. There's a lot of parcel shippers that now want to target various culturally diverse audiences who tend to be under-banked, that prefer to pay in cash or check for merchandise when it's delivered. We need to do some clean-up on this too. So we're going to create an integrated bar code that will allow with one bar code on the mail piece to combine COD

and the insurance or without insurance is one of the options. Several have asked can I get COD without insurance because I use a commercial insurer. And then of course the single biggest thing is an automatic cash roll-up to a central account. Instead of sending 10,000 money orders back to, for example, Fingerhut, every day for COD shipments, we'll amass and consolidate to central account all that cash roll-up. Now that's not rocket science but it's a step we haven't taken yet which we think will make us a much friendlier parcel shipper in addition to all the confirming information we've developed.

The PO boxes and money orders, while it may not relate directly to a lot of the mailing activity that you folks are involved with, it may because we now have the ability to do a couple of interesting things. We now have all our PO boxes databased. We're going to create an on-line relationship for somebody from any location to get on line and rent a PO box anywhere. If I'm that businessperson in Kansas City and I want to offer my little brokerage service out to 20 markets, I can arrange to have those boxes set up to give me a local address in those 20 markets. Automatic renewal, what a pain in the butt to get your notice to pay your PO box renewal fee every six months. It ought to be just like your AOL account at home. It just automatically gets debited and paid every month. We have the ability to do the same thing.

You've got "real mail," right back to your e-mail every morning – tell you whether you've got mail in your post office box or not – yep, that's real. We're developing it, we'll be testing it in three months. Within the next following nine months we expect to give you the option to pay a little extra fee every six months to get "you've got real mail," a post office box or right back to your PO box. Particularly useful for people who have couriers who take care of their box collections and want to know when they need to sweep buy a certain post office to pick up the mail or not.

The internet purchase of money orders is a no-brainer, but we haven't done it yet. Everybody that does business on E-Bay tells us I'd love to use postal money orders because that's what all my payees want. But they're too hard to get by having to go to the post office. So we're creating new ways to actually buy a postal money order on line and print it out on your computer or send electronically the money order to the payee and have them be able to print it out on their printer and take it to the post office or bank and cash it.

So this is really a pretty broad category of opportunity. Thinking about the PO box initiative of "you've got real mail," within an hour of the time the mail is put in your box sent anywhere to your home or business, and/or business, so you can determine whether you need to go back to your PO box and pick up that day or not.

Shifting the focus over to now a lot of things we talked about, collecting information about delivery, or confirming, or securing. Let's shift for a minute about making the process more user-friendly on the initiating the mail side, sending it, creating it, and a whole range of activities that go with that. Net Post mailing on line...has anybody heard

of that here before? We have an exhibit down in the Postal Service section of the exhibit hall where they're demonstrating Net Post mailing on line. And it's our way of saying we're going to provide some services so that people can get on the computer, on the internet and generate whatever they want to send. You want to send a green card? The Postal Service has a way to do that on Net Post. You want to generate an advertising mailing? The Postal Service has created a link to a provider that can do that. And of course, what we're going to talk about shortly in Tom's business, which is you want to send certified mail? Net Post provides you that opportunity. So hybrid mail services are what the Postal Service is trying to get seeded out there into the marketplace by our own offering of these. And we're not doing any of this business ourselves, we're doing it through business partners who have been blessed to be able to live up to the standards of our lawyers, which is pretty tough, and be able to provide the service and kind of put something in one place where can get it. And this is only the beginning. Postal Service will be able to provide connections to a wider host of providers in this whole marketplace as we move through time.

The digital meter network is a new thing out there. Digit meters communicate with your meter provider, do all kinds of data collection. There's some opportunities here that are going to add value to creating the special services along with mail. PC postage? The same thing. A network provider that has a whole host of small businesses or private citizens, or larger businesses, parts of larger businesses networked through a process that collects and captures data. The way we see this opportunity shaping up is that net post mailing ones-y/twos-y, whichever you choose. So the Net Post demo is available down in the exhibit hall in the Postal Service exhibit.

The hybrid certified mail piece, which is probably the piece of Net Post mailing on line that is most relevant to our subject, sending electronically, again brings us our friendly mail sender. If you look at a simple ability to electronically send the correspondence to the provider, sending mailing lists to the provider, basically having it click through our Net Post connection to US Certified Letters.com or USCL, they in turn, of course using much more commercial looking printers than this example, actually create your bits and bytes into hard copy mail. They give it to us and we provide the delivery to multiple players. This is really a time that has come, to create a new kind of out-source solution.

