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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES, 2006 **Docket No. 2006-1**

INITIAL BRIEF

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For THE FLUTE NETWORK

December 19, 2006

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I. INTRODUCTION

Having reviewed a few dozen of the Documents, Testimony, and Transcripts that have been already filed as part of this Rate Case 2006-1, it is clear that both the amount of information and the number of variables that the Postal Rate Commission has to actively consider and put in balance in this case is absolutely mind-numbing.

Already, especially among the Transcripts of Oral Cross-Examinations, it is clear that the PRC has probably seen and heard enough references to the "forest vs. trees" arguments (such as, for example, the whole "electronic competition is seriously degrading first class mails" and all the "you're killing the customer base" concerns, etc.,) and also a fair share of NIMBY [Not In My Back Yard] arguments (such as, essentially – the "if rates have to go up, raise the other guy's rates and not those on the class of mail that I use most of the time" and the "what-ever-you-do, don't require us to change what we're doing now given the hoops we've had to jump through the last time this happened", etc.) – such that I will resist falling back on those analogies in this brief, however relevant they may still feel to parts of our own position.

Instead, then, the purpose of this brief is to clarify our own requests of the PRC as regards this case, and highlight why we believe it is reasonable to ask this, all in light of what may be a unique and possibly unexpected contribution to this case by way of hard data related to recent USPS service delivery performance with Standard Mail (especially Non-Profit Standard Letter Mail) – or more specifically, the lack thereof....

(NOTE: Due to mechanical MS word/pdf conversion difficulties, there are several sections of blank space in this document – I regret their presence but they could not be helped. Thank you for following the line of thought – anyway!)

II. IN BRIEF

To begin with, The Flute Network identified several serious discrepancies between what USPS promises customers can expect with Standard Mail and actual experience in recent years.

A. Standard of Service expectations vs. Actual Performance

Beginning with their own Standards for Service, in our testimony FLUTE-T-1 (p. 18) we reproduced the Rule 54(n) chart which specifies that Standard Mail pieces can be expected to

be delivered in 10 days or fewer. HOWEVER – allow me to quote here again the discussion of what we found in this regard (from FLUTE-T-1, pages 28 – 34):

VII. OUR RESEARCH – A CASE STUDY FOR THE USPS

By late 2004, then, with full confidence that Flute Networks were being prepared as required by USPS for Standard Non-Profit bulk mailing, and that whatever problems we were having were outside of *our* control – the only thing I could think of to do was to keep things going and begin tracking what we could track, documenting what we could document, and see what we might learn as we went along.

A. TRANSIT OF FLUTE NETWORK ISSUES FROM ENTRY INTO USPS SYSTEM IN WAYNESVILLE, NC TO DELIVERY IN SAN BERNARDINO, CA

Beginning in January 2005, I kept in touch on a regular basis with the Waynesville Post Office about the dates our mailings cleared their office (and thus entered the USPS system), and when we received our copy here at the house. In all cases I was home on the day of delivery and could note the date of receipt. That data is charted in the chart below.

TRANSIT TIMES OF FLUTE NETWORK

Waynesville, NC Post Office entry, to San Bernardino, CA

List reflects most recent issues, going backwards to the beginning of taking notes.

ISSUE	Processed at Waynesville PO (confirmed via phone calls)	Date Rec'd	Days in transit
May/June 2006	05/11/06	05/18/06	7
April 2006	04/13/06	04/25/06	12
March 2006	03/09/06	04/12/06	34
February 2006	02/09/06	03/06/06	25
January 2006	01/12/06	02/04/06	23
December 2005	12/08/05	01/23/06	46
November 2005	11/10/05	11/28/05	18
September/October 2005	10/11/05	11/12/05	31
July/August 2005	07/12/05(est.)	07/26/05	14
May/June 2005	05/12/05	06/07/05	26
April 2005	04/12/05	05/27/05	45
March 2005	03/11/05	04/04/05	24
February 2005	02/14/05 (est.)	02/26/05	12
January 2005	01/12/05 (est.)	02/24/05	43

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May 2004	05/15/04	06/01/04	17
April 2004	04/16/04	05/13/04	27
March 2004	03/15/04	05/14/04	60

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INITIAL CONCLUSIONS from this data: Granted that we're dealing with one comparatively remote postal point to another, the USPS hasn't been doing very well in getting anywhere close to its "10" (or even "12") day standard for delivery as per Rule 54(n). No pattern of consistency is evident either which makes it even harder to plan.

