

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

**Postal Rate and Fee Changes, 2006**

**Docket No. R2006-1**

**DIRECT TESTIMONY  
OF  
DOUGLAS F. CARLSON  
(DFC-T-1)  
(Final Version)**

**October 27, 2006**

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1       **I.       INTRODUCTION**

2               In my testimony, I will discuss electronic return receipt, the “Forever  
3       Stamp,” Bound Printed Matter, and collections.

4       **II.       ELECTRONIC RETURN RECEIPT**

5               The Postal Service offers three types of return receipt: regular return  
6       receipt, electronic return receipt, and return receipt for merchandise. In my  
7       testimony, I will discuss the first two types of return receipt. Return receipt for  
8       merchandise is not within the scope of my testimony.

9               For regular return receipt service, customers fill out a traditional green  
10       Form 3811 return receipt. Customers may purchase regular return receipt  
11       service without visiting a retail window. For example, customers can attach a  
12       Certified Mail label and a green Form 3811 return receipt to an envelope, apply  
13       postage, and drop the envelope in a collection box. Upon delivery, the employee  
14       obtains the recipient’s signature, and the Postal Service mails the return receipt  
15       within one working day after delivery. POM § 822.112. Some host services,  
16       such as Certified Mail and Registered Mail, provide on-line access to the delivery  
17       date and time, but customers need to purchase a return receipt to obtain the  
18       signature.

19              In 2004, the Postal Service implemented electronic return receipt. Except  
20       for some large-volume mailers, most postal customers must visit a retail window  
21       to purchase an electronic return receipt. When customers purchase an  
22       electronic return receipt, the Postal Service provides them with written  
23       instructions for accessing the recipient’s signature. DFC/USPS-T39-19 & 20.  
24       Customers visit *www.usps.com*, enter the article number, and provide their name  
25       and e-mail address. The Postal Service sends a Proof of Delivery letter in PDF  
26       format by regular e-mail.

27              While the Postal Service proposes to lower the fee for electronic return  
28       receipt from \$1.35 to \$0.85, the Postal Service’s cost data fail to support even

1 the proposed \$0.85 fee. Moreover, the record does not support witness  
2 Berkeley's proposed cost coverage of 194.5 percent.

3 **A. Inaccurate Cost Data**

4 The Postal Service has never provided accurate cost data for electronic  
5 return receipt. This unfortunate trend continues in this proceeding.

6 In Docket No. R2001-1, the Postal Service represented to the Commission  
7 and participants that the electronic return receipt would transmit a digital image of  
8 the signature to the customer "via a secure, digitally encrypted email transmis-  
9 sion." Docket No. R2001-1, USPS-T-26 at 14. This Postal Service did not  
10 describe this technology or explain how it would work. The Postal Service  
11 estimated a cost of \$0.50 to transmit a "secure, digitally encrypted" e-mail  
12 message containing a digital image of the signature. Docket No. R2001-1,  
13 USPS-LR-J-135, Worksheet C-5.

14 In Docket No. R2001-1, the Postal Service stated that customers  
15 purchasing an electronic return receipt would provide their e-mail address to the  
16 window clerk. Docket No. R2001-1, USPS-T-26 at 14. The Postal Service used  
17 the window-acceptance cost of the traditional green Form 3811 return receipt  
18 because the Postal Service estimated that the time for a customer to provide an  
19 e-mail address would equal the time for accepting a green Form 3811. *See Id.* at  
20 15. The Postal Service estimated a window-acceptance cost of \$0.3765 for each  
21 electronic return receipt. Docket No. R2001-1, USPS-LR-J-135, Worksheet C-5.

22 In total, in Docket No. R2001-1, the Postal Service estimated a cost of  
23 \$0.8765 per electronic return receipt based on the two critical assumptions about  
24 implementation described previously. *See Id.* Participants and the Commission  
25 had little choice but to accept the Postal Service's representations.

26 The Postal Service's actual implementation of electronic return receipt  
27 differs substantially from the proposed version on which the initial cost estimate  
28 was based. When purchasing an electronic return receipt, the customer does not

1 provide the window clerk with his/her e-mail address. Instead, after purchasing  
2 an electronic return receipt, a customer visits *www.usps.com*, enters his/her  
3 e-mail address, and receives the electronic record of the signature by *regular*  
4 e-mail (in PDF format). See Docket No. R2005-1, USPS-T-24 at 11 (revised  
5 June 24, 2005).

6 Moreover, the Postal Service does not offer or use “secure, digitally  
7 encrypted” e-mail transmission. In Docket No. R2005-1, witness Wesner  
8 admitted under questioning that his cost estimate of 50 cents to send the  
9 e-mail message was based on the estimate in Docket No. R2001-1 for sending  
10 “secure, digitally encrypted” e-mail. Docket No. R2005-1, DFC/USPS-T24-4.  
11 Confronted with this error, witness Wesner rehabilitated the 50-cent cost  
12 estimate by declaring that it was a proxy for the Postal Service’s computer-  
13 related costs associated with electronic return receipt. *Id.*

14 Desperate to support this cost estimate, the Postal Service argued on brief  
15 that “it is reasonable to expect significant costs for developing and maintaining  
16 the computer system to securely store and transmit signature information.”  
17 Docket No. R2005-1, Postal Service Reply Brief at 74. This cost estimate was  
18 dubious given that the Postal Service already maintains the signature information  
19 for the host service, such as Certified Mail, and the cost of sending e-mail is very  
20 low.

21 The Commission recommended that the Postal Service “give Mr.  
22 Carlson’s criticisms a hard look before the next rate case in an attempt to have  
23 cost calculations more accurately reflect the actual procedures performed in  
24 providing the electronic return receipt service.” PRC Op. R2005-1 at 184.

25 To its credit, in this proceeding, the Postal Service has reversed course  
26 and now admits that the cost of sending the electronic return receipt to  
27 customers is zero. USPS-T-23 at 14–15. Fifty cents have disappeared from the  
28 cost of the service. This correction accounts for the significant drop in the  
29 proposed fee.

1           Unfortunately, the Postal Service still has not accurately estimated the  
2 window-acceptance costs for electronic return receipt. According to witness  
3 Page, “acceptance costs are based upon the return receipt acceptance window  
4 transaction time used for traditional return receipts in prior dockets.” USPS-T-23  
5 at 14. The window acceptance time for return receipts is based on a study  
6 conducted nearly 30 years ago for Docket No. R77-1, before computerized retail  
7 terminals existed.

8           Aside from ultimately providing customers with the recipient’s signature,  
9 regular return receipt and electronic return receipt incur costs in vastly different  
10 ways. Although each transaction varies somewhat, acceptance of a regular  
11 return receipt may require the window clerk to perform some or all of the  
12 following functions:<sup>1</sup>

13           Explain to the customer how to complete the green return receipt;

14           Ask the customer to step to another window to complete the return  
15 receipt (and wait for the customer to gather belongings and move);

16           Wait for the customer to fill out portions of the return receipt at the  
17 clerk’s own window;

18           Review the return receipt that the customer filled out;

19           Place the article number on the return receipt;

20           Peel the self-adhesive backing off the return receipt and stick the  
21 return receipt on the envelope;

22           Endorse the envelope “Return Receipt Requested.”

23           The Postal Service estimates a window acceptance time of 0.414 minutes, or  
24 approximately 25 seconds.

25           Electronic return receipt requires none of the steps described above. For  
26 some customers, the acceptance process may be as simple as the following  
27 dialogue:

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<sup>1</sup> Some of these functions are mutually exclusive, so not all would occur in one transaction; however, several might occur.

1 Clerk: "Would you like to purchase an electronic return receipt?"

2 Customer: "Yes."

3 The clerk selects the option on the retail terminal. The Postal Service then  
4 provides the customer with written instructions for obtaining the electronic return  
5 receipt.<sup>2</sup> This dialogue likely describes the extent of the discussion for customers  
6 who are familiar with the service.

7 For customers who are not familiar with electronic return receipt, one  
8 might expect the following dialogue:

9 Clerk: "Would you like to purchase an electronic return receipt?"

10 Customer: "What's that?"

11 Clerk: "You go to *Usps.com* and enter the article number. We will  
12 send you the signature by e-mail."

13 Customer: "Okay."

14 The window clerk would then select the option on the retail terminal, and the  
15 Postal Service would provide the customer with written instructions for obtaining  
16 the electronic return receipt.

17 I encourage readers to use a clock or stopwatch to time the length of such  
18 a dialogue. A window acceptance time of 10 to 15 seconds seems far more  
19 realistic than 25 seconds. A time of 25 seconds would be correct only by sheer  
20 chance.

21 Witness Page, the sponsor of the Postal Service's testimony estimating  
22 window acceptance costs for electronic return receipt, did not observe a single  
23 electronic return receipt transaction. DFC/USPS-T23-5. Witness Page  
24 apparently relies on a study conducted recently to support his belief that a 30-

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<sup>2</sup> For POS transactions, the instructions print on the receipt with no further action by the clerk. For IRT transactions, the clerk gives the customer written instructions. DFC/USPS-T39-19-20.

1 year-old study for regular return receipt should apply to electronic return receipt.  
2 See DFC/USPS-T23-8(d)–(g). However, the record provides no assurance that  
3 the person who conducted that recent study observed any electronic return  
4 receipt transactions. See DFC/USPS-T23-8(d)–(g). The record also does not  
5 identify how many post offices he visited. DFC/USPS-T23-8(d). In fact, Karl  
6 Wesner, an intervenor in this proceeding, informed me that he is the person who  
7 conducted the study on which witness Page relies, and he did not observe any  
8 electronic return receipt transactions. Mr. Wesner was the Postal Service’s cost  
9 witness for electronic return receipt in Docket No. R2005-1.

10 Even before I spoke with Mr. Wesner, I doubted that the Postal Service  
11 conducted an adequate study of acceptance costs for electronic return receipt  
12 because a concerted effort would have been necessary to conduct such a study,  
13 and this effort would have been apparent to witness Page. The annual volume  
14 for electronic return receipt in FY 2005 was 234,366. USPS-LR-L-123, WP-20.  
15 The Postal Service has 37,000 retail facilities. If volume were distributed evenly  
16 among these facilities, one would expect fewer than *seven* transactions per retail  
17 facility *per year*. Even if the annual volume at some retail facilities were 50, 100,  
18 or even 500, an observer would need to be quite lucky to have witnessed even  
19 one transaction, let alone a statistically significant number. I question whether  
20 the Postal Service’s decision to use the window acceptance time for regular  
21 return receipt as a proxy for the window acceptance time for electronic return  
22 receipt is based on any knowledge or observation of the actual retail acceptance  
23 environment for electronic return receipt.

24 In sum, the Postal Service has not provided substantial record evidence to  
25 support a window acceptance time of 0.414 minutes for electronic return receipt.

## 26 **B. Cost Coverage**

27 Witness Berkeley proposes a cost coverage of 194.5 percent for electronic  
28 return receipt but a cost coverage of only 145.8 percent for regular return receipt.  
29 The Postal Service has failed, however, to demonstrate that electronic return  
30 receipt has a higher value of service than regular return receipt.

1           Witness Berkeley appears to base her claim primarily on the belief that  
2 customers receive a signature faster if they purchase an electronic return receipt  
3 than if they purchase a regular return receipt. See, e.g., DFC/USPS-T39-2.  
4 While this proposition has superficial appeal, the Postal Service has not  
5 demonstrated that electronic return receipts in fact provide a signature faster  
6 than regular return receipts.