Now if you take a look at what the digital meter/PC postage arena provides in terms of opportunity, basically they have an electronic environment where they capture data. We have a web site and an internet connection from our product tracking system that I shared with you earlier. If you put these two capabilities together, then what you end up with is a totally interactive flow of data that says I am using (I won't use any real brand)..I'm using the Acme digital meter in my mail room or in my mail center and I'm running all my certified mail through that today, and I paid my postage and fees and have gotten it labeled up. That data went right to my...automatically to my PC postage or my digital network provider. They batched that data to the Postal Service at the end of the day, and then the Postal Service automatically batched back matching delivery date and time records against that and gave it back to your network provider, and they

automatically gave you e-mail back every day through your digital meter connection or our PC postage connection, the equivalent of delivery time and date, like an e-mail. It just comes back to you all automatically. So we are creating the opportunity for the digital meter and PC postage provider to get in the game of adding more value, customized around their set of users.

Now there's nothing more important in the whole business of special services than what goes on the mail to identify it. It's what goes on the mail to provide our electronic capture, when the carrier/delivery person scans that piece. It's what creates our product tracking system. This is where it all starts. We have some very important players in this arena that really make this all happen, through either combinations of software particularly customized or off the shelf. There's over 40,000 law firms using particular types of software designed specifically for certified mail provided by people that are here at the forum or not at the forum, that are in the business of providing forms, labels, supplies and everything around certified mail, insured mail, registered mail, COD mail. So a postal forum is an incredibly appropriate place to talk about these people and these players because most of what you're going to be trying to do in the next year to two to three years is all about what they offer to fit your particular need. Customized out-source solutions. So I'm going to always take my opportunity to give a commercial to all of these people and all of these companies that provide this support.

Here are the companies, minus one or two that chose to stay regional, not be nationally recognized. And of course US Certified Letters.com is not on here because John goofed up and didn't get them on here. I want to just run through this list briefly for you because several of these people are exhibiting here at the forum, and you need to talk to as many of them as you can about what they do and get up to date. Because what they offered last year and what they offer this year is dramatically different in terms of the capabilities, because it's a changing world in terms of creating product, labeling, marketing, preparing product, on desktop environment, on mainframe environment and the likes. So I'd like to ask anybody that's representing one of these companies here to raise your hand, stand up for a second, and tell us where you're exhibiting, if you are, or at least acknowledge that you're here...people want to talk to you.

(Audience member speaking – inaudible)

...and Glen's group has some handouts in the back of the room too. I apologize we didn't get turnaround time working well enough to get handouts from all of the suppliers and providers but I can guarantee you that you can get to us and let us know what you need, because we have a list of certified vendors that have all the phone contacts.

(Audience members speaking – inaudible).

I think one of the important things is that people that are in your area of business sort of have a responsibility to stay up on what's new and what's not for your organizations. That's why you come to postal forums, to scout, and these people right here are the

people where you will find every innovation happening over time. They have in the past many years, they will in the next year or two. So if you're not scanning, not just at postal forum time but throughout the year, getting on the internet, checking out what they offer, talking to people and kind of seeing how they do it, then the accountable mail area, as we call it, in your mail room or mail center or general office, probably won't be all it can be. Considering the fact that budgets are getting tight and the likes, it's important to stay up with that. But I personally would like to thank these folks and everybody here for the grand effort that everybody made to get all of this universe of certified mail and other labels bar coded in the past year. It was a valiant challenge and we have...

END OF SIDE 1

...made remarkable success, so we now have over 90% of the labeled mail volume, which is about 800 million pieces a year, with bar codes. We have a few laggards that are working with us closely, and they're coming across the finish line soon. So we appreciate the help. So basically, if I were to capsulize all this stuff that I described to you and say what's next, we're working hard to do costing data, pricing, costing, how's it going to work, get the systems mapped out to get a rate case ride, in the next rate case, to add all these new electronic enhancements and features in that I described to you. A lot for first class mail will be in there. It will be the first time that certified mail will have all the same electronic access delivery data information and so we've got to go through a Rate Commission process. If you say why do you have to wait 10 months to do this, John, then I say you're a good candidate to go talk to your congressman about postal reform. Because it is the way we set rates. We're required to go to the Rate Commission, and they have the right to take up to 10 months to conduct massive litigation processes around new products and features. Things that we could turn on with the flip of switch today, we're not allowed to do until we go through that Rate Commission process. It's just something we have to do under the existing system.

We've got a lot of systems development work finished around these information platforms I talked about, product tracking system, adding web site interfaces, electronic return receipt, is going to be going through a vehicle. You may have seen in Pete Jacobson's technology session authenticated, encrypted e-mail service vehicles is how we're going to run electronic signature, time, and date back to your e-mail address. So these chunks and parts and pieces are being put in place. We'll be tying them altogether which basically will provide that whole integrated look of services. So this is what we really call sort of our electronic suite of special services. By a year from this summer, what you will be doing and seeing and how you will interact with delivery information about the mail, the things you paid extra for, will not look anything...let's put it this way, the stuff we're talking about is not your father's certified mail, to borrow a phrase from Oldsmobile. This will be very new, improved stuff. So we're trying to step out and break the mold of the old traditional, hard copy, add more value through embracing the internet, and creating and expanding the services it provides faster, better, more accessible, and even new solutions to add value for you. So that's really my piece...and now I'd like to switch over and let Tom give you a little peek of what the

interface looks like through the Net Post hybrid certified mail service. So be patient for a moment, let me click out of this, get him ramped up here, and we'll then turn it over to Tom.

