

Postal Rate Commission
Submitted 9/26/2005 12:00 pm
Filing ID: 46888
Accepted 9/26/2005

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

Postal Rate and Fee Changes, 2005

Docket No. R2005-1

**DOUGLAS F. CARLSON
INITIAL BRIEF**

September 26, 2005

I. ELECTRONIC RETURN RECEIPT

In Docket No. R2001-1, the Commission approved a new service called electronic return receipt. The Postal Service implemented this service in September 2004. The current fee is \$1.30.

In this docket, the Postal Service proposes to increase this fee to \$1.35. This fee, however, is unsupported by any record evidence.

A. Creation of Electronic Delivery Records

When postal employees deliver accountable mail such as Certified Mail, Registered Mail, and Insured Mail, they collect the customer's signature on a Form 3849. In addition to space for a signature, the Form 3849 has space for the customer to print his/her name and the address of delivery. The delivery employee scans the bar code of the mail piece and the bar code on the Form 3849. This dual scan electronically links the Form 3849 to the mail piece. Usually within a few days after delivery, the Postal Service scans the Form 3849, thus creating a scanned record of the customer's signature and, if available, the customer's printed name and delivery address. The scanned record is linked to the number on the mail piece.

Presently, the Postal Service does not automatically provide this scanned record to customers who send Certified Mail, Registered Mail, or Insured Mail. This information is, however, readily available to postal employees. If a customer purchases a Return Receipt After Mailing, the window clerk simply enters the article number into a Web application on the Postal Service's Intranet, retrieves the scanned record, and prints this scanned record for the customer.

B. Original Proposal

In Docket No. R2001-1, the Postal Service represented to the Commission and participants that the electronic return receipt would transmit a digital image of the signature to the customer "via a secure, digitally encrypted email transmis-

sion.” Docket No. R2001-1, USPS-T-26 at 14. This Postal Service did not describe this technology or explain how it would work. The Postal Service estimated a cost of \$0.50 to transmit a “secure, digitally encrypted” e-mail message containing a digital image of the signature. Docket No. R2001-1, USPS-LR-J-135, Worksheet C-5. In Docket No. R2001-1, and again in this docket, the Postal Service explicitly acknowledged that electronic return receipts would incur no additional delivery or scanning costs because these activities are already performed for the host accountable mail service (Certified Mail, Registered Mail, or Insured Mail) upon delivery. See USPS-T-24 at 12 and Docket No. R2001-1, USPS-T-26 at 15.

In Docket No. R2001-1, the Postal Service also stated that customers purchasing an electronic return receipt would provide their e-mail address to the window clerk. *Id.* at 14. The Postal Service used the window-acceptance cost of the traditional green Form 3811 return receipt because the Postal Service estimated that the time for a customer to provide an e-mail address would equal the time for a customer to fill out both sides of a Form 3811.¹ See *Id.* at 15. The Postal Service estimated a window-acceptance cost of \$0.3765 for each electronic return receipt. Docket No. R2001-1, USPS-LR-J-135, Worksheet C-5.

In sum, in Docket No. R2001-1, the Postal Service estimated a total cost of \$0.8765 per electronic return receipt based on the two critical assumptions about implementation described previously. See *Id.*

C. Actual Implementation

The Postal Service’s actual implementation of the electronic return receipt differs substantially from the proposed version on which the cost estimate was based. When purchasing an electronic return receipt, the customer does not provide the window clerk with his/her e-mail address. Instead, after purchasing an electronic return receipt, a customer visits *www.usps.com*, enters his/her

¹ To fill out a Form 3811, the customer must write the name and address of the addressee as well as his/her own name and return mailing address.

e-mail address, and receives the electronic record of the signature by *regular* e-mail (in PDF format).² See USPS-T-24 at 11 (revised June 24, 2005). The Postal Service does not offer or use “secure, digitally encrypted” e-mail transmission. I will discuss each of these points in further detail.

The Postal Service assumed in Docket No. R2001-1 that the time required for a customer to fill out the addressee’s name and address as well as his/her own name and address on a green Form 3811 would equal the time required for the customer to tell the window clerk an e-mail address. While that assumption was questionable in Docket No. R2001-1, the comparison to the green Form 3811 is completely unjustified now because customers do not provide their e-mail address to the window clerk at all. Instead, they enter this information into *www.usps.com* later. If electronic return receipts incur any significant window-acceptance costs, the Postal Service has not even attempted to estimate these small costs.

Similarly, the cost of providing a “secure, digitally encrypted” e-mail transmission — a full 50 cents — is irrelevant because the Postal Service sends the signature by regular e-mail, in a PDF format. In filing its request for an opinion and recommended decision in Docket No. R2005-1, the Postal Service failed to reveal that the agency was not using “secure, digitally encrypted” e-mail to transmit the signature. In fact, witness Wesner’s testimony originally asserted that the Postal Service was using “secure, digitally encrypted” e-mail to transmit the signature. USPS-T-24 at 11.

After I questioned witness Wesner, he admitted that the Postal Service is not using “secure, digitally encrypted” e-mail. DFC/USPS-T24-2. Instead, the Postal Service sends an attachment in PDF format via regular e-mail. *Id.* Witness Wesner also admitted that his cost estimate of 50 cents to send the

² Unfortunately, the customer cannot enter his/her e-mail address on-line until after the acceptance transaction shows up in the Postal Service’s tracking system. The transaction usually shows up several hours to one day after purchase. Customers sometimes must make several visits to *www.usps.com* before their transaction appears in the tracking system.

e-mail message is based on the estimate in Docket No. R2001-1 for sending “secure, digitally encrypted” e-mail. DFC/USPS-T24-4.³ Confronted with this error, he now states that he used 50 cents as a proxy for the Postal Service’s computer-related costs associated with electronic return receipt. *Id.* Proxies are not magic wands. No evidentiary basis exists for using a vendor-provided estimate for sending “secure, digitally encrypted” e-mail messages as a proxy for unspecified “computer-related costs” associated with electronic return receipt.