7           As I explained previously, the Postal Service returns regular return  
8 receipts by regular mail within one working day after delivery. In my experience,  
9 regular return receipts usually are mailed on the day of delivery. Witness  
10 Berkeley states that return receipts are mailed on the next available dispatch,  
11 thus supporting my observations. DFC/USPS-T39-52. The service standards for  
12 First-Class Mail range from one day to three days. I tried to obtain data showing  
13 the proportion of Certified Mail with a return receipt attached that was accepted  
14 at a retail window and was destined to a ZIP Code for which the service standard  
15 was one day, two days, and three days, but the Postal Service claimed that data  
16 were not available. DFC/USPS-T39-48. This service-standard information would  
17 have been a good proxy for the return time for a return receipt, assuming  
18 reciprocal First-Class Mail service standards. Absent any data, I will assume that  
19 the service standard that applies to the return of a typical return receipt is two  
20 days. Therefore, I believe that customers receive a typical regular return receipt  
21 in two to three days.

22           For electronic return receipts, the Postal Service collects a signature on a  
23 Form 3849. The Postal Service must then transport this paper form to a  
24 Computerized Forwarding System (CFS) site, perhaps located 150 miles away.<sup>3</sup>  
25 Only after the form is scanned and uploaded to Postal Service servers can the  
26 customer obtain the recipient's signature. Witness Berkeley indicated that,  
27 based on the time required for normal processing, the Postal Service expects  
28 that signatures will be available to customers electronically two to four days after  
29 delivery. DFC/USPS-T39-52.

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<sup>3</sup> For example, the CFS site for Santa Cruz, California, is located 150 miles away in Sacramento.

1           In my current position at UC San Francisco, I have overseen the mailing of  
2 several hundred diplomas to our graduates in Certified Mail flats and First-Class  
3 small parcels with Signature Confirmation since 2004. I have tracked delivery of  
4 these items extensively at *www.usps.com*. Although I was not maintaining  
5 records for the purpose of analyzing the time required for the delivery record to  
6 be posted, I believe that witness Berkeley's estimate of two to four days for the  
7 signature to be posted is fairly consistent with my experience. I would  
8 characterize two to four days as the likely *median*, however. I have seen several  
9 instances in which many more days elapsed before the signature became  
10 available, so I suspect that the *average* is closer to four days — or perhaps  
11 higher.

12           In preparing this testimony, I located electronic records that I collected and  
13 retained for 119 articles that we mailed by Signature Confirmation between July  
14 and December 2005.<sup>4</sup> At the time, I was mainly interested in time to delivery and  
15 to know whether the Postal Service collected and recorded a signature.  
16 Therefore, I requested so-called Proof of Delivery letters on-line and collected  
17 these letters in PDF format. These records may not be a representative sample  
18 of all the mailings we sent; however, the information does provide some specific  
19 evidence of customer experience with electronic signature records. (The process  
20 for collecting an electronic delivery record is the same for electronic return receipt  
21 as for Signature Confirmation. See DFC/USPS-T39-52. Therefore, my  
22 experience with Signature Confirmation service is material to a discussion of the  
23 time to provide an electronic copy of the signature for electronic return receipt.)

24           When I requested the Proof of Delivery letter on one day, and the date of  
25 the letter was at least one day later, I am able to infer from my data the number  
26 of days for the signature to become available. The number of days to provide the  
27 signature was the difference between the delivery date (stated in the letter) and  
28 the date of the letter. Thirty-six of my records fit this category. The average

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<sup>4</sup> Prior to December 2005, I reviewed and discarded many other records; the 119 records are the only surviving ones.

1 number of days to provide the signature was 4.55 days, with a range of 1 to 11.  
2 These numbers are consistent with my overall experience.

3           Unfortunately, in 49 instances, I requested the Proof of Delivery letter  
4 sufficiently late that the signature was already available at the time of my request.  
5 Therefore, I could not infer how many days were required for the signature to  
6 become available. Most commonly, I requested the letter approximately two  
7 weeks after delivery, and I received the letter on the same day, thus establishing  
8 only that the signature was available not more than 14 days after delivery.<sup>5</sup> In  
9 two instances, I requested the letter one day after delivery, and I received the  
10 letter on the same day. In several other instances, I requested the letter  
11 approximately four days after delivery, and I received the letter on the same day.

12           Another problem with electronic return receipt is the Postal Service's  
13 failure to record a signature. In many instances for which the university  
14 purchased Signature Confirmation, no signature ever appeared. Indeed, witness  
15 Berkeley reports that the Postal Service does not record a signature for 4.2  
16 percent of mail pieces for which customers purchased an electronic return  
17 receipt. DFC/USPS-T39-15. This failure rate is high considering the clear  
18 importance of mail pieces for which customers go to the trouble and expense of  
19 purchasing an electronic return receipt. In other instances, no scan indicating  
20 final delivery was recorded. For one mailing of Certified Mail flats in November  
21 2005, fully 10 percent did not receive a scan indicating delivery or attempted  
22 delivery. If no delivery scan is recorded for Certified Mail, no electronic return  
23 receipt would be produced, either.

24           For our Signature Confirmation mailings for which I located records  
25 pertaining to 119 articles, 34 resulted in a Proof of Delivery letter indicating that  
26 no signature was on file. The Postal Service issued these letters 7 to 17 days  
27 after delivery. I have not followed up to determine whether signatures ultimately  
28 were posted, but this information does indicate that, at best, serious delays exist

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<sup>5</sup> As stated previously, my primary interest at the time was in knowing *whether* a signature was available, not how fast it became available.

1 in posting signatures. These statistics should not, however, suggest that  
2 signatures were not recorded for 28 percent of our mailings because my current  
3 records are not representative of all our mailings, and these numbers appear too  
4 high based on my personal observations. Nonetheless, they demonstrate a  
5 problem.

6 The Postal Service has provided no evidence about the comparative  
7 speed of delivery of electronic return receipts to support the notion that electronic  
8 return receipt has a higher value of service than regular return receipt. Indeed,  
9 information extracted through discovery suggests that electronic return receipt is  
10 not faster than regular return receipt — and may even be slower. The normal  
11 time to post an electronic return receipt is two to four days (a time that possibly is  
12 a range for the *median*, with the average being four or more days), whereas  
13 regular return receipts should arrive in one to three days (or two to four days in  
14 some instances, if the green cards are mailed one day after delivery). The Postal  
15 Service has not demonstrated that electronic return receipt speeds delivery of the  
16 recipient's signature.

17 Witness Berkeley provided anecdotal information about the speed of  
18 electronic return receipt from a judge in Ohio.<sup>6</sup> DFC/USPS-T39-39.  
19 Notwithstanding this judge's comments, I am not aware of situations in which  
20 many customers would actually put this signature to use immediately after  
21 receiving it. In my experience, people who request a signature upon delivery do  
22 so mainly for their records in case they later — *significantly* later — need to prove  
23 delivery. Rarely do the wheels of justice, or private dispute resolution between  
24 parties, turn quite so quickly. In fact, approximately 59 percent of customers  
25 apparently never requested the electronic signature at all, thus underscoring my  
26 belief that many customers want proof of delivery to exist but ultimately do not  
27 actually need to use it. DFC/USPS-T39-23. Speed of delivery of the signature  
28 obviously is not important to a majority of customers of electronic return receipt,

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<sup>6</sup> The service standard for mail sent within Ohio always is one or two days. If the typical time for a signature to become available electronically is two to four days, electronic return receipts may be slower than return receipts in many cases and no faster in many others.

1 thus further undermining witness Berkeley's claim that electronic return receipt  
2 has a higher value of service than regular return receipt.

3 The value of a theoretically possible slight speed advantage for electronic  
4 return receipt is more than offset by the comparative inconvenience to customers  
5 in purchasing the service. As I explained previously, all but the highest-volume  
6 customers must visit a retail window to purchase an electronic return receipt. In  
7 contrast, customers can purchase a regular return receipt by applying postage to  
8 a mail piece and depositing it in a collection box. A large volume of regular  
9 return receipts apparently bypasses the retail windows. DFC/USPS-T39-14. All  
10 else equal, a service for which customers must visit a retail window, and probably  
11 wait in line, has a lower value of service than a service that customers can  
12 access via the Postal Service's extensive collection network.

13 Other comparative attributes of the services tend to offset each other.  
14 Some customers believe that a "pen and ink" signature provides "the ultimate  
15 assurance when it comes to proving someone received something." DFC/USPS-  
16 T39-37. These customers may also be concerned about legibility issues in  
17 reading an electronic signature. *Id.* Other customers might appreciate the ease  
18 of filing and record keeping when a signature is already in an electronic format.  
19 DFC/USPS-T39-2.

20 Another significant disadvantage of electronic return receipt exists. The  
21 customer cannot enter his/her e-mail address on-line until after the acceptance  
22 transaction shows up in the Postal Service's tracking system. The transaction  
23 usually appears several hours to one day after purchase.<sup>7</sup> Customers sometimes  
24 must make several visits to *www.usps.com* before their transaction appears in  
25 the tracking system.

26 In short, the Postal Service has failed to demonstrate that electronic return  
27 receipt has a higher value of service than regular return receipt.

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<sup>7</sup> Transactions conducted on Saturday seemingly routinely do not show up until late in the afternoon Pacific time on Sunday.

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### **C. Proposed Fee**

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As I have explained, the Postal Service's justification for the cost of electronic return receipt is weak or nonexistent. The Postal Service has provided no data to support the claim that customers receive the signature faster when they purchase electronic return receipt than when they purchase regular return receipt. Electronic return receipt suffers from the requirement for customers to visit a retail window to purchase the service. Delays before the transaction appears in the Postal Service's tracking system further hinder customers seeking to register their e-mail address to receive the electronic return receipt.

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Based on the weak evidence in support of the Postal Service's cost data and proposed cost coverage, I recommend a cost coverage for electronic return receipt equal to the cost coverage for regular return receipt. On balance, both services provide a signature collected at delivery, and the unique features of each service tend to offset each other in value. Although the evolution of witness Page's testimony has been somewhat difficult to follow, the cost for electronic return receipt apparently is \$0.4326. USPS-LR-L-59. A cost coverage of 145.8 percent yields a fee of \$0.63 cents, which rounds up to \$0.65. I propose a fee of \$0.65 for electronic return receipt.

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### **D. Certified Mail Enhancements**

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I continue to encourage the Postal Service to provide the recipient's signature as a basic feature of Certified Mail service. The record in this proceeding establishes that the only significant cost for electronic return receipt is the window acceptance cost. In delivering Certified Mail, the Postal Service already routinely performs all steps necessary to collect the information that appears in an electronic return receipt. In FY 2005, for 91 percent of Certified Mail,<sup>8</sup> 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

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<sup>8</sup> This number reflects an increase from 86.2 percent in FY 2004. PRC Op. R2005-1 at 184.

1 providing an electronic return receipt automatically as a standard feature of  
2 Certified Mail service. At present, electronic return receipt is little more than a  
3 cost- and fee-generation machine: customers visit post offices and cause the  
4 Postal Service to incur window-acceptance costs, and then the Postal Service  
5 charges customers for these costs. The cost of actually providing electronic  
6 return receipt *service* — sending an e-mail message — is nearly zero. The  
7 Postal Service does nothing more than to sell the service and then to turn around  
8 and charge customers for selling it.