New Speaker:

Good morning, my name is Tom Carter. I'm President and CEO of US Certified Letters. We're based in Birmingham, Alabama. It's a pleasure for me to be here today to talk with US Postal Service and discuss what our company can provide to you, or to your customers and show how this service can benefit not only US Postal Service, but all your customers or yourself alone. Your certified letters provide business-to-business and business-to-consumer mail service. Based on a solid reputation and a long-standing relationship that I've had with the US Postal Service over the years, I *recognized a need for faster, simpler, and more cost efficient and time efficient systems for handling certified mail.* And instead of competing with the US Postal Service over the last few years...instead of competing with them, I saw that both parties could work together in an effort to offer customers automation options of sending certified mail.

There are basically two systems or two versions US Certified Letters offers. One is a web site. The web site was designed originally for any person, homeowner, at home or even a business that wanted to do one or two pieces of certified mail at a time. Over the updates we've come over the last few days, the web site will allow you to do more than one piece of mail, definitely, but we have the second version, which we call certified mail management system. This system was designed for an off-line version of the web site, allowing the customer to download from our web site, even from Net Post on line, our off-line version which allows you to put it on the desktop, or single user, for multi- or single pieces of certified mail, or load it into a network within the corporation, allowing the company to send certified mail from any desktop that's within that company.

You also have the ability to upload or download database files with thousands of names and addresses into CMMS and bring that down to our site for processing. Both systems allow mail merge capabilities, the way you can populate the letter or a document with other information, so each recipient that gets a letter, each one has different information that you want to put to that recipient, you can, and it's identical to a mail merge that you would see in a word processing system. Both systems are word process rich text, so that allows you to upload a letter template from any word processing system, even from mainframes and mid-ranges that use office management systems within the company. So both versions give you the ability...from mail merge, gives you the ability to do one piece of mail or multiple, hundreds of pieces of mail.

CMMS works very simply. A customer can go onto the web site, download the software on the desktop or within the network. They type it directly into our system or they drag, paste, or pull templates in from a system they already have. So basically what you're doing with both systems, the web and the CMMS side of the world, is you create a letter. The letter has been created on some word processing system within your

company. At that point in time, that's where it ends for the customer. There's no more processing, handling, insertions or anything. That data that's coming from your company comes into us and we process. We not only process it and print it the way you would normally do it, but we're sorting it, we're correcting the addresses for you're, because we're turning this mail into automation mail, so that we can deliver it through the bulk mail center, and it even gives you discounts on postage rates.

So the ability to take the labor away, or take the problems away from what you're doing...traditionally the old way is to hand stuff. There are other ways of doing it. There are software packages out there that do this. But we're trying to take the labor totally away from the customer itself. The mail is sent to us. The document with the addresses, the processes, are sent to us. We process the mail, insert the mail, or fold the mail, print the mail and get it to the US Postal Service and get it into the stream for you. The letters are delivered by the employees of Postal Service, just like normal certified mail. Receipts are sent back to the sender, the traditional green cards can be used if you like, and they are sent back to the sender just like you had sent the mail out yourself.

Delivery confirmation is available electronically, giving you a manifest of what you sent that day. In the near future you can also get the back end, tracking that will allow you to find out electronically where the mail was.

Benefits – there's a lot of benefits. I've got three basic benefits that I think point out what we have to offer. Time and cost efficiency. Now, again, business spends a lot on large volume, spends a lot of time handling certified mail, including batching, sorting, inserting, taking to the post office. A lot of handling, a lot of record-keeping. US Certified Letters program automates the entire process and, as I said before, once you've created your letter and put your recipients with that letter and put the data to each recipient that you want, whether you download that data to us or key it into the system, the customer is done. The efficiency and reliability of that system tells the user that not only are they getting rid of labor, getting rid of the time-consuming process it takes to do mail within your own company, the reliability of it is that it's all computerized. The manpower that you used before to process this mail has gone away, so it's a more efficient use of the people that's in the shop, and you can do more mail at the same time.

All the bar coding and codes, the tracking front end and back end is handled computerized and automatically through the system. Today's traditional method is for employees to handle mail. We're trying to take that away from the customer. We've sent our mail through, testing for bar coded testing, over 100,000 pieces of paper or mail have been tested, and we have zero errors on either side. You don't lose tracking numbers, you don't transpose numbers, you don't have to fill out reports.

Organization is the third one that I look at. CMMS, certified mail management system, offers the customer a full service solution...

END OF SIDE 2, END OF TAPE

06/20/02