In summary - of the 17 issues tracked:

1 – delivery took 7 days……..

4 – delivery took 12 – 17 days

4 – delivery took 18 – 34 days

4 – delivery took 43 – 60 days

B. OUR FEBRUARY/MARCH ISSUE STUDY

As part of this Testimony, as another Exhibit, I have included copies of the pages in four of our last Flute Network issues which fully detail what we were wrestling with (especially regarding USPS delivery matters), and which portray our entire handling of the matter.

To recap briefly – in our February 2006 issue we asked our subscribers to let us know two things: (1) their zip code, and (2) the date they received both their February AND their March issue, respectively.

The raw data that came in from that inquiry is included in this testimony as Exhibit V - by date and zip code along with maps of the USA depicting those zip codes relative to the Waynesville (NC) post office.

1. REGARDING THE FEBRUARY ISSUE

The February 2006 issue of Flute Network cleared the Waynesville (NC) Post office on February 9th. It was on the cover of this issue where we first asked our subscribers to respond, and alerted them to the fact that we would be asking this for both the February and March issues.

We heard from 228 individuals about receipt of their February issue, from all across the USA. Of that 228: 178 actually received their issue in February; 48 received their February issue in March; 2 received their February issue in April.

The bulk of those who replied about receiving their February issue indicated it took 12 – 19 days to reach them. Having been processed through the Waynesville (NC) Post Office on February 9th , the bulk of those reporting in told us they'd received them on and between February 21 – 28.

2. REGARDING THE MARCH ISSUE

The March 2006 issue of Flute Network cleared the Waynesville (NC) Post Office on March 9th.

We heard from 307 individuals about receipt of that issue, from all across the USA. Of that 307: 51 received their March issue in March; 33 received it between April 1st – April 8th ; 80 received it on April 10th ; 41 received it on April 11th ; 102 received it on and between April 12th – 29th.

The bulk of those who replied about receiving their March issue indicated it took 32 – 41 days to reach them. Having been processed through the Waynesville (NC) Post Office on March 9th, the bulk of those reporting in told us they'd received their March issue on and between April 10th – 19th.

3. METHOD OF RESPONSES

All together, 535 responses to our request for information were volunteered to us. Of that number: 114 were sent to us by USPS mail (cards and written notes); 10 people placed phone calls to us; and there were 411 emails. It is significant to us that at least 43 of those who responded had tried at least one prior time to connect with us before successfully getting through with their information.

4. INITIAL REFLECTIONS ON THE RAW DATA and MAPS FROM THIS TWO ISSUE STUDY

All the raw data is included as an Exhibit to this Testimony. The website http://www.frappr.com[10] provided us a most excellent opportunity to graphically represent the relative position of receiving zip codes to the Waynesville (NC) Post office which was the entry point for all Flute Network issues. A "Group" was set up, with its corresponding map drawn, for each date on which we had information about Flute Networks being received; zip codes were entered as "members" for each respective Group Map. By comparing maps across time, then, it is possible to get a feel for the

[10] Frappr.com is a free mapping service, available online to all who register. Our sincerest thanks go to them for all their assistance.

"flow" of Flute Networks as they traversed the USPS system across the country over time.

Without "insider information"about the particular paths that Flute Network s travel as they move across the country as Standard Nonprofit Letter mail during the course of their delivery, the most striking initial conclusion from the accumulated raw data and resultant maps as provided by our subscribers is: there *is no actual pattern* to it that we can tell. There was also very little consistency in delivery times across the country between the two months (neither between points, nor in terms of overall delivery).

That being said, there are still some rather startling stand-outs in the raw data (included as Exhibit V) worthy of note: (1) it took 13 and 14 days for the February issue to go from Waynesville NC to Hawaii, but the March issue took 37 and 48 days to arrive in Hawaii; and (2) for both the February and the March issues - going from the western NC town of Waynesville NC to the north Georgia towns of Snellville and Cumming, it took the February issue 74 and 75 days to arrive, respectively, and it took 47 days for the March issue to be received in both towns. (Granted – there may be some geographical challenges to drawing any meaningful straight lines between those areas, however - that these two spots which are otherwise comparatively close to the entry point Post Office should take so long in delivery defies all reasonable logic. Further – regarding the addresses in Cumming, Georgia as having received both their February and their March issues on the same day, I placed a call to this person to find out if perhaps they had been having their mail held [as a possible explanation for that], and was told that they had

indeed been home the entire time and had no idea why these pieces of their mail had been delivered in such a way.)