9 Under my proposal, all customers, regardless of how they deposited  
10 Certified Mail, could have access to the electronic record of the signature.  
11 Customers who do not deposit Certified Mail at a retail window would gain a new  
12 option that would not require them to visit a retail window or purchase a green  
13 Form 3811 return receipt. A small increase in the fee for Certified Mail to reflect  
14 this added value of service would be justified, as most Certified Mail customers  
15 already want the recipient's signature. Moreover, it is unclear how many  
16 customers of regular return receipt would determine that the electronic signature  
17 was unsatisfactory for their needs if they were fully educated about its existence.  
18 And some of the nine percent of customers who do not purchase a return receipt  
19 nonetheless may want one, but they simply do not want to pay \$1.35 for an  
20 electronic return receipt or \$1.85 for a regular return receipt. For example, if my  
21 proposal resulted in a 20-cent fee increase for Certified Mail, it is far from clear  
22 that most of the nine percent of customers who do not purchase a return receipt  
23 now would not want one for only 20 cents. At some point, product lines can be  
24 simplified to provide the services that most customers want. The possibility of  
25 satisfying at least 91 percent of customers — an overwhelming majority — with a  
26 single service enhancement is a golden opportunity.

27 The Commission recently encouraged the Postal Service to consider my  
28 proposal. PRC Op. R2005-1 at 184–85. The Postal Service has not yet done  
29 so. DFC/USPS-T39-5. I renew my suggestion. For the next rate case, the  
30 Commission should recommend that the Postal Service provide an electronic  
31 copy of the signature as a basic feature of Certified Mail, thus simplifying the

1 classification schedule and increasing the value and convenience of Certified  
2 Mail service.

3 **III. “FOREVER STAMP”**

4 The Postal Service proposes a “Forever Stamp.” While the concept that  
5 the Postal Service presented to the public in its market research was simple and  
6 straightforward, the Postal Service’s actual proposed implementation would  
7 introduce unnecessary and inappropriate complexity and result in unfairness to  
8 customers. I am concerned that the Postal Service’s proposed implementation of  
9 the “Forever Stamp” would lead to more overall inconvenience and confusion  
10 than customers currently experience. Moreover, under the Postal Service’s  
11 proposed implementation schedule, the Postal Service would place the stamp on  
12 sale at a price not authorized in the DMCS.

13 While I have concerns about the concept of a “Forever Stamp,” I do not  
14 oppose the concept. However, I oppose the proposed implementation.

15 **A. Concept**

16 In many respects, the pure concept of a “Forever Stamp” offers much for  
17 the public to like and little for the public to dislike.<sup>9</sup> Members of the public who  
18 own “Forever Stamps” can avoid or defer rate increases, and they can delay  
19 visits to the post office to buy stamps at the new rate.

20 Adverse consumer behavior, such as hoarding, is a significant concern. I  
21 am unconvinced that the experience of foreign postal administrations necessarily  
22 is a reliable guide for the expected behavior of American postal customers.  
23 Much of the information from foreign postal administrations that witness Taufique  
24 presented is anecdotal. See USPS-T-48 at 10–12. Foreign postal  
25 administrations do not appear to have studied the effects of the stamps closely or  
26 to have the financial and accounting systems necessary to detect hoarding.

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<sup>9</sup> As described in my testimony, the Postal Service’s proposed *implementation* offers much for the public to dislike.

1 Witness Taufique could not even provide basic information such as the average  
2 number of letters per month that postal customers in the United States, the  
3 United Kingdom, and France mail per month. DFC/USPS-T48-11. The extent to  
4 which customers use and rely on the mail varies from country to country. The  
5 behavior of French postal customers may not mirror the behavior of American  
6 postal customers.

7 Moreover, in the U.S., I believe that a healthy market for the stamps will  
8 develop in trading forums such as eBay, as people seek to profit from arbitrage.  
9 Other countries may not have such well-developed marketplaces as eBay to  
10 facilitate trade in unusual items.

11 In short, I see financial risks for the Postal Service in the “Forever Stamp”  
12 proposal.

13 I also believe that the proposal is, to some extent, a solution in search of a  
14 problem. Insight #8 in the Postal Service’s market research concludes that a  
15 “rate change is not significant problem but a minor inconvenience.” USPS-LR-  
16 152 at PDF page 7. For 51 percent of household consumers and 56 percent of  
17 small businesses, the last rate change created no inconvenience or “very little”  
18 inconvenience. *Id.* For household customers, the rate change caused “a great  
19 deal” of inconvenience for only 6 percent, and the rate change caused “some”  
20 inconvenience for 25 percent. *Id.* at PDF page 48. “Some” could be a “little”  
21 amount, since the next-lower option that these customers did not choose was  
22 “very little.” For small businesses, only 8 percent experienced “a great deal” of  
23 inconvenience, and only 17 percent experienced “some” inconvenience. *Id.* at  
24 PDF page 203. While I do not wish to minimize customer inconvenience, no  
25 matter how small, the inconvenience that the last rate increase caused appears  
26 to be modest, if not minimal.

27 While steps to resolve even minor inconveniences in the provision of  
28 services are worthy of consideration, the “Forever Stamp” may not, in fact,  
29 resolve the inconvenience that some customers experienced. The Postal  
30 Service’s market research reveals that 10 percent of business customers

1 identified their inconvenience as the need to determine the amount of postage to  
2 buy or use. They probably were referring to the need to learn more rates than  
3 just the basic one-ounce First-Class rate reported in the media. For another  
4 seven percent, the inconvenience was the financial burden or reduction in profit.  
5 USPS-LR-L-152 at PDF page 49. For household customers, the financial burden  
6 was the inconvenience for six percent, and the lack of advance notice was the  
7 inconvenience for five percent. USPS-LR-L-152 at PDF page 205. Even with a  
8 “Forever Stamp,” customers will need to know about rate increases because  
9 most customers do not send only one-ounce First-Class letters.

10 Customers also identified the price increase as an inconvenience.<sup>10</sup> The  
11 percentages were 15 percent for business customers and 24 percent for  
12 individual customers. To the extent that customers stock up on “Forever  
13 Stamps” and are permitted to use them for most of their mail, the “Forever  
14 Stamp” proposal would mitigate this concern. However, a plurality of household  
15 customers (45 percent) would buy 20 or fewer “Forever Stamps,” so it is unclear  
16 that the proposal would actually resolve their concern about the price increase.<sup>11</sup>  
17 The most-common quantity that business customers indicated that they would  
18 purchase would be 100 stamps (35 percent). USPS-LR-L-152 at PDF page 127.  
19 The “Forever Stamp” might go farther toward mitigating the effect of cost  
20 increases on business customers than on household customers. However, as  
21 the “Forever Stamp” mitigates the concerns of increasing percentages of  
22 customers about price increases, the negative financial implications of the  
23 proposal will increase as well. I am not certain that the ability of the “Forever  
24 Stamp” to eliminate concerns about price increases would bode well for the  
25 financial basis of the proposal.

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<sup>10</sup> Although the concepts may seem related, the research company differentiated between price increases and financial burden.

<sup>11</sup> It is possible that every one of the 24 percent of customers who identified the cost increase as the primary inconvenience also would buy a large quantity of “Forever Stamps,” thus possibly mitigating the effect of the rate increase. However, the people who identified the cost increase as the largest inconvenience may be the people least likely to have extra cash to tie up in postage stamps.

1           The Postal Service's market research may not have determined the full  
2 scope of the types of inconvenience that customers experience during a rate  
3 change. Although I may not be a typical postal customer, I will share my  
4 personal experience for the purpose of offering an additional form of  
5 inconvenience. The process of obtaining postage stamps valid for the first-ounce  
6 rate — e.g., 39 cents — does not cause me inconvenience. I visit the post office  
7 regularly, and I buy make-up stamps (e.g., two-cent stamps) or new basic-rate  
8 stamps in advance of the rate increase. However, rate changes cause me  
9 inconvenience when the Postal Service does not immediately release other  
10 important stamps, such as the stamps for additional ounces (e.g., 24 cents), post  
11 cards, or basic international airmail (e.g., 84 cents). For the last rate increase,  
12 the Postal Service did not issue the 24-cent stamp until March 8, 2006, two  
13 months after the rate increase. When I mail items weighing several ounces, the  
14 absence of an additional-ounce stamp creates problems. A "Forever Stamp"  
15 would do nothing to resolve these types of inconvenience.

16           The Postal Service's market research was not necessarily flawed in this  
17 regard because the interviewers asked an open-ended question about the type of  
18 inconvenience that the rate increase caused. See, e.g., USPS-LR-L-152 at PDF  
19 page 304. However, the follow-up question that suggested types of inconven-  
20 ience did not offer all possible types. Moreover, customers may have described  
21 the problem I experienced as related to a need to purchase make-up stamps. Or  
22 the research company may have rolled customers' responses into categories, not  
23 realizing that the issues surrounding make-up stamps for additional ounces are  
24 different than for the first ounce — particularly if the Postal Service succeeds in  
25 permitting customers to use "Forever Stamps" for one-ounce letters only.  
26 Additionally, if the Postal Service implements shape-based First-Class rates, a  
27 need for many different make-up stamps will emerge for each shape, thus  
28 increasing the inconvenience of rate changes.

29           In short, while the "Forever Stamp" may offer improvements for rate  
30 changes, the benefits will be minimal because rate changes already are only a  
31 minor inconvenience for most customers. For customers who do experience

1 some inconvenience associated with rate changes, the “Forever Stamp” may  
2 improve the situation for only some fraction of them. The Postal Service’s market  
3 research suggests that a majority of postal customers would enjoy only a minimal  
4 benefit from a “Forever Stamp.”

5 The Commission and the Postal Service must be careful not to implement  
6 a change that leads to confusion and inconvenience. With such a favorable  
7 status quo, the bar is set high. Unfortunately, the Postal Service’s “Forever  
8 Stamp” proposal, as currently written, runs a serious risk of making rate changes  
9 more complicated and less convenient for customers than they are now.  
10 Therefore, this proposal may not be in the public interest.

#### 11 **B. The Future Postage Value of a Forever Stamp Is Unclear**

12 The beauty in the basic concept of a “Forever Stamp” is its simplicity:  
13 Customers can purchase a stamp today, and the stamp will hold its value  
14 forever. However, the Postal Service proposes instead to sell a stamp whose  
15 future value apparently will depend on whether customers use it on a one-ounce  
16 First-Class letter or some other piece of mail.

17 The confusion begins with proposed DMCS section 241. Witness  
18 Taufique proposes the following language:

19 Postage for the first ounce of a First-Class Mail Single-Piece letter  
20 may be paid through the application of a Forever Stamp. The  
21 Forever Stamp is sold at the prevailing rate for Single Piece Letters,  
22 First Ounce, in Rate Schedule 221. Once purchased, the Stamp  
23 may be used for first-ounce letter postage at any time in the future,  
24 regardless of the prevailing rate at the time of use.

25 USPS-T-48 at 17. Witness also Taufique proposes to add the following sentence  
26 to DMCS section 3030:

1           The use of the Forever Stamp, as described in section 241, is  
2           considered full prepayment of postage for the first ounce of First-  
3           Class Mail, Single Piece Letters.

4           USPS-T-48 at 17.

5           The proposed language is not a model of clarity.<sup>12</sup> The Postal Service  
6           apparently takes the position that the “Forever Stamp” is intended for use on  
7           one-ounce First-Class letters only. The value of the stamp for any other use is  
8           unknown. See DBP/USPS-510(b).

