Postal Rate Commission
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BEFORE THE

POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006 **Docket No. R2006-1**

DOUGLAS F. CARLSON RESPONSES TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE (USPS/DFC-T1-10–22)

October 12, 2006

I hereby provide responses to interrogatories of the United States Postal Service (USPS/DFC-T1-10–22), which the Postal Service filed on September 28, 2006. I have provided the original text of each interrogatory followed by my response.

Respectfully submitted,

Dated: October 12, 2006 DOUGLAS F. CARLSON

RESPONSE OF DOUGLAS F. CARLSON
TO INTERROGATORY OF THE UNITED STATES POSTAL SERVICE

USPS/DFC-T1-10. Please refer to your testimony on page 9, lines 23 through 24. Is it your understanding that a CFS site is located at the main facility where the post offices, stations and branches will be taking or having their mail taken daily for processing? If not, please explain.

RESPONSE:

Some, and perhaps most, CFS sites are located at a processing and distribution center (P&DC) or processing and distribution facility (P&DF). However, the response to DFC/USPS-T39-53 confirms that many CFS sites are not located at the P&DC or P&DF to which post offices, stations, and branches transport their mail for daily processing. Examples include, but by no means are limited to, the Sacramento CFS site, which serves San Jose (including Salinas), Stockton, Reno, Fresno, and Redding in addition to Sacramento; the Santa Clarita CFS site, which serves Los Angeles (902–904 only), Long Beach, Pasadena, Oxnard, Santa Barbara, and Bakersfield (including Mojave), in addition to the Santa Clarita/Van Nuys area; and the Flushing CFS site, which serves Staten Island and Brooklyn, in addition to the Flushing area.

Some CFS sites are not even located at a P&DC. Examples include Sacramento and San Francisco.

The need to transport Forms 3849 to the CFS site almost certainly adds to the time required to provide signatures to customers.

USPS/DFC-T1-11. Please refer to page 11, lines 3 through 6, of your testimony. Did you request the Proof of Delivery letters in all of the 49 cited instances because it was uncertain as to whether or not delivery had taken place? If so, why did you wait approximately two weeks after delivery? If not, for what purpose did you request the Proof of Delivery letters?

RESPONSE:

I requested Proof of Delivery letters because I wanted to collect data on whether signatures were obtained and made available to me.

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USPS/DFC-T1-12. Please refer to page 11, lines 13 through 14, of your testimony. Please quantify, and provide all data/documentation to support your claim of "many instances."

RESPONSE:

I based the statement in my testimony on the data provided in my testimony at page 11, lines 24–28 to page 12, lines 1–5.

Data I have collected since filing my testimony continues to substantiate my claim. On September 15, 18, and 19, 2006, we mailed 134 diplomas as First-Class parcels with Signature Confirmation. So far, I have received nine Proof of Delivery letters indicating that no signature is on file. (Actually, I received many more than nine Proof of Delivery letters indicating that no signature was on file, but my subsequent queries determined that signatures eventually appeared for some shipments 12 or more days after delivery.)

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USPS/DFC-T1-13. Please refer to page 11, lines 20 through 22, of your testimony. For the mailing of certified mail flats you reference, please provide the following information:

a. Total number of certified mail flats mailed
b. Was the First-Class postage rate paid or the Priority Mail postage rate or a combination of both?
c. Number of flats with basic return receipt service
d. Number of flats with electronic return receipt service
e. Confirm that this referenced mailing was made in one acceptance event. If you cannot confirm, please provide details as to how many collections or acceptances there were for this "mailing."
f. Number of days from initial acceptance of the mailing to the last time you checked for the 10 percent not receiving a scan.

RESPONSE:

a. I do not know the exact number of flats for the mailing referenced in my testimony because I did not make electronic records. All the records are now distributed among hundreds of paper files. However, I believe that the number of flats was between 60 and 100, and I recall that no delivery information was recorded for at least 10 or 11 flats. My review of data for subsequent mailings suggests that the Postal Service's statistic showing that the Postal Service does not record a signature for 4.2 percent of mail pieces for which customers purchased an electronic return receipt probably reflects my overall experience. I mentioned the 10-percent figure in my testimony because the scan rate for that mailing was particularly low. For that mailing, the Certified Mail labels were placed at the top of the flat, in accordance with Postal Service instructions. I find that the scan rate is higher when we place the Certified Mail label directly to the left of the address, as we have done for most other mailings.

b. We paid weight-based First-Class Mail postage.

c. Zero.

d. Zero.

e. I believe that all flats were mailed at the same time, but they may have been spread over a two-day or three-day period.

f. I believe that my final check was two to three months after the mailing date. At that point, I removed the records from my office and asked my staff to file them.

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USPS/DFC-T1-14. Please refer to page 11, lines 24 through 28, of your testimony.

(a) Why didn't you follow up to see if the signatures ultimately were posted?