B. Serious confusion exists regarding the significance of "rate discounts" for Standard Mail – and the related consequential repercussions for operational practice

On pages 20 - 21 of FLUTE-T-1, we noted and discussed a serious discrepancy in understanding the significance and meaning of the discounted postage rates for Standard Mail - which may possibly be partially responsible for the problems noted above. For your convenience, those sections are reproduced here:

C. USPS INTERPRETATIONS AND PROMISES

The "…priority of delivery" reference in Section 3622(b)(2) may also be particularly important to our consideration today. Standard Mail rates, and Non-Profit Standard rates in particular, are indeed significantly lower than First Class rates and there appears to be some confusion in what that does to USPS "priority of delivery" of those pieces.

On page 8 of the Office of Inspector General – SEMIANNUAL REPORT TO CONGRESS, October 1, 2005 – March 31, 2006, there is a notation on the illustration about the Business Mail Entry Process, that acknowledges:

> "Presorting mail is a work-sharing incentive that offers discounted postage rates to customers in exchange for performing a portion of the work associated with the mailing."[6]

Further – in that same illustration is the additional stipulation:

> "The Postal Service requires all mailings to be properly prepared by the mailer, taken to an approved BMEU, and prepaid before entering the mail stream." [7]

That these pieces being submitted for Standard Mail (including Non-Profit Standard Letter mail) are also bar coded, presorted, and bundled for ease of USPS handling – all done by the mailer before they enter the USPS system – should logically smooth the way for their efficient delivery.

However – the GAO report on USPS Delivery Performance documents another view of what these discounts in mailing rates mean as regards the handling of Standard Mail:

[6] Office of Inspector General – Semiannual Report to Congress, October 1, 2005 – March 31, 2006, USPS, p.8.
[7] Ibid.

> "Postal officials, including the Postmaster General, told us that differences in postage rates for different types of mail reflect differences in delivery standards and priority. The Postmaster General noted that variability in delivery standards and timing of delivery is built into USPS's pricing structure. He noted that lower-priced mail with lower delivery priority receives more variable delivery; this includes mail such as Standard Mail which receives discounts for presorting by ZIP Code and destination entry that is generally closer to where the mail is delivered. For example, USPS can defer the handling of Standard Mail as it moves through its mail processing, transportation, and delivery networks. Thus some pieces of a large mailing of Standard Mail may be delivered faster than others. The Postmaster General explained that this variability of delivery is consistent with the relatively low rates afforded to mailers of Standard Mail, who pay lower rates than mailers of First-Class Mail." [8]

Certainly these do not have to be incompatible takes on the matter. Lower priority handling that still results in meeting the Delivery Standards as outlined in Rule 54(n) would certainly be OK! If only that were so.

[8] GAO-06-733 USPS Delivery Performance Information, July 2006, p. 10.

C. US CODE: TITLE 39: Section 3622 and the “value of service” directive

There can be no argument against the assumption that users of the USPS services have every right to expect consistent and reliable service for every class of mail that is offered. In fact – we would argue that the very idea of “consistent and reliable service” is at the core of what is (or should be) the “value” that the USPS offers! However – as demonstrated by the data shared in Flute Network Testimony – actual performance as regards the handling of Standard Non-Profit Letter Mail has been neither consistent nor reliable, and has been so for at least two and a half years that we can document, to date. Our original Testimony on this point is as follows (FLUTE-T-1, page 19):

B. U.S. CODE: TITLE 39; SECTION 3622

Portions of the U.S. Code: Title 39: Section 3622 Rates and Fees are also of importance to this consideration:

Section 3622. Rates and fees

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  (a) From time to time the Postal Service shall request the Postal
Rate Commission to submit a recommended decision on changes in a
rate or rates of postage or in a fee or fees for postal services if
the Postal Service determines that such changes would be in the
public interest and in accordance with the policies of this title.
The Postal Service may submit such suggestions for rate adjustments
as it deems suitable.
  (b) Upon receiving a request, the Commission shall make a
recommended decision on the request for changes in rates or fees in
each class of mail or type of service in accordance with the
policies of this title and the following factors:
    (1) the establishment and maintenance of a fair and equitable
  schedule;
    (2) the value of the mail service actually provided each class
  or type of mail service to both the sender and the recipient,
  including but not limited to the collection, mode of
  transportation, and priority of delivery; [5]
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It is this Section 3622(b)(2) that is of most significance to my testimony here today. For Standard Class of mail, both senders and receivers are getting very very poor service, and it has been deteriorating for at least two and a half years that I can document.