9           I believe that the DMCS language means that the “Forever Stamp” will be  
10          valid for postage on First-Class letters only. The use of the ordinal number “first”  
11          suggests that the stamp will be valid for postage on letters that weigh more than  
12          one ounce. The “Forever Stamp” will be valid for postage on letters in an amount  
13          equivalent to the postage for the first ounce. If the prevailing rate for single-piece  
14          one-ounce First-Class letters is 45 cents, a “Forever Stamp,” regardless of when  
15          the customer purchased it, will be valid for 45 cents postage on letters — and  
16          letters only.

17          The language contains some ambiguity because one could argue that  
18          “first-class letter postage” is a value of postage equal to the rate for a single-  
19          piece one-ounce letter. Therefore, if the prevailing rate is 45 cents, a “Forever  
20          Stamp” would be valid for 45 cents postage on any mail piece. The other  
21          proposed language in DMCS sections 241 and 3030 focuses on First-Class  
22          letters, so I believe that the better interpretation is that a “Forever Stamp” would  
23          be valid for postage only on First-Class letters.

24          This restriction poses numerous problems. The goal of the “Forever  
25          Stamp” is to place in the hands of the public, well in advance of rate increases,  
26          stamps that will be valid after the rate increase. The Postal Service acknowl-

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<sup>12</sup> I have spent more than two hours on the telephone with another participant in this proceeding, in conversations one month apart, debating the meaning of the language. Moreover, the Postal Service admits ambiguity in its response to DBP/USPS-510(c).

1 edges that the “Forever Stamp” “could very well become the ‘workhorse stamp’<sup>13</sup>  
2 for the first-ounce, single-piece First-Class Mail letter rate.” DBP/USPS-353. All  
3 contemporary postage stamps are a valid form of postage payment for nearly all  
4 mail.<sup>14</sup> The Postal Service’s proposed DMCS language would make the stamp  
5 most likely to be in the hands of the public valid for postage only on First-Class  
6 letters (and maybe only one-ounce letters). The restrictive use of this stamp  
7 would cause public confusion, as many people would place the stamps on flats  
8 and parcels, thinking that they were valid for postage universally, as regular  
9 stamps are. Customers who understood the restriction would need to purchase  
10 two different types of stamps for their mail — “Forever Stamps” plus regular  
11 stamps that they could use on flats and parcels. The Postal Service has not  
12 provided any market research to show that customers would embrace a proposal  
13 that required them to keep two different types of stamps in stock. That is, if they  
14 want to use “Forever Stamps,” they also would need to buy regular stamps.  
15 Knowing the limited use of “Forever Stamps,” would they still think that “Forever  
16 Stamps” were convenient?

17 The inability of customers to use a “Forever Stamp” on mail other than a  
18 First-Class letter would lead to terrible unfairness. Every time a customer affixed  
19 a “Forever Stamp” to an envelope and then discovered that the envelope was too  
20 thick or heavy to be a letter,<sup>15</sup> the customer’s postage would be worthless. In  
21 addition, all of us have seen instances in which a customer who did not possess  
22 stamps in the correct denomination placed a number of basic-rate stamps on the  
23 mail piece sufficient to pay the rate. For example, some customers place two 39-  
24 cent stamps on two-ounce flats because they do not have stamps totalling  
25 exactly 63 cents, and they are unable or unwilling to obtain stamps in the exact

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<sup>13</sup> A “workhorse” stamp is a stamp design that the Postal Service produces in a variety of formats — coils, convertible booklets, vending-machine booklets, sheets, ATM sheets — and distributes widely. The “workhorse” stamp probably is the stamp most likely to appear on mail and most likely to be on sale in any post office. The 39-cent “Liberty Flag” stamp is the current “workhorse” stamp.

<sup>14</sup> One exception is Periodicals, as the Postal Service does not accept stamps as a form of postage payment. This exception is irrelevant for the purposes of this discussion, since no public Periodicals rate exists.

<sup>15</sup> Many years will pass before most customers understand that a mail piece in a #10 envelope is not a “letter” if it weighs over 3.5 ounces.

1 denomination. Other customers may place five 39-cent stamps on a small parcel  
2 that requires \$1.83 in postage. If the Postal Service promoted or otherwise sold  
3 the “Forever Stamp” as the workhorse stamp, which by definition would cause  
4 the stamp to be distributed widely to the general public, customers would be  
5 unable to use their stamps in ways that they find very convenient now — as  
6 postage on ad hoc flats and parcels. Witness Taufique admits that other  
7 customers sometimes affix postage to an envelope and then decide to expedite  
8 delivery by purchasing another service such as Priority Mail. DFC/USPS-T48-24.  
9 Knowing this limitation on the use of a “Forever Stamp,” would these customers  
10 still believe that “Forever Stamps” would be convenient?

11           These examples demonstrate why it is critical, for customer convenience  
12 and fairness, that all postage stamps be valid for all mail.

13           The Postal Service appears to recognize the severity of this problem when  
14 it characterizes this situation as “punishing” mailers. DBP/USPS-340. Therefore,  
15 when a “Forever Stamp” is used on a mail piece other than a First-Class letter,  
16 the Postal Service “is considering” giving postage credit at the original purchase  
17 price of the stamp. *Id.* This suggestion opens up another set of problems.

18           First, this question is not one that should still be unresolved. This issue  
19 represents a fundamental feature of the proposal, and the DMCS language  
20 should reflect the policy. My support or opposition to the “Forever Stamp”  
21 proposal could hinge on the postage credit, if any, that the Postal Service will  
22 give to “Forever Stamps” that customers use on mail pieces that are not letters.  
23 Evaluating the Postal Service’s proposal while such important elements of it  
24 remain undecided is highly problematic.

25           Second, the Postal Service’s suggestion is not consistent with the  
26 proposed DMCS language. The proposed DMCS language does not state that  
27 customers can use the stamp for postage on mail pieces that are not First-Class  
28 letters. Moreover, the DMCS language certainly makes no reference to the  
29 postage value of a “Forever Stamp” being equivalent, in any situation, to its  
30 original purchase price.

1 Third, aside from legal problems, the Postal Service's proposal to assign  
2 postage value equal to the original purchase price of a "Forever Stamp" when  
3 customers use the stamp on mail other than one-ounce First-Class letters is  
4 fraught with practical difficulties. These problems raise a serious risk that the  
5 "Forever Stamp" would create more confusion and more inconvenience for  
6 customers than rate changes do now.

7 The Postal Service's proposal would require the public to understand that  
8 the "Forever Stamp" sometimes is valid for postage regardless of the purchase  
9 price, while other times the postage value is equal to the original purchase price.  
10 Witness Taufique claims that he surveyed public acceptance of such a stamp  
11 because this feature was "implied" in the market research. DFC/USPS-T48-23.  
12 Witness Taufique is mistaken. While questions 18 and 19 in the survey materials  
13 did refer to First-Class letters, the questions were written in a colloquial manner  
14 to foster quick and easy comprehension. See USPS-LR-152 at PDF pages 305–  
15 306. I would be surprised if a single member of the public listening to these  
16 questions detected that the stamp would have a different postage value if used  
17 on a mail piece other than a First-Class letter. Moreover, people listening to  
18 these questions may not have assigned a particular postal importance to the  
19 word "letter" in the questions because, as of today, letters pay the same rates as  
20 flats and parcels; thus, to most people, the distinction between a letter and a flat  
21 or parcel, if they are even aware of the distinction, is trivial.<sup>16</sup> To some people, a  
22 "letter" surely is a generic term for many shapes and sizes of mail or  
23 correspondence.

24 The only way to obtain reliable survey results of public acceptance of a  
25 stamp whose value would vary depending on the type of mail piece to which it  
26 was attached would be to ask the question explicitly and to call attention to the  
27 difference between a letter and other sizes and shapes of mail. The Postal  
28 Service has introduced no market research on public acceptance of a "Forever

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<sup>16</sup> When the market research was conducted, the Postal Service had not even proposed shape-based rates.

1 Stamp” proposal that would require customers to understand that the stamp  
2 would effectively have two postage values depending on its use.

3 Even if customers understood and embraced the variable-value nature of  
4 a “Forever Stamp,” the Postal Service’s proposal would require customers and  
5 the Postal Service to know the original purchase price of every “Forever Stamp.”  
6 Although the Postal Service has not provided implementation details yet, I  
7 assume that “Forever Stamps” will not show a denomination, since their value for  
8 postage on at least some pieces of mail is supposed to be timeless and not tied  
9 to the purchase price. While the Postal Service’s use of nondenominated stamps  
10 for 28 years has largely been successful, the stamps are inconvenient for the  
11 public to the extent that people forget the value of the stamps. I probably pay  
12 more attention to postage stamps than most customers, and I probably  
13 remember postage-rate history better than most customers, and yet I usually  
14 must spend several seconds reviewing rate history in my mind when someone  
15 asks me the value of a particular nondenominated stamp. The Postal Service’s  
16 decision to discontinue the use of alphabetical designations on nondenominated  
17 stamps further complicates the identification of the stamps, since customers now  
18 must describe the artwork or design, rather than simply referring to the letter  
19 printed on the stamp. One nondenominated 34-cent stamp featured flowers, a  
20 popular stamp subject. The nondenominated 39-cent stamp features a flag,  
21 another common stamp subject.

22 If a “Forever Stamp” were always valued at the prevailing rate for one-  
23 ounce First-Class letters for every piece of mail to which a customer affixed it, the  
24 “Forever Stamp” would be simple and convenient, and nobody would need to  
25 remember the original purchase price of the stamp. However, the Postal Service  
26 proposes to complicate the concept by requiring customers to remember the  
27 purchase price — and, if inquiring into the purchase price of their stamp, to  
28 reference their stamp by design, not alphabetical or numeric designation. The  
29 more “Forever Stamps” that the Postal Service issues over time, the more  
30 designs that customers will need to describe. Indeed, most stamps, including  
31 commemorative stamps, could become “Forever Stamps” in the future since little

1 financial incentive will exist for customers not to buy “Forever Stamps.” See  
2 DBP/USPS-353. At some point, indexing these designs in a practical way will  
3 become impossible.

4 Since “Forever Stamps” presumably will not carry a denomination, the  
5 only way anybody could know the original purchase price of a “Forever Stamp” is  
6 if the Postal Service sold that stamp for only one price. Suppose the Postal  
7 Service implements a new rate for one-ounce First-Class letters of 45 cents on  
8 July 1, 2009. If the Postal Service is selling a “Forever Stamp” with a picture of a  
9 flag over the Lincoln Memorial for 42 cents prior to July 1, 2009, the Postal  
10 Service cannot sell this stamp on July 1, 2009, for 45 cents as well; if the Postal  
11 Service did, nobody would know the original purchase price of the stamp  
12 because the price could be either 42 cents or 45 cents.<sup>17</sup> Similarly, if the Postal  
13 Service wants to sell a new “Forever Stamp” design on July 1, 2009, for 45 cents,  
14 the Postal Service would be unable to sell that stamp for 45 cents prior to July 1,  
15 2009.<sup>18</sup> Consequently, the Postal Service would need to switch its entire stock of  
16 stamps at midnight on June 30, 2009, removing all old (42-cent) “Forever  
17 Stamps” from sale and placing new (45-cent) “Forever Stamps” on sale. I do not  
18 know how the Postal Service would transition the vending machine stock  
19 overnight, yet the Postal Service would need to keep the vending machine stock  
20 up to date because customer demand for stamps is always high around the time  
21 of a rate increase (and probably still will be, even with “Forever Stamps”). After  
22 the rate increase in January 2006, for example, I recall seeing handwritten  
23 “empty” signs on the vending machine at a station in San Francisco.