The Postal Service now states that it does not have an estimate of the cost of transmitting signatures by e-mail to customers. DFC/USPS-103. This cost must be extremely small, as it is common knowledge that the cost to send e-mail messages is very low. Moreover, the Postal Service assumes that the volume-variable cost of providing delivery information for Certified Mail via the Internet is zero, an assumption that lends credibility to the proposition that the cost of sending e-mail messages is low, too. Docket No. R2001-1, USPS-T-26 at 12. In any event, the Postal Service has no estimate of the cost of transmitting signatures by e-mail to customers, even though the Postal Service is the party that bears the burden of proof in this proceeding.

To summarize, under the actual implementation of electronic return receipt, the Postal Service may incur some small window-acceptance cost, but the Postal Service has provided no evidence of the amount of this cost. The cost certainly is not the cost of accepting a green Form 3811 return receipt. The only reason why the Postal Service suggested that the costs would be the same is because the Postal Service originally envisioned that the customer would tell the window clerk his/her e-mail address. Now, the customer enters the e-mail address into *www.usps.com* later, on his/her own time, so the window-acceptance cost for a green Form 3811 is completely irrelevant to estimating the window-acceptance cost of an electronic return receipt.

³ Witness Wesner’s discussion of encryption of signatures during internal handling, before they are e-mailed, is irrelevant because the estimate of 50 cents was for sending digitally encrypted e-mail. See DFC/USPS-T24-2.

Similarly, under the actual implementation of electronic return receipt, the Postal Service sends the signature by regular e-mail, in PDF format. The Postal Service's vendor-provided estimate of 50 cents per "secure, digitally encrypted" e-mail transmission is irrelevant because the Postal Service uses regular e-mail, which incurs a very low cost.

We are left with a proposal for a fee of \$1.35 for electronic return receipt, but no record evidence exists to support this fee. The cost is nowhere near \$0.8895. Logically, the cost to send an electronic return receipt *should* be very low, and this close analysis suggests that the cost *is* very low. Therefore, the Commission should recommend a fee for electronic return receipt of 25 cents — enough to cover any conceivable costs, plus a fair markup.

D. Recommendation for the Future

As this analysis reveals, for electronic return receipt, the only cost of any significance would be a minor window-acceptance cost. As I explained earlier, a customer must visit a retail window to purchase this service. Customers sending Certified Mail in another way, such as a firm sheet (Form 3877) or by simply depositing Certified Mail in a collection box, cannot purchase an electronic return receipt.

In delivering Certified Mail, the Postal Service already does everything necessary to collect the information that appears in an electronic return receipt. In FY 2004, for 86.2 percent of Certified Mail, customers purchased a return receipt as well. This percentage shows an overwhelming desire for Certified Mail customers to obtain the recipient's signature. The Postal Service could drive costs out of the system simply by providing an electronic return receipt automatically as a standard feature of Certified Mail service. This way, all customers, regardless of how they deposited Certified Mail, could have access to the electronic record of the signature. Customers who do not deposit Certified Mail at a retail window would gain a new option that would not require them to visit a retail window or purchase a green Form 3811 return receipt. A small

increase in the fee for Certified Mail to reflect this added value of service would be justified, as most Certified Mail customers already want the recipient's signature.

In sum, this proposal would extend electronic return receipt to customers who do not deposit Certified Mail at a retail window, thereby increasing the value of Certified Mail service. Moreover, automatically providing an electronic return receipt as a feature of Certified Mail would, itself, increase the value of Certified Mail service. These services are separate only because they have evolved separately; the electronic information necessary to provide a combined service exists now. To require a retail transaction before customers can access this electronically stored information is inefficient. For the next rate case, the Commission should recommend that the Postal Service combine these services into one, thus simplifying the classification schedule and increasing the value and convenience of Certified Mail service.

II. EXPRESS MAIL

Serious concerns exist about Express Mail service. Since the last rate case, the Postal Service has sharply curtailed delivery of Express Mail on Sundays and holidays, lowering the value of the service. The Postal Service also is offering a new service with a new delivery guarantee, “second delivery day,” that does not appear in the DMCS. This service produces delivery guarantees of three, four, and even five days.⁴ A significant portion of Express Mail is guaranteed for delivery in three to five days — no faster than First-Class Mail — yet the rate for Express Mail has not been adjusted to account for the slower delivery service.

⁴ Three-day delivery frequently occurs when customers send Express Mail on Fridays after the cutoff time for Next Day Service, or to a destination for which Next Day Service is never available from the origin city, and the destination city does not deliver Express Mail on Sundays anymore. Four-day delivery occurs in the same situations described in the previous sentence when Monday is a holiday. Five-day delivery occurs when customers deposit Express Mail on Thursday after the cutoff time for Next Day Service, or after the cutoff time and to a destination for which Next Day Service is never available from the origin city; and Monday is a holiday; and the destination city does not deliver Express Mail on holidays anymore.

Given the nature of this proceeding and the shortened period for participants to prepare their direct case, Docket No. C2005-1 would seem to be the better proceeding in which to explore Express Mail issues. Therefore, I will defer further discussion of Express Mail issues until a later date.