Combining this Section of Code with the Table of Service Standards just above it, we see the source of much customer frustration and confusion when it comes to Standard Mail services. Even as recently as 08/16/2006 I was reassured by a USPS Business Mail office that Standard Mail (properly prepared of course) would be reaching addresses nationwide in 10 days max, and locally in 1 to 2. As will be shown, actual experience is significantly different and has been for some time.

[5] http://caselaw.lp.findlaw.com/scripts/ts_search.pl?title=39&sec=3622

Further - related to this “value of service” question, we included in our Testimony the relevant first hand experiences of quite a number of our subscribers on pages 34 – 36 of our Testimony:

5. OTHER RELEVANT INFORMATION PROVIDED BY OUR SUBSCRIBERS

A large number of those who responded took the opportunity to also share unsolicited (but welcome) and relevant information to us. All quotes attributed to a speaker are their words as they told us, and as recorded in our notes.

a. Some USPS workers are also flute players. Those who wrote to us asked to remain anonymous and I wish to honor that request. In general though – despite the fact that they represented postal units of varying levels and from all across the country – what they had to say was remarkably the same: Standard Mail was always left to last when it came to movement in each of their units. (It is our belief, at this time, that the appalling delivery results we see with Standard Mail is a direct result of the cumulative effect of this treatment.)

Apparently there is some confusion in at least three post offices (in different states) about knowledge of or understanding about a rule that "local originating Standard Mail" be handled as "First Class Mail" vs. the notion that "Standard Mail" is always "Standard Mail" and thus "handled only when there's time and no more First Class Mail to be processed". Further – as one clearly explained - "even when handling of Standard Mail has begun – later, if while doing that, more First Class Mail arrives, all handling of Standard mail stops until that new load of First Class Mail is gone".

Overall, the comments from “A.G.” who works at a postal unit in Maryland are most clearly typical of all the USPS worker/flute players who shared their insights and experiences with us – he told us of the “literally overwhelming amounts of Standard Mail” they get in nearly every day; how “it just piles up like crazy and is always the last to be dealt with”; that “it’s only when it reaches a crisis level does any Standard Mail get dealt with” – and then “do they bring on extra help? NO! That’s when they kick in mandatory overtime and what’s there gets moved along”… “then it is allowed to sit and build up again until the next crisis level kicks in”…”there is just so much of it… it’s overwhelming…”.

b. Six of our subscribers related their frustrations with local mail service and told stories of having found that correctly addressed mail to them (including some issues of Flute Network) were never delivered to them and instead had been marked as “Unknown”, “No Such Address” , and “Undeliverable” – and then had either been returned to sender or somehow “otherwise evaporated ” (meaning they were told when they asked their local Post Office for help with the problem, that there was no way to know why it was happening or what happened to those pieces). One person (who specifically asked to remain anonymous) told of such a situation going on unresolved for over a year. It should be noted that these six subscribers were located in six different states.

c. A lady in central California wrote us that: “I assume you are checking to see what the post office is doing to your deliveries. They are terribly slow here in Fresno. If I get mail before 5 p.m., if at all, I am thrilled. At least once a week, I get no mail at all, not

even junk mail flyers. We are on a route that had its “normal” mailman retire and now is considered overage. When someone else finishes their own run, then we get our stuff delivered.”

Additionally – we included in our testimony the first hand experiences of 10 peer companies who shared with us (for the purposes of being included in Flute Network Testimony) their extensive and recent experiences with Standard Mail (pages 36 – 41 of Flute-T-1) – those paragraphs are quoted as follows:

6. EXPERIENCES WITH STANDARD AND OTHER USPS MAIL SERVICES VOLUNTEERED TO US BY SOME OF OUR MAILING PEERS

It is this category that the finessing of the collected stories reported to us seem to yield some good news when it comes to the performance of delivery of Standard Mail – taken all together, there does appear to be a threshold for dissatisfaction in this regard. Those who had no or a very loose criteria in mind for performance standards on the part of the USPS did not demonstrate hard feelings towards the USPS or disappointment in the service. As before, all quotes attributed to a speaker are their words as we have them in our notes.