24 A plan that would require post offices to switch their stamp stocks at  
25 midnight on the day of a rate increase would be a disaster waiting to happen.  
26 Before the Postal Service began printing nondenominated stamps, the Postal  
27 Service was unable to supply post offices with new stamps despite having *weeks*  
28 of advance notice. Even with current rate increases, which demand less

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<sup>17</sup> A “Forever Stamp” with three possible values would lead to even more confusion.

<sup>18</sup> According to proposed DMCS section 241, the “Forever Stamp” will sell at the *prevailing rate* for one-ounce First-Class letters.

1 precision in distribution than the Postal Service’s proposed implementation would  
2 require, shortages sometimes occur. USPS-T-48 at 8. If the Postal Service  
3 implements the current plan, I am concerned that the public will long for the days  
4 before the “Forever Stamp.”

5 The Postal Service would not need to switch the stock of just one stamp.  
6 The Postal Service may soon be issuing many, if not most, commemorative  
7 stamps as “Forever Stamps” since customers will have no financial incentive not  
8 to purchase “Forever Stamps. Thus, the Postal Service might need to pull  
9 several stamp stocks off sale abruptly at midnight before the rate increase.

10 The Postal Service’s proposal to allow the postage value of the “Forever  
11 Stamp” to vary depending on the mail piece to which it is attached would  
12 needlessly complicate the classification schedule within the meaning of 39  
13 U.S.C. § 3623(b)(7) and threaten to worsen the inconvenience to the public of  
14 rate increases, thus creating a decidedly negative effect on the general public of  
15 rate increases within the meaning of 39 U.S.C. § 3623(b)(4). Under the Postal  
16 Service’s proposed implementation, this special classification would be  
17 undesirable for the public within the meaning of 39 U.S.C. § 3623(c)(5).

18 The alternative — to provide no postage value when a “Forever Stamp” is  
19 used on a mail piece other than a First-Class letter — would be unfair and would  
20 contravene 39 U.S.C. §§ 3622(b)(1), 3623(c)(1), and 3623(c)(5). Many times,  
21 customers will affix postage and then discover that their envelope is, in fact,  
22 considered a flat or a parcel. Or they will send a short-paid item not knowing that  
23 it was a flat or parcel, and either the *recipient* will be required to pay the shortfall  
24 or the item will be returned to the sender, causing a significant delay. Other  
25 times, customers simply need postage, so they turn to their workhorse stamps  
26 and apply enough of them to their mail pieces to pay the rate. Perfectionists may  
27 frown, but some customers appreciate the convenience of using stamps on hand  
28 to pay or overpay a rate. Customers must not be penalized — or, to use the  
29 Postal Service’s word, “punished” — for affixing a stamp to an envelope and then  
30 discovering that the stamp was worthless because they ultimately did not mail a

1 First-Class letter (perhaps one that weighed only one ounce). Ongoing customer  
2 dissatisfaction with this feature of the proposal likely would overshadow any  
3 temporary inconvenience currently associated with rate increases, particularly if  
4 “Forever Stamps” become widely held “workhorse” stamps, as the Postal Service  
5 admits they might. DBP/USPS-353.

6 The Commission should exercise its powers under 39 U.S.C. § 3622(b)(9)  
7 and 39 U.S.C. § 3623(c)(6) as well to evaluate the “Forever Stamp” proposal and  
8 recommend appropriate classification language.

9 To remedy the problems that I have identified, I propose the following  
10 language for DMCS section 241:

11 The Forever Stamp is sold at the prevailing rate for Single Piece  
12 Letters, First Ounce, in Rate Schedule 221. The Forever Stamp is  
13 an adhesive stamp within the meaning of section 3040. Once  
14 purchased, the Forever Stamp may be used for postage equal to  
15 the prevailing rate, at the time of use, for Single Piece Letters, First  
16 Ounce, in Rate Schedule 221.

17 The “Forever Stamp” proposal will not be successful, and will not increase  
18 customer convenience, unless the stamp is valid for postage on all mail at the  
19 prevailing rate for single-piece, one-ounce First-Class letters. My proposal would  
20 be simple and straightforward — two necessary features to ensure that the  
21 “Forever Stamp” proposal meets the high bar of minimal inconvenience set by  
22 current rate-increase implementations.

23 For the reasons described herein, the DMCS language I am proposing  
24 would be consistent with the criteria in the Postal Reorganization Act and would  
25 be preferable to the Postal Service’s proposed language.

26 The Postal Service seems to be reluctant to provide customers with such  
27 flexibility, perhaps due to uncertainty about the financial effects of the proposal.  
28 The Postal Service also wants to observe the use of the stamp during the next

1 rate cycle. DFC/USPS-T48-25. In reality, the proposal needs to be implemented  
2 once, with one consistent message to the public. The public's use of the stamp  
3 will depend on the rules announced for it, so it makes no sense to observe the  
4 public's use of the stamp and then write rules. If the Postal Service has serious  
5 concerns about the financial effects of the proposal, the Postal Service should  
6 conduct more research and return to the Commission when it has a clear and  
7 practical proposal.

### 8 **C. Timing of Implementation**

9 The other major problem with the Postal Service's proposal is the Postal  
10 Service's plan to sell the first "Forever Stamp" for 42 cents while the prevailing  
11 one-ounce First-Class rate is 39 cents. USPS-T-48 at 19, fn. 12. The Postal  
12 Service's proposed DMCS language states, without any ambiguity, that the  
13 "Forever Stamp" is sold at the prevailing rate for single-piece, first-ounce First-  
14 Class letters. Indeed, one central purpose of the "Forever Stamp" is to allow  
15 customers to buy the stamp at today's rate for use after a rate increase.

16 Setting aside for a moment the legal difficulties associated with the Postal  
17 Service's implementation plan, the Postal Service's proposal would confuse the  
18 public. In any implementation, the Postal Service will need to educate the public  
19 about the purpose, function, and use of the "Forever Stamp" — a novel concept.  
20 As I explained previously, the beauty of the proposal is its potential simplicity:  
21 Customers could buy the stamp at today's rate, and it would be valid for postage  
22 at that price forever. However, the Postal Service would dilute this message by  
23 selling the first "Forever Stamp" at the new, higher rate. The Postal Service will  
24 err if it introduces the concept of a "Forever Stamp" to the public in a manner that  
25 is inconsistent with the eventual use of the stamp. Many customers likely would  
26 wonder what all the fuss was about, since they would visit post offices before the  
27 Docket No. R2006-1 rate increase and, just like they have in the past, buy  
28 stamps at the new, higher rate. The Postal Service would need to educate the  
29 public all over again before the next rate increase, since many customers likely  
30 would have failed to grasp the benefit of a "Forever Stamp" during the Docket

1 No. R2006-1 rate increase. In short, the Postal Service should implement the  
2 “Forever Stamp” in a manner consistent with its intended use and educate the  
3 public once. Selling the “Forever Stamp” for 42 cents while the basic rate is 39  
4 cents would undermine the education effort.

5           Regardless of the wisdom of the Postal Service’s plan, the Postal Service  
6 cannot legally sell “Forever Stamps” for a price higher than the prevailing one-  
7 ounce First-Class rate. One solution might be for the Postal Service to  
8 implement DMCS section 241 prior to the effective date of the rate increase  
9 proposed in this docket and sell the stamp for 39 cents. This plan would be  
10 consistent with the DMCS and would avoid public confusion in the education plan  
11 for the “Forever Stamp.” However, the Postal Service apparently has not studied  
12 the financial effects of such a plan, so this plan may not be feasible. DBP/USPS-  
13 565.

14           The Postal Service indicated that it hopes to implement the “Forever  
15 Stamp” before the rates proposed in this docket take effect because it wants to  
16 dispense with the need for a new nondenominated stamp. DFC/USPS-T48-14  
17 and DBP/USPS-345(a). By adopting a hybrid approach, the Postal Service could  
18 meet this goal without running afoul of the DMCS or confusing customers. The  
19 Postal Service could produce another nondenominated stamp, as it has done in  
20 the past. The Postal Service would sell this stamp for 42 cents in advance of the  
21 rate increase, as it does for all rate increases. A few months after the rate  
22 change, the Postal Service could announce to the public that this stamp actually  
23 was a “Forever Stamp.” The Postal Service could then educate the public on  
24 how to use the stamp. This plan would avoid the legal problems associated with  
25 the Postal Service’s current plan while allowing the Postal Service to  
26 communicate a single, consistent message to the public. The public would not  
27 be harmed by the delay in the announcement of the “Forever Stamp” because  
28 the Postal Service’s plan to sell a “Forever Stamp” for 42 cents while the rate is  
29 39 cents would provide no benefit to the public and likely would increase  
30 customer cynicism about the proposal. The public would have everything to gain

1 and nothing to lose. Absolutely no need exists to rush implementation of a  
2 “Forever Stamp” if the Postal Service will not sell it for 39 cents.

3 If the Postal Service insists on selling the “Forever Stamp” for 42 cents  
4 while the current rate is 39 cents, the Commission’s should decline to approve  
5 the Postal Service’s request for a “Forever Stamp” and instead suggest that the  
6 Postal Service submit the proposal at a later date. This delay would ensure that  
7 the proposal eventually was implemented legally and effectively.

#### 8 **D. Conclusion**

9 In my assessment, logical and plausible assumptions about customer  
10 inconvenience associated with rate changes gave rise to the “Forever Stamp”  
11 proposal. The proposal progressed, and then the Postal Service conducted  
12 market research to support it. The market research revealed, somewhat  
13 surprisingly, that rate changes are only a minor inconvenience for most  
14 customers.

15 Meanwhile, financial questions persist. The Postal Service’s indecision on  
16 the value of postage that a “Forever Stamp” will carry on mail pieces other than  
17 one-ounce First-Class letters appears to be based, at least in part, on uncertainty  
18 about the financial consequences of public behavior, such as hoarding. See,  
19 *e.g.*, DBP/USPS-510(b).

20 The Commission and the Postal Service must exercise considerable care  
21 to ensure that the “Forever Stamp” *improves* convenience for customers; a  
22 proposal that would merely maintain the status quo, not to mention a proposal  
23 that would lower customer convenience, would not be justified.

24 To ensure that the “Forever Stamp” proposal does not lead to unintended  
25 consequences, such as reduced convenience or unfairness to customers, the  
26 Commission should retain control of this proposal by recommending specific and  
27 unambiguous DMCS language that answers the key questions that have arisen  
28 in this proceeding. The Postal Service should not have the opportunity to decide

1 on the details of the proposal unilaterally, and the public should have the  
2 opportunity to provide comments to an independent decision-maker — the  
3 Commission. The Postal Service will be free to request changes to the DMCS in  
4 the future as conditions warrant. Unlike some issues that come before the  
5 Commission, the “Forever Stamp” will affect almost all postal customers.

#### 6 **IV. BOUND PRINTED MATTER**

7 Single-piece Bound Printed Matter (BPM) is a convenient service available  
8 to every postal customer seeking to send mail that qualifies as BPM. BPM rates  
9 offer a cheaper alternative to standard Parcel Post rates. BPM rates sometimes  
10 are lower than Media Mail rates. Some mail that qualifies for BPM does not  
11 qualify for Media Mail rates. For example, printed matter that contains  
12 advertising may qualify as BPM but not Media Mail.

13 In the most-recent fiscal year, the Postal Service accepted approximately  
14 1,052,000 pieces of single-piece BPM for which customers paid the postage  
15 using postage stamps. Postage for another 3,599,000 pieces of single-piece  
16 BPM was paid using a postage validation imprinter (PVI) label from a Postal  
17 Service retail window. DFC/USPS-56.