(b) Is it possible that the number of unposted signatures is less than 34? If not, why not?

RESPONSE:

a. I did not have time to follow up while preparing this testimony because the process of requesting Proof of Delivery letters, waiting for data to be restored from off-line files, waiting for the letters to arrive, reviewing information in PDF files, and transferring the data to a spreadsheet is cumbersome. Moreover, as is clear from the context in my testimony, the purpose of the example cited in my testimony was to demonstrate the Postal Service's delay in compiling and providing electronic copies of signatures. Therefore, I determined that following up to check on the existence of signatures was not necessary.

b. Yes.

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USPS/DFC-T1-15. Please refer to page 11, line 27. [sic] through page 12, line 1, of your testimony. With respect to this specific mailing:

a. Where were this mailpieces destined?
b. Were all of these mailpieces similarly sized?
c. What sizes were these mailpieces? Please provide envelope or box dimensions.
d. What class of mail was used for these mailpieces?

RESPONSE:

a. I did not make electronic records of this mailing, so all the addresses are now distributed among hundreds of paper files. However, the destinations should be consistent with the general geographic distribution of our mailings that I provided in response to USPS/DFC-T1-7.

b. Yes.

c. 8 " x 11 " x "

d. First-Class Mail.

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USPS/DFC-T1-16. Please refer to page 12, lines 19 through 23, of your testimony.

a. In your experience, how many people do you know who use basic return receipt service?
b. In your experience, how many people do you know who use electronic return receipt service?
c. What is the nature of the mailings of the people you know from experience who may later need to prove delivery?
d. What percentage of the mailings with return receipt service of the people you know from experience will later need to prove delivery? Please breakdown by type of return receipt service.

RESPONSE:

a. I assume that almost every person I have met or encountered has used regular return receipt service at least once in his/her life. I am unable to estimate the number of people I have met or encountered during my lifetime.

b. None.

c. I am aware of people who send letters to businesses with whom they are involved in a dispute. Some people purchase return receipt service when they mail their tax returns. Law firms use regular return receipt service to send correspondence to people and businesses. Some people use return receipt service when they send correspondence to my office that they consider to be important.

d. I cannot immediately recall a single instance in which I observed a person actually present the return receipt to prove delivery of correspondence. I do not believe that I ever have. In my opinion, people and businesses usually do not dispute receipt of correspondence for which they signed upon delivery. I have heard that the return receipt may be important when a plaintiff in small-claims court is seeking a default judgment against a defendant who does not show up in court. If the court served the summons by Certified Mail, the judge may want to see that the defendant signed the return receipt before the judge enters a default judgment.

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USPS/DFC-T1-17. Please refer to page 14, line 7, of your testimony.

a. Please define “delay” with respect to a quantifiable amount of time.
b. Please provide all data and studies you are aware of that you relied on when making this statement.

RESPONSE:

The delays to which I refer range from several hours to one day. On weekdays, acceptance transactions typically show up in the tracking system in the evening — but perhaps not until the customer has tried several times to register his e-mail address. For Saturday acceptance transactions, I often do not see the acceptance transaction in the tracking system until Sunday.

I have compiled no data nor conducted any studies on the delay. I saw no need to compile data or conduct studies because the delay is readily observable and predictable.

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USPS/DFC-T1-18. Please refer to page 14, lines 26 through 28, of your testimony. By "overwhelming desire for certified mail customers to obtain the recipient's signature" are you referring to a pen and ink signature or signature image? If not a pen and ink signature, please explain fully.

RESPONSE:

I am referring to a signature. I have no reason to believe that most customers distinguish between a hard-copy signature and a scanned image of a signature. Many customers conduct transactions using fax machines, so I believe that many customers understand that facsimile images of signatures carry legal weight and significance. When the Postal Service ceased to retain hard-copy signatures on file, without any particularly prominent notice to the public about this change, presumably the Postal Service had already conducted its own analysis and confirmed that electronic signatures would continue to meet customers' needs.

USPS/DFC-T1-19. Please refer to page 15, lines 2 through 8, of your testimony.

a. Do you believe that any mail service sold at a window unit incurs window acceptance costs? If your answer is anything other than an unqualified "yes", please explain fully.

b. Do you believe the electronic return receipt service is only "sending an email message"? If not, please explain fully.

c. Do you think it is possible that the Postal Service would need to explain electronic return receipt service to some customers (such as how to provide the email address), even if it were included as part of certified mail service? If not, please explain fully.