a. A medium sized music publisher on the east coast who does bulk mailings twice a year to her regular customers (approx. 2,500 nationwide) shared with us that as far as she's concerned her experiences with the USPS are "nothing worse than normal". She contracts out the production and mailing of her catalog, and has been satisfied that her recipients are "getting it in a timely enough manner" for her purposes.

b. A postal customer from the south east told us of her growing dissatisfaction and ultimate desertion of the USPS when it comes to her mailings. In 2003 she mailed out "around 3,000 flyers" via bulk mail – the numbers of complaints she had from people she

"know [she] mailed to was staggering – they swore they never got anything". Because of that experience, in 2004 and 2005 she "paid a fortune" to send her 3,000 flyers out via First Class Mail – ultimately, she did not feel the service was any better at all as based on the complaints to her from the people she "really truly had sent them too". In 2006 she also discovered that "the routing system is totally crazy too" – "consolidation or whatever they call it is totally screwing everything up – it's taking days for First Class Mail to go to a house in the next block, and forget about sending bill payments through the mail! They're always either lost or late and I don't have money to pay late fees and fines that I didn't cause." Beginning this year she has decided to do no more mailings for her business – "it's downloadable PDF's for us only now".

c. A large music retailer in the upper Midwest told us that because of frustrations with the bulk mail system (mostly in meeting the particulars and requirements and expectations for standard mail service) they decided three years ago to stop all mailings with the USPS. Instead, they "switched over to using email and internet exclusively" for what they used to do via USPS Standard mail.

d. A woman in New Jersey told us that her company doesn't do mass mailings with the USPS anymore, however her Temple does and "they've had fits with it." The Temple is "10 blocks away" from her house and used to mail bulletins to their approximately 500 member families on a weekly basis, "all prepared to USPS standards, sorted, banded, etc. "But it was always getting to most of the families two weeks late! Everything in there was already over with by the time we got it!" She said when she asked at the Temple

about the situation, she was told they were really being mailed in “plenty of time” and that the Post Office was the problem; when she asked at the Post Office about it, she says she was told, quite simply, that “there was no problem”. About a year ago, after “hashing it out as a membership”, she said, they “decided to switch from weekly to monthly bulletins.” She says “they still come late, but since the information in them covers four weeks now instead of just the one, we’ve only missed about half of what’s in there rather than all of it, so it’s not quite so big as a problem as it used to be…”.

e. A music store owner in the north east shared with us about a series of conversations he’d had with his local mail-person earlier this spring. He told us that he’d been having frequent troubles with having to dig through the fine pages of the “junk mailers” in his mail in order to find important First Class Mail (like bills, music orders, etc.) that had – apparently in the process of handling – found its way to being “deeply embedded in the bowels of the latest grocery store mailer”. He said when he talked with his local mail-person that he figured out that: “all the mail man cares about is getting junk [mail] into the mail box” . He went on to report that the mail man told him that “without all that junk mail, I wouldn’t have a job! It’s the junk mail that keeps me employed!”

This same music store owner told us of his frustrations with the “consolidation crap” [please note – again, I’m quoting there, and those are his words not mine] – that in his little town of about 600 mail boxes, all the local mail has to get taken out of town to get “worked over before it can come back and be delivered” and that locally mailed announcements of workshops and events, “even real estate mailers end up being delivered late – too late to be any good… so basically there’s no service there at all”.

f. A major music store owner in Michigan told us that he gave up on doing bulk mailing/Standard Mail when he figured out that what he'd possibly save in postage by meeting all the USPS requirements was far less than what it was costing him in terms of the labor costs related to preparing it. He's no longer doing any mailings with the USPS.

g. A large music store and supplier in the east told us of a "nightmare" he recently had with Standard Mail – and he is a very experienced mailer. In June of 2006 he did a 3,000 piece mailing via Standard Mail of single CDs in individual stiff cardboard mailers. The mailing list is his own and is well maintained; he'd worked to carefully prepare the mailing pieces and based on his experience with prior such mailings had anticipated no problems. However, he says, when he started calling some of the customers he'd mailed to and asked if they'd received it (as is his "standard practice"), he could find NO ONE who'd received it even two weeks out (i.e., 14 days) from his mailing date… "and not even locally". He said "The mailing again was in June and I'm still getting calls asking where their CD catalog is" he says [this conversation took place in early August]. His sense of it all is "a large number [of that mailing] just didn't ever get there; most of the ones that did took four to five weeks to get there, and most of *those* were broken…." . I asked if he'd talked with anybody at the USPS about that - he said he "had the sense that there was no one to talk with about it, and that it wouldn't matter anyway if I did"… He says he will never do bulk mailing again of anything important.