18 In a mere footnote in her testimony, witness Yeh testified that postal  
19 management “has determined” that BPM will no longer be offered at the retail  
20 window. USPS-T-38 at 6, fn. 2. According to witness Yeh, the Postal Service  
21 will accept BPM at the retail window only if the customer has pre-applied the  
22 postage. Postal management reached this decision without providing the  
23 opportunity for the public to provide any input or comment.

24 The Postal Service’s plan would violate 39 U.S.C. § 403(b) because it  
25 would unduly and unreasonably discriminate against certain users of the mail, in  
26 a manner not specifically authorized by title 39. The Postal Service normally  
27 does not issue postage stamps in denominations that match BPM rates. Most  
28 postal customers typically do not keep a supply of stamps in a sufficient variety of  
29 denominations to make up any BPM rate. Individual and small-business

1 customers, including some nonprofit organizations, are the least likely customers  
2 to have postage meters or other means of paying postage conveniently without  
3 using postage stamps.<sup>19</sup> The Postal Service's plan would impose significant  
4 obstacles for customers seeking to mail BPM who do not have postage meters.  
5 While these customers theoretically could approach the retail window with  
6 knowledge of the weight of their mail, the Parcel Post zone, and the rates, ask to  
7 purchase stamps, and stand at the window affixing stamps to their mail, this  
8 transaction would impose such significant hurdles, delays, and inconveniences  
9 that the Postal Service's plan would unduly and unreasonably discriminate  
10 against customers seeking to mail BPM at the retail window. Many customers  
11 would find these obstacles to be insurmountable, further reinforcing the  
12 discrimination.

13 Any lingering questions about the discriminatory effects of this policy  
14 toward retail customers can be resolved by examining the Postal Service's intent.  
15 The intent is not to offer BPM at the retail window. USPS-T-38 at 6, fn. 2. Thus,  
16 both discriminatory effects and intent are present.

17 Postal customers are entitled to use services listed in the DMCS without  
18 discrimination. The Postal Service cannot issue a regulation, or a management  
19 decree, that has the effect of denying customers access to an approved service.  
20 The Postal Service's plan not to offer BPM at the retail window, and to accept at  
21 the retail window only BPM that has postage already applied, would effectively  
22 deny access to the service to many customers; and for those customers who  
23 overcame the obstacles, the Postal Service would clearly be discriminating  
24 against them based on their size (individual and small business), sophistication,  
25 and method of postage payment.

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<sup>19</sup> Customers theoretically can use Automated Postal Centers (APC's) to generate the correct postage. APC's do not, however, offer BPM services. Nonetheless, sophisticated customers who know BPM rates can purchase postage from an APC. Most retail facilities do not have APC's, so the existence of APC's at some post offices does not resolve the discrimination problem.

1           Postal customers also are entitled to obtain a PVI label, with the speed  
2 and convenience that it brings to retail transactions, as a valid method of postage  
3 payment, without discrimination based on the class of mail they are sending.<sup>20</sup>

4           The discrimination does not stop with the Postal Service's restrictions on  
5 the method of postage payment. Customers who visit retail windows depend on  
6 window clerks for accurate and honest advice. Postal management's decision  
7 not to offer BPM at the retail window would lead to discrimination against  
8 customers who do not know about BPM, the type of mail that qualifies for BPM,  
9 and the rates for BPM. Two examples will illustrate this point. First, some  
10 customers, when presented with the standard options of Express Mail, Priority  
11 Mail, and Parcel Post, may ask the window clerk whether "any cheaper options"  
12 exist. Or the customer may tell the clerk that he wants to send the parcel "the  
13 cheapest way." In my observations, in these instances, window clerks  
14 sometimes ask customers for the contents of their parcels. If the parcel feels like  
15 a book, the clerk may ask the customer if the parcel contains a book. Or the  
16 customer may volunteer information about the contents. The Postal Service  
17 cannot deny the existence of BPM if the customer asks for cheaper options or  
18 the cheapest method of shipment, and the window clerk discovers information  
19 indicating that the mail piece may qualify as BPM. To deny the existence of BPM  
20 or to pretend that it does not exist would constitute undue and unreasonable  
21 discrimination against customers who do not have sufficient postal knowledge to  
22 recognize the deception. And the outcome for customers who did recognize the  
23 deception and requested BPM service is unclear. Would the window clerk then  
24 offer BPM? Would the window clerk tell the customer to find a scale somewhere,  
25 find the BPM rates somewhere, and come back to the window to buy stamps in  
26 the amount that the customer ultimately calculated?

27           I am not suggesting that the Postal Service must offer every service in the  
28 DMCS to every customer for every window transaction. For example, the Postal  
29 Service does not need to present BPM as an option for every piece of mail that

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<sup>20</sup> An exception would exist if a PVI label were not available at a particular facility for any type of mail.

1 the window clerk places on the scale. Postal Service retail terminals already do  
2 not show BPM unless and until the window clerk chooses the appropriate class  
3 of service. However, if a service appears in the DMCS, the Postal Service must  
4 offer it in situations, such as in the examples described previously, in which the  
5 customer is seeking a level of service that the service in question would provide.  
6 To do anything less would be unfair, unethical, and discriminatory.

7 Since the Postal Service appears to be intent on imposing this  
8 unprecedented restriction on the ability of the public to use an approved service, I  
9 propose a change to DMCS section 3040. This change will update this section to  
10 reflect a PVI label as a valid form of postage payment for all mail. The proposed  
11 change is underlined:

12 Postage for all mail may be prepaid with postage meter indicia,  
13 adhesive stamps, postage validation imprinter (PVI) label, permit  
14 imprint, or other payment methods specified by the Postal Service.

15 Once the DMCS states that a PVI label is valid for BPM, one would hope that the  
16 Postal Service would recognize that other plans to discriminate in how it offers  
17 BPM must cease as well. However, if the Postal Service does instruct window  
18 clerks not to offer BPM to customers who request a service that BPM would fulfill,  
19 I will file a complaint pursuant to 39 U.S.C. § 3662 and propose appropriate  
20 DMCS language to remedy that situation.

21 I oppose the Postal Service's proposal to change the name of DMCS  
22 section 522.21 from Single-Piece BPM to Nonpresort BPM. The Postal Service's  
23 only justification for this change is witness Yeh's assertion that the name change  
24 would "clarify" the Postal Service's parcel offerings. USPS-T-38 at 6. A footnote  
25 follows her proposal, and this footnote is the one that announces postal  
26 management's decision not to offer BPM at the retail window. Nowhere does the  
27 Postal Service provide further explanation for the name change, an omission  
28 that, alone, is grounds for rejecting the proposal. I speculate that the Postal  
29 Service believes that the term "single-piece" implies a kind of service that is  
30 offered at the retail window, while a "nonpresort" service does not. If so, I tend to

1 agree. However, since I oppose the Postal Service's backdoor effort to deny  
2 retail customers access to BPM, I also oppose this name change. Most  
3 classifications available to the general public have a "single-piece" category in  
4 the DMCS. This naming convention is desirable, as it conveys that the service  
5 fundamentally is single piece, just as standard First-Class Mail rates are. Unless  
6 and until the DMCS is amended to deny retail customers access to BPM, the  
7 BPM classification should continue to be called "Single-Piece."

8 Indeed, with my testimony, I do not mean to rule out the possibility that the  
9 Postal Service could mount a convincing case for a change to the DMCS to  
10 achieve the goal of removing BPM as an option for retail customers. Such a  
11 proposal would be subject to the statutory requirement of a public hearing, and  
12 the Postal Service would need to establish that this change would be consistent  
13 with the pricing and classification criteria of the Postal Reorganization Act.  
14 However, I firmly oppose the Postal Service's backdoor attempt, with virtually no  
15 justification presented, to declare that an approved service will not be available to  
16 retail customers. For this reason, I propose the change to DMCS section 3040 to  
17 specify that a PVI label is a valid form of postage payment for all mail, and I  
18 oppose the Postal Service's proposal to change the name of Single-Piece BPM  
19 to Nonpresort BPM.

## 20 **V. COLLECTIONS**

21 In recommending the rates and fees for each class of mail or type of  
22 service, the Postal Reorganization Act requires the Commission to consider "the  
23 value of the mail service actually provided each class or type of mail service to  
24 both the sender and the recipient, including but not limited to the collection, mode  
25 of transportation, and priority of delivery." 39 U.S.C. § 3622(b)(2). While the  
26 discussion in my testimony will be pertinent for many classes of mail and types of  
27 services, I will focus on First-Class Mail because the collection system affects a  
28 large portion of First-Class mail volume.

29

1           **A. Overview**

2           The Postal Service’s collection system is an integral part of both the  
3 nature and the value of First-Class Mail service. Historically, customers have  
4 had extensive access in most communities with city delivery to blue collection  
5 boxes on the streets of business and residential areas throughout the city. For  
6 purposes of this testimony, the term “collection boxes” will refer to blue collection  
7 boxes on the street as well as lobby drops in post offices, wall-mounted collection  
8 boxes in office buildings, and mail chutes, assuming they do, or should, display a  
9 Postal Service label that provides the weekday and Saturday collection times.  
10 The term does not include simple outgoing mail slots in apartment buildings or  
11 cluster boxes.

12           I understand that Postal Service operating policy requires mail collected  
13 from collection boxes to be processed on the same day. Most collection boxes,  
14 including their location and collection times, are registered in the Collection Point  
15 Management System (CPMS) database. Employees scan most collection boxes  
16 upon collecting the mail, and supervisory personnel should confirm that every  
17 collection was made at or after the collection time. Supervisory personnel  
18 normally resolve any discrepancies by collecting the box again if necessary.

19           Prior to the inception of the External First-Class Measurement System  
20 circa 1992, problems with missed collections were widespread. I detected them  
21 all over the country when I sent test mail to myself or correspondence to other  
22 people who reported the delays to me. Problems were persistent in at least one  
23 city for several years despite my repeated complaints. Whereas the former  
24 transit-time measurement system, the Origin-Destination Information System,  
25 measured delivery times based on postmark date to arrival date at the delivery  
26 office, the External First-Class Measurement System (EXFC) measures delivery  
27 time from deposit to delivery. When EXFC began, the program revealed to top  
28 postal management the problems with missed collections that I had been  
29 observing for years. Soon thereafter, the Collection Box Management System  
30 (CBMS) was born and a system of scanner wands was deployed for collection

1 employees. The CPMS replaced the CBMS in 2005; both provide the same  
2 basic functionality for the purposes of my testimony. In my observation,  
3 postmark delays are extremely rare now, although they are not quite extinct.

4           Some postal customers give their outgoing mail to their letter carrier. This  
5 method of collection includes simple outgoing mail slots in apartment buildings  
6 and cluster boxes. While this method of inducting mail into the system may be  
7 convenient, it has several disadvantages compared to collection boxes. First,  
8 mail is subject to theft when customers leave it in an open area, such as a street  
9 mailbox with the flag up. Cluster boxes do not provide the same security by  
10 design as collection boxes. When rashes of mail theft erupt in cities, the Postal  
11 Inspection Service routinely advises customers not to leave their mail for their  
12 carrier.

13           Second, a carrier may not pick up mail from a customer if the carrier has  
14 no mail to deliver to that customer. This situation would be most likely to occur if  
15 a house or business had a mailbox that was not visible from the street.