RESPONSE:

a. In theory, yes. However, when the Postal Service proposed to provide the delivery date and time as a feature of basic Certified Mail service, the Postal Service did not estimate an increase in window acceptance costs due to the possible need to explain this service feature to customers. Therefore, in practice, the mere addition of a feature to a service may not result in an increase in costs for the purpose of postal rate-setting.

b. My testimony intends to distinguish between the window-acceptance costs and the costs associated with actually delivering the service whose features the customer desired. A customer who purchases an electronic return receipt probably thinks of the delivery of the return receipt as the provision of the service; this customer probably does not think of the window transaction as a component of the service he was purchasing. While one certainly could consider the window-acceptance transaction a component of "providing" electronic return receipt service, I sought to separate costs associated with the window transaction from costs associated with delivering the service whose features the customer desired — i.e., the actual return receipt.

c. The Postal Service probably would need to explain the service to some customers. However, the extent to which these explanations would need to take place during face-to-face encounters with a window clerk is

unclear. The Postal Service uses written communication, through brochures, publications, and lobby signs, to inform customers that Certified Mail provides the date and time of delivery — a new service feature implemented in 2002. Among other places, this information appears in *A Customer's Guide to Mailing* (Domestic Mail Manual 100 Series), in a brochure titled *Simplify Your Business with a P.O. Box & Certified Mail™ Service*, on Sign 355 for the lobby, and on the Certified Mail Receipt (PS Form 3800). This information also appears at *www.usps.com.*

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USPS/DFC-T1-20. Please refer to page 15, lines 9 through 10, of your testimony. Please confirm that regardless of how certified mail customers currently deposit mail, they can have access to the original signature by using basic return receipt. If you cannot confirm, please explain fully.

RESPONSE:

Confirmed. However, currently customers must incur a significant additional expense for a separate service to obtain a hard-copy signature. Filling out a return receipt is time consuming, particularly when a person is mailing multiple pieces of mail. If an electronic copy of the signature were a feature of basic Certified Mail service, customers still would have the option of obtaining the original signature by using regular return receipt service.

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USPS/DFC-T1-21. Please refer to page 15, lines 13 through 15, of your testimony.

a. Please confirm that electronic return receipt service provides an electronic image of a signature. If you cannot confirm, please explain.
b. Considering that .09 percent of the certified mail customers purchasing return receipt service in 2005 requested electronic return receipt service and 86.8 percent of certified mail customers requested basic return receipt service, would you agree that "most" certified mail customers want the original signature and not the electronic signature image? If not, please explain fully.
c. Do you believe that at least some certified mail customers want the original signature, rather than a copy of the signature image? Please explain any negative response.
d. Why should any certified mail customers be forced to pay more for certified mail service because of the addition of a service feature they don't ever use?

RESPONSE:

a. Confirmed.

b. No. I do not believe that many postal customers know about electronic return receipt service. No window clerk has ever offered the service to me, even though I have conducted at least 15 Certified Mail transactions (with no regular return receipt attached) in the past three years, nor have I heard any window clerk discuss this option with a customer. The first time I tried to purchase an electronic return receipt, a window clerk quite assertively denied that the service existed. Only as I headed out the door of the post office at closing time and mentioned the problem to a supervisor or manager at the door did I succeed in purchasing the service. The low volume of transactions suggests that customers do not know about the service, and perhaps window clerks do not, either. Also, customers who do not visit the post office to deposit their Certified Mail cannot purchase this service.

c. A possibility exists that some customers want an original signature.

d. The question assumes that customers “don’t ever use” an electronic signature, an option that most customers probably do not know about and that many cannot purchase. The same question could be asked about why customers who want a return receipt are forced to pay for Certified Mail service, which provides many additional service features that many customers probably do not need. Window clerks surely have met many customers who wanted only a return receipt and were disappointed to learn that they needed to purchase Certified Mail service first in order to purchase a return receipt.

If a streamlined service offering combining two services benefits the vast majority of customers with, at most, a small fee increase, the new service offering may provide better service and value overall, and maximize consumer utility, even if a small minority of customers would prefer not to receive both services.

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USPS/DFC-T1-22. Please refer to page 15, line 29, through page 16, line 2, of your testimony.

a. Would you propose that electronic return receipt service be included as part of the basic service for COD, insured mail and registered mail? Please explain fully.

b. Specifically how would the classification schedule be simplified if an electronic copy of the signature was [sic] a basic feature of certified mail? Please explain fully.

c. How would the convenience of certified mail service be increased for any other than the non-high volume electronic return receipt customers if the electronic copy of the signature was a basic feature of certified mail?

Please explain fully.

RESPONSE:

a. I am proposing the service enhancement for Certified Mail only. I have not considered the issues related to providing electronic return receipt as a basic feature of COD, Insured Mail, and Registered Mail. This question is worthy of consideration.

b. Electronic return receipt as a separate service would no longer be an option for Certified Mail. With this feature folded into Certified Mail service, two services would be reduced to one, simplifying the classification schedule and, in particular, the typical customer's interaction with it. If electronic return receipt were folded into all host services, the classification schedule would be further simplified by completely eliminating electronic return receipt.

c. I am not familiar with the process by which a high-volume mailer purchases electronic return receipt service, so I am unable to make the requested comparison.