h. A large manufacturer/importer of musical instruments in the north east, who in the past were almost "known" for their frequent bulk mail pieces (in fact their frequent mailings

had the effect of becoming something of an unofficial trademark for them) told me they decided over three years ago to stop doing all mailings with USPS. "We switched over to doing all emails only for communicating to our customers and potential customers – regular mail is too slow, and is too often mis-directed. We now do only occasional post cards and those only ever go via First Class – that's now only a drop in the bucket…."

i. A large music importer in the New York City area told us that she's been quite pleased with the Standard Mail service her company has had. She mails out approximately 800 pieces nationwide to her "regular dealers, four times a year"; she handles all the labels and form processing herself, and delivers her bundles to the local ACD office personally. As far as she's concerned, her mailings are received in a "timely enough" manner for her company and she "has had no problems worth mentioning."

j. A music store in the central east coast told us that they've done one mailing via Standard Mail about a year ago, of about 700 pieces nationwide. She said that it "was a bear to prepare" but it was "not at all time sensitive" so they were "not dissatisfied" with USPS service on that mailing. However, they also "didn't get much response to it either", and doubted they would ever "do it again".

k. A music publisher in the north east – a very experienced bulk mailer – called her last experience with Standard Mail a "total nightmare". In Spring of 2005, they had prepared a mailing of some 4,000 catalogs to be sent to folks on their own well maintained mailing list, nationwide. Relying on USPS confidence that "all would be received in that 10 day

window", she timed that special mailing to "reach buyers before the schools and Universities closed for the summer." She followed the mailing by doing "spot checks" by phone of customers, to check on its arrival (standard practice for her), she said… no one she called had gotten it 14 days after her mailing. Her catalog took three weeks to reach her mother who lived in the next state; it took five weeks to reach her customers in California… She said, "cut to the chase: all the schools were closed and had been for some time by the time people got their catalogs – it was a total disaster for us…. The lost sales from that mailing alone really hurt us." She told me she did talk with her local USPS Post Master about it and at his direction she "wrote a letter and filled out the form he told [her] to" and mailed it off to "the person he told me to mail it to" – but that "here it is a year and a half later and I've yet to hear anything from anybody!", she says. (As a follow up – and at my request – she looked through her records to see if she still had a copy of the letter, the form, and who she sent it to. She reported that after a "good search" nothing was "apparently left to be found" at this point. She thinks she was "just so disgusted with that whole scene that it all got tossed when I cleaned things out last spring".) She doesn't yet know if her company will do another mailing with USPS, that this experience has "just left [her] so badly burned…".

At her request, please allow me to include here a note on another matter of great importance to her regarding the USPS - this same person "very very much appreciates other things about the USPS – the availability of those flat-rate envelopes and the flat-rate boxes as supplied by the USPS are absolutely invaluable to us – thank you!". She adds further that her company "couldn't get by without them. Those are particularly excellent things about the USPS", she said.

One of the Interrogatory questions to us asked about information received since we filed our Testimony, and our reply contained specifics related to this section of our original testimony – those paragraphs are as follows (quote is from FLUTE-T-1-4):

2) On September 13, 2006, we received a follow up communication from the publisher whose experience was included as "k" in Line 20 on page 40 of our Testimony – she had subsequently found some of her notes and provided the following particulars to her experience (to protect the privacy of the individual she named, I will not include it here at this time – it can be provided however, if deemed necessary). She wrote as follows: "I did not find the letter I sent to the post office about my complaint, but I found a few notes. _____ in Manchester NH was the one who told me what I should do. He said to send them a form #3533 with a copy of my catalog, saying I was a small business. This is what I did. I also sent it with the postage statement form the company who did my mailing with the amount of the postage bill, telling them I had lost a lot of business since the bulk mailing took 5 weeks instead of the suggested 10 days. This has happened 3 years in a row. The mailing was sent April 4, 2005 and took until May 9th for some people to get the catalog. It cost me $1181.89 in postage. I asked for some compensation on my bill, but never even got an answer."