16           Third, the carrier may deliver mail too early in the day to meet the  
17 customer's needs.

18           Fourth, I am not aware of a Postal Service policy to ensure that mail  
19 collected by carriers is necessarily processed on the same day. Customers run a  
20 risk that delivery operations may change on a particular day due to staffing  
21 shortages. Whereas the carrier normally may arrive at 3 PM, the carrier may not  
22 arrive until 6 PM on a particular day, with no advance notice to the customer.  
23 Businesses may already be closed by 6 PM. For residential customers, if the  
24 final dispatch truck departs from the post office at 6 PM, the outgoing mail may  
25 not be processed on the same day. Other examples of late deliveries would  
26 include recently publicized chronic late deliveries, into the evening, in the Los  
27 Angeles area after the closure of the Marina Processing and Distribution

1 Center.<sup>21</sup> I believe that the Postal Service sometimes does make special efforts  
2 to transport collection mail from carrier routes to the processing facility even  
3 when carriers arrive at the post office after the final dispatch truck has departed.  
4 Nonetheless, I do not believe that leaving one's mail for a carrier offers as much  
5 assurance of same-day processing as one receives by dropping mail in a  
6 collection box before the posted collection time.

7 For all these reasons, collection of mail by carriers is a supplement to the  
8 Postal Service's collection boxes, but it is not a substitute for collection boxes.  
9 Therefore, when the Postal Service removes collection boxes or changes  
10 collection times to earlier hours, other forms of collection are not perfect  
11 substitutes, and service levels, including the value of service, decline.

12 For some high-volume customers, the Postal Service will pick up their mail  
13 every day. This method of collection is beyond the scope of my testimony, as  
14 only a small percentage of customers benefits from it.

## 15 **B. Later Is Better**

16 I firmly believe that, for most postal customers, all else equal, later  
17 collections are better than early collections for the simple reason that later  
18 collections afford customers more time to deposit their mail for same-day  
19 collection and processing. All else equal, when the Postal Service changes  
20 collection times to earlier hours, the value of First-Class Mail service declines.

21 Many businesses generate mail during the day and wish to deposit it as  
22 late in the day as possible. My brother is a partner in a law firm in  
23 Massachusetts, and his firm operates with keen awareness of final collection  
24 times. As many businesses close at 5 PM, collection times at 5 PM or later are  
25 important to meet the needs of business customers.

26 One does not need to look far for independent confirmation of this intuitive  
27 point. Over the years, as the Postal Service has cut back on collection services,

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<sup>21</sup> Some news reports have suggested that the late deliveries are related to the plant

1 newspapers have published news of the changes. Most articles contain at least  
2 one or two quotes from customers who explain that the changes will cause them  
3 inconvenience. For example, on July 24, 2006, the *Marin Independent Journal*  
4 published an article about a change in the final collection time from 6:30 PM to 5  
5 PM at the post office in San Rafael, California. John L. Fallat, an attorney in  
6 private practice in San Rafael, was quoted as follows:

7 As a practicing civil litigation attorney, we have drop-dead  
8 deadlines upon which we must postmark documents and mail  
9 them. Creating a 5 o'clock deadline is very difficult to comply with  
10 because, even when you are done preparing the legal document, it  
11 has to be photocopied, transmittal letters have to be drafted and  
12 service on many parties has to be made. We try to get it all done  
13 by 5 but sometimes you just cannot do it.

14 Late collection times at the post office are important. Most customers are  
15 pragmatic enough to realize that 6 PM collections citywide are not feasible or  
16 practical. Therefore, they do not expect their corner residential box, if it still  
17 exists, to have a 6 PM collection. Customers know that they may need to travel  
18 to an arterial street or a post office for a late-afternoon collection. Collection  
19 times at the post office that are as late in the day as possible are highly valuable  
20 to many customers, and many are willing to use them. The example of the  
21 attorney in San Rafael is one of many. When the Postal Service provided me  
22 with CPMS data, my brother in Massachusetts asked me to find a collection box  
23 near his office that had a collection time after 5 PM. Not even the post office did.  
24 When collection times at post offices shift to earlier hours, the value of First-  
25 Class Mail service takes a particular hit.

### 26 **C. National Service Standards**

27 In my experience, most postal customers are not aware that the Postal  
28 Service has national service standards for collections. These service standards  
29 appear in Chapter 3 of the *Postal Operations Manual*. Postal Service  
30 headquarters has confirmed that these service standards are mandatory and  
31 apply to all city-delivery offices.

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consolidation. I take no position on the underlying cause of the delays.

1           On July 23, 1999, an official at Postal Service headquarters issued a  
2 memo that I have previously filed in Docket No. C2003-1 in DFC-LR-2 at PDF  
3 pages 6–9. To the best of my knowledge, this memo endures as a valid  
4 statement of policy and interpretation of the POM.

5           The memo describes the national service standards from Chapter 3 of the  
6 POM that, I believe, reflect the most-fundamental service standards and the  
7 areas where the most problems exist. Customers enjoy value when collection  
8 services adhere to these standards; customers lose value when services deviate.  
9 Key service standards include:

10           Collection times must be as late in the day as possible. A final collection  
11 time at 1 PM from a station from which the dispatch truck departs at 5 PM  
12 is not as late in the day as possible;

13           The final collection time on weekdays at post offices, stations, and  
14 branches must be 5 PM or later;

15           The final collection time on Saturdays at post offices, stations, and  
16 branches must be 1 PM or later;

17           For every collection box that receives a weekday average of 100 pieces of  
18 mail or more, the final collection time must be 5 PM or later;

19           Every collection box that is accessible on Saturdays must have a Saturday  
20 collection.

21           These national service standards are designed with customers in mind  
22 and the statutory requirement to provide adequate and efficient postal services.  
23 See, e.g., 39 U.S.C. § 3661(a). High-volume boxes, and all post offices, stations,  
24 and branches, must have collection times that meet the needs of businesses — 5  
25 PM or later on weekdays. The requirement for collection boxes that are  
26 accessible on Saturdays to have a Saturday collection reflects implementation of  
27 the principle of six-day mail service. The requirement for collection times to be

1 as late in the day as possible reflects the statutory requirement for the Postal  
2 Service to provide efficient service.

3 Before presenting the specific service standards described above, POM  
4 section 313.1(b) provides basic principles. One principle is to arrange collection  
5 schedules “consistent with the requirements of the local community and timely  
6 handling of mail at the processing point.” Some postal officials may cite this  
7 section to attempt to justify deviations from the mandatory provisions of the POM.  
8 For example, they may assert that 4 PM collections from high-volume collection  
9 boxes meet the needs of customers in their community. As a general principle of  
10 statutory interpretation, general provisions should be read to be consistent with  
11 specific provisions. Thus, even if 4 PM collections would meet the needs of  
12 customers in a particular community, 5 PM collections would meet their needs,  
13 too. Therefore, 5 PM collections are required per the specific provisions. The  
14 July 23, 1999, headquarters memo supports this interpretation.

15 The requirement for collection times to be consistent with timely  
16 processing of the mail is the largest potential exception to the specific provisions.  
17 Concern about the proper interpretation of this provision led intervenor David  
18 Popkin to file interrogatory DBP/USPS-91. The presiding officer directed the  
19 Postal Service to answer the question, ruling that information about policy would  
20 be helpful. POR R2006-1/19. The Postal Service provided a response that  
21 seemed to indicate that exceptions would exist only in extreme situations, such  
22 as a post office in a mountain location so far from the processing plant that the  
23 mail would not arrive in time for same-day processing. To confirm my  
24 understanding, I asked a follow-up interrogatory to try to identify the general  
25 conditions that might provide the basis for an exception. The Postal Service  
26 provided a response probably written by an attorney that was designed to  
27 provide no information at all — and it succeeded. DFC/USPS-75. Unable to  
28 understand the parameters in real-life situations that might justify an exception to  
29 the requirement for a 5 PM collection at the post office, I filed another follow-up  
30 interrogatory, this time focusing on stations in Bronx, New York, and New York,  
31 New York, that have final collection times as early as 1 PM on weekdays (New

1 York) and the absence of a final collection at 5 PM or later at all but one station in  
2 Bronx. DFC/USPS-77. The Postal Service filed an objection. I will move to  
3 compel a response.

4 In short, I believe that the July 1999 headquarters memo still reflects  
5 Postal Service policy, and I believe that examples such as those cited in  
6 DFC/USPS-77 are inconsistent with Postal Service policy. Except for the  
7 example of a post office in a remote mountainous region and other such unusual  
8 situations, I believe that the specific requirements in Chapter 3 of the POM still  
9 control collection policy.

#### 10 **D. Effect of EXFC Program on Collections**

11 In my observation, while the EXFC program has led to better control over  
12 collections to ensure that postal employees do not miss scheduled collections, it  
13 has led in the past 15 years to a contraction in collection services and a lowered  
14 value of the collections component of First-Class Mail service. The EXFC  
15 program directly or indirectly inspired the following changes:

16 Collection times are earlier in the day because managers believe that  
17 delivering the mail to the processing plant earlier in the day improves  
18 overnight delivery performance. Moreover, at least for several years, their  
19 bonus pay was tied to meeting EXFC overnight delivery performance  
20 goals;

21 Collection times at post offices, stations, and branches are not as late in  
22 the day as possible because local managers, for their own convenience in  
23 controlling the collection process, assigned boxes in front of postal  
24 facilities to regular street collection routes and set collection times that  
25 were convenient for those routes, without regard to how late the final  
26 dispatch truck departs from that facility or the availability of personnel  
27 working in that facility to make a final collection at the boxes outside. This  
28 phenomenon is most obvious in large cities;

1 Collection times became uniform in residential and business areas. Many  
2 post offices now use dedicated collection routes, instead of assigning  
3 letter carriers to collect boxes while they deliver mail on their routes. Post  
4 offices in many cities post a morning collection time such as 10 AM at all  
5 boxes in residential areas and ignore the requirement in POM § 323.41 for  
6 collections to be made within 20 minutes of the posted time. This way,  
7 they ensure that EXFC droppers deposit their mail early in the morning,  
8 and managers gain maximum flexibility for themselves in making the  
9 collections at a convenient time. Dedicated collection routes are not a  
10 problem for customer service per se; however, they would provide better  
11 customer service if they visited residential boxes at 2 PM instead of  
12 10 AM.

13 My belief that EXFC accounts for many of the reductions in collection  
14 services is not mere speculation. The July 1999 headquarters memo notes that  
15 customers may believe that early collection times are designed to circumvent the  
16 EXFC system. Postal management was remiss for not ensuring that managers  
17 responding to the incentives of a pay-for-performance system continued to follow  
18 policy when implementing operational changes to further those objectives. Much  
19 of the damage to the value of First-Class Mail service already is done.

## 20 **E. Collection Box Data**

21 I have focused on problems with collections since 1998. After attempting  
22 to resolve problems at the local level in cities around the country, I decided that  
23 the problems were too large in scope to be addressed effectively in this manner.  
24 In 2002, I submitted a Freedom of Information Act (FOIA) request to the Postal  
25 Service for an electronic copy of pertinent information from the CBMS database.  
26 The Postal Service declared that releasing information on locations and posted  
27 collection times of collection boxes would pose a security risk. I filed a lawsuit,  
28 and in March 2005, a federal judge ruled in my favor and ordered the Postal  
29 Service to disclose the data. In September 2005, the Postal Service provided  
30

1 data extracted from the CBMS in February 2005. The Postal Service refused to  
2 provide current data. I filed a new FOIA request, and the Postal Service  
3 generated a cost estimate of \$7,600 to provide the data. I filed a new lawsuit,  
4 alleging this time that the cost estimate was excessive and that the Postal  
5 Service violated the original court order by providing old data. This lawsuit is still  
6 pending in federal court.

7           Meanwhile, on June 19, 2006, I filed interrogatory DFC/USPS-35 to  
8 request CPMS data for the purpose of analyzing the collections issues as they  
9 pertain to the value of First-Class Mail service. The Postal Service objected, and  
10 a lengthy motions practice ensued, resulting in Presiding Officer's Ruling No.  
11 R2006-1/38, which required the Postal Service to provide the data. I received  
12 data from the Postal Service on August 17, 2006. During a subsequent review, I  
13 discovered that the "area of box" field was missing. This field has been renamed  
14 "location type" in the CPMS, and I did not realize the change until I noticed that  
15 the field was missing from the data files. After I located the new field name in a  
16 CPMS printout that I received in August, I filed a follow-up interrogatory,  
17 DFC/USPS-77. I did not receive the complete set of data until August 26, 2006.

18           In my motion to compel the Postal Service to provide the data, I identified  
19 the types of analyses that I planned to perform when I filed my interrogatory in  
20 June, more than two months before the due date for testimony. Unfortunately, I  
21 did not have sufficient capacity — i.e., hours in the day — to perform two months  
22 of work in 11 days, particularly since I was writing other sections of my testimony  
23 at the end of August concerning late-filed or continually evolving proposals such  
24 as the "Forever Stamp" and the restrictions on the public's use of BPM.  
25 Moreover, the CPMS data produced some unexpected hurdles. Due to  
26 underlying differences in database structure, the data are reported in a different  
27 format that is less conducive to analysis in raw form than CBMS data. The  
28 CPMS also includes all collection times, not just the final collection times, so I  
29 had to (and still need to) manipulate the raw Excel files in Microsoft Access to  
30 report only the latest collection time.

1 Due to severe time constraints, I view my testimony in this proceeding  
2 primarily as laying the groundwork for the Commission to begin to think about  
3 and review collections as a component of the value of First-Class Mail service.  
4 The CBMS data from 2005 and the CPMS data from 2006 will provide useful  
5 reference points for comparative analyses over time in future rate cases.

6 Despite the need to scale back my ambitions due to time constraints that  
7 the Postal Service's litigation tactics imposed on me, in the pages that follow I will  
8 focus on specific and extreme service shortcomings in some major cities that  
9 may very well form the basis for a reduction in the value of First-Class Mail  
10 service. Moreover, since this testimony will allow for cross-examination of the  
11 premises underlying my analysis of collection-times issues, I will attempt to  
12 provide additional specific analyses of the data when I file my brief.

13 Within 10 days, I will file as DFC-LR-2 the CPMS data that I received on  
14 August 26, 2006. The CBMS data from 2005 already appear in DFC-LR-1. After  
15 I conduct the additional data manipulation to report only final collection times, I  
16 will file those data in a new library reference, DFC-LR-3.

#### 17 **F. Specific Service Shortcomings**

18 In Chicago, 124 collection boxes located in front of stations have a final  
19 collection on Saturdays at 10 AM. An additional eight boxes located outside  
20 stations have a final collection on Saturdays at noon, and 26 boxes have a final  
21 collection at 1 PM. Fifty-six boxes located outside stations have a final collection  
22 between 1:15 PM and 3 PM. These early collection times exist even when a final  
23 dispatch truck departs from a station in the late afternoon to transport to the  
24 processing plant the mail that carriers collect on their routes. Collection times for  
25 lobby drops range from 10 AM to 5 PM, with the overwhelming majority at 1 PM  
26 or earlier. The principle of "as late in the day as possible" does not apply in  
27 Chicago, nor does the national service standard of a Saturday collection at  
28 stations not earlier than 1 PM.

1 Collection services on the streets of Chicago on Saturdays are even  
2 worse. Chicago has 74 boxes with a final collection time at 9 AM. The final  
3 Saturday collection time for 3,269 boxes is 10 AM, including high-volume boxes  
4 that have a weekday collection at 5 PM and for which the service standard  
5 requires a Saturday collection at 1 PM or later. Another 128 boxes have a final  
6 Saturday collection at noon. Except for these 128 boxes and a few other  
7 exceptions, no street collection box has a Saturday collection after 10 AM.

8 On weekdays, Chicago has 1,830 boxes with a final collection time at 10  
9 AM. Another 36 boxes have a final collection time at 9 AM.

10 In 2005, the standard collection time in Chicago was noon. This collection  
11 time changed to 10 AM in the fall of 2005. This change reflects a clear reduction  
12 in the value of First-Class Mail service in Chicago. I barely exaggerate when I  
13 observe that it is almost impossible to deposit mail in Chicago after 10 AM on  
14 Saturdays. In many neighborhoods, the final opportunity to deposit mail is just  
15 10 AM Monday through Saturday.

16 Customers will find no relief on Saturdays in two cities in Southern  
17 California. In 2005, I discovered that no street collection box in Irvine had a  
18 Saturday collection. The only place where customers could deposit outgoing  
19 mail on Saturdays was at a post office or station. Irvine may have a few (five to  
20 10) Saturday collections now, but most boxes still do not have Saturday  
21 collections. Long Beach has 320 collection boxes that have no Saturday  
22 collection.<sup>22</sup> I discovered the problems in Long Beach after spending nearly an  
23 hour one Saturday driving around trying to find a Saturday collection. Collection  
24 boxes in retail, business, and residential areas alike had no Saturday collection.

25 Until March 2006, good collection services existed throughout the  
26 Financial District in San Francisco. The 2005 CBMS data reveal that 326  
27 collection boxes had a final weekday collection time after 5 PM. In March 2006,  
28 the San Francisco postmaster changed the collection times on most of these

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<sup>22</sup> This number is based on CBMS data from 2005.

1 boxes to 5 PM, generally maintaining collections later than 5 PM at stations only.  
2 The 2006 CPMS data show only 91 boxes with collections later than 5 PM. On  
3 March 25, 2006, after most or all the changes were implemented, I sent a FOIA  
4 request to the San Francisco postmaster for “every record created or modified in  
5 2005 or 2006, including documents and e-mail messages, that discusses,  
6 describes, or otherwise relates to the needs or requirements of the public, of the  
7 lack thereof, for collection times on collection boxes later than 5:00 PM that the  
8 Postal Service considered in its decision to change final collection times on  
9 collection boxes in San Francisco in 2006 to 5:00 PM from times later than 5:00  
10 PM.” POM § 313.1(b) requires postmasters to arrange schedules “consistent  
11 with the requirements of the local community and timely handling of mail at the  
12 processing plant.” The San Francisco postmaster informed me that no records  
13 responsive to my FOIA request exist. This change is yet another example of a  
14 reduction in the value of First-Class Mail service that was implemented for the  
15 convenience of the Postal Service.

16 Collection service in Bronx, New York, is grim. Only one location in Bronx  
17 has a weekday collection as late as 5 PM. Of the 963 boxes, only 20 have a  
18 weekday collection at 4 PM, and almost all these boxes are located at stations.  
19 The Postal Service apparently has determined that the 1.35 million people who  
20 live in Bronx are not entitled to 5 PM collections at stations, a basic and  
21 fundamental national service standard for collections. In total, 561 of the boxes  
22 in Bronx have a weekday collection prior to noon.

23 In New York (Manhattan), 235 boxes have Saturday collections at 8:30  
24 AM or earlier, including 80 boxes at 6 AM and 68 at 7 AM. It is hard to imagine  
25 that these collection times are as late in the day as possible. According to the  
26 CPMS, no collection boxes in Manhattan have Saturday collections later than  
27 1:30 PM. I know that the General Post Office has a Saturday collection in the  
28 lobby later than 1:30 PM, but aside from this location, the Postal Service  
29 apparently has determined that the nearly 1.6 million people who live in  
30 Manhattan are not entitled to collection services that would allow them to mail  
31 letters after 1:30 PM on Saturdays.

1           The Postal Service also has determined that customers in several parts of  
2 Manhattan are not entitled to 5 PM collections on weekdays, even for boxes that  
3 are located at stations or that receive a weekday average of at least 100 pieces  
4 of mail per day. In the 10002 ZIP Code, the latest collection time is noon. In  
5 10003 and 10009, the latest collection time is 1 PM. In 10012 and 10013, the  
6 latest collection time is 2 PM. In 10014, the latest collection time is 1 PM. Most  
7 of these ZIP Codes are in lower Manhattan. In these ZIP Codes, even boxes in  
8 front of stations have the standard collection time for the area. The Postal  
9 Service simply does not care about customers seeking to mail letters in these  
10 areas.

11           Some of these reductions in Manhattan occurred in 2004 and 2005. The  
12 Postal Service rolled collection times back to 1 PM on weekdays throughout  
13 Manhattan before the Republican National Convention. By March 2005, these  
14 1 PM collection times still appeared on boxes in midtown Manhattan — boxes  
15 that formerly had 5 PM collections. Coincidentally, some of the 5 PM collections  
16 began to be restored on the collection labels during my visit in March 2005.  
17 However, the Postal Service made the 1 PM collections permanent in several  
18 areas in Lower Manhattan.

19           These collection schedules clearly are designed for the convenience of  
20 the Postal Service, not the convenience of customers. These examples are just  
21 a few of thousands of collection schedules nationwide that do not comply with the  
22 Postal Service's national service standards, which are customer focused. By  
23 failing to provide collection services consistent with these standards in the EXFC  
24 era, the Postal Service has lowered the value of First-Class Mail service. Some  
25 examples, such as the ones that I have identified in New York and Chicago, are  
26 alarming. However, many communities surely have hundreds of customers who  
27 have experienced the same service reduction that the San Rafael attorney  
28 experienced in July 2006. And if I were a postal manager concerned about  
29 electronic diversion of mail, I would be alarmed to discover that postal officials in  
30 major cities in America were providing services so poor that they seemingly were  
31 trying to encourage customers to seek alternatives to using the mail.

1           The Postal Service has steadily eroded collection services in the past 10  
2 to 15 years, not by changing policy but by consistently deviating from it. The  
3 CPMS data provided to me 11 days ago represent the first opportunity that a  
4 member of the public has had to grasp, and eventually to quantify, the extent of  
5 the erosion. My analysis will continue.  
6

1 **APPENDIX 1**

2 **BIOGRAPHICAL SKETCH**

3 I received a bachelor's degree in economics from the University of  
4 California, Berkeley, in 1990 and a law degree from Boalt Hall School of Law at  
5 UC Berkeley in 1994. I have been employed as the university registrar at the  
6 University of California, San Francisco since 2004. Previously I was employed  
7 as an assistant dean at the University of California, Santa Cruz from 2000 to  
8 2004. For six prior years, I was employed at the University of California,  
9 Berkeley. I live in San Francisco, California.

10 I provided testimony to the Postal Rate Commission on post-office-box  
11 service in Docket No. MC96-3. In Docket No. R97-1, I provided testimony on the  
12 rate and fee for stamped cards, problems with return-receipt servie, and  
13 problems with post-office-box service. In Docket No. C2001-1, I provided  
14 testimony on problems with collection services on holidays and eves of holidays.  
15 In Docket No. C2001-3, I provided testimony on First-Class Mail service  
16 standards.

17 I am providing testimony in my role as a private citizen. My testimony in  
18 this proceeding is entirely independent of my employment, and my views do not  
19 necessarily reflect those of my employer.