3) Since filing our Testimony, we also heard from (and took notes about) two other entities who wanted to share with us about their experiences and frustrations with USPS services. Their comments were as follows:

(a) First up, we heard from a large nationwide non-profit organization who also has had longstanding delivery problems with their print publication via USPS Standard Mails (especially of concern to them were the substantial number of complaints received by their office regarding members "pre-convention issue" being received several weeks after the convention happened each summer over the past 4 or 5 years, when it had indeed been mailed out well ahead of convention time).

(b) Also heard from is a small manufacturing company located in a suburb in the northwest who spoke to us of numerous problems with USPS services (most notably, the lack of USPS delivery of packages to them which were correctly addressed and unremarkable in terms of size, weight, or frequency – instead, they were/are given only a notice of it/their being available for pick up; the local delivery person was highly

praised however – and this company reports understanding that this practice of "no knock being necessary/just leave a package notice" was something of a local managerial decision). Of relevance to the topic at hand though was his subsequent comment: "…it all just makes me wonder what else someone along the way might decide is not worthy of actual delivery". The promised letter of follow-up to our conversation, including more particulars about this company's experience and concerns, has not yet arrived.

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D. Regarding the "lack of service performance data" for Standard Mail question

Given the expectation for the PRC to consider performance data as a means of assessing "value of service" in rate cases such as this – combined with the findings of the GAO report GAO-060733: "U.S. POSTAL SERVICE – Delivery Performance Standards, Measures, and Reporting Need Improvement", July, 2006, plus the USPS own acknowledgement that there is no such data for Standard Mail (as also detailed in that GAO report) – The Flute Network is honored to step up and share what we have collected of that very kind of service performance data. We do this in the genuine hope that greater good might come to all Standard Mail subscribers by virtue of our having done so (ultimately, we are thinking of "good" as taking the form of better, more reliable service for us all).

We have learned, from reading various Transcripts and Testimony in this case, about the CONFIRM Program which is being conducted by the USPS. We believe there is clearly great potential for information from that program to be relevant to the question of accumulated "service performance data" – especially regarding the pace of flow internal to the USPS system, and possible locations of handling problems, in Standard Mail – at least for the participants of that program. It is not clear whether such specific information – if it indeed already exists - has been made available to the PRC for their consideration in this case. While there is clearly great potential for the USPS to data-mine that information in the future (and along many dynamics), it may or may not also reflect the experiences of an unknown portion of other USPS service subscribers who are small businesses like us, and for whom participation in CONFIRM is totally out of reach.

It is also not clear, in the documents we've reviewed to date, whether there is also relevant information for the PRC to consider (along these lines of "service performance data" and as

pertain to the concerns of this case) which may stem from other “seeding” programs that mailers (and/or the USPS itself) may have undertaken. While we can guess at the many good reasons as to why companies may wish to keep that kind of information confidential, The Flute Network feels strongly that it is in the best interests of our advertisers to address these questions of mail flow openly and directly, so that they might have better and more reliable information with which to more realistically time their own advertising efforts (in our own and/or in other publications which use Standard Mail for their delivery). In fact, we are already well underway in replicating our study from February and March of 2006 with our February and March 2007 issues. If there should be another omnibus rate proceeding in 2007, we will be honored to share our findings from our upcoming study with the PRC and the USPS again.

III. OUR REQUESTS TO THE PRC, AS REGARDS THIS CASE

We have established and substantiated throughout The Flute Networks Testimony (FLUTE-T-1), in our Replies to Interrogatories (FLUTE-T-1- 2-4 as accepted into evidence), as well as with all our accompanying data, that Standard Mail customers (and especially Standard Non-Profit Letter Mail customers) are NOT getting anything close to what we’re promised when it comes to service performance delivery, even at the rates currently being commanded. Further, this very poor service has been so for quite some time.

We have documented how despite the promises of Service Standards (10 day max delivery time), the current pattern of cumulative, successive, and unpredictable delays in Standard Mail flow – which are likely due to Standard Mails being last in priority for handling at each step along the way - is already having serious, and in some cases un-recoverable-from, consequences for USPS customers…. again, even at the current rates.

Certainly – as already acknowledged - the range of variables that the PRC must consider in making its recommendations is mind boggling and we recognize and honor all the particulars and components of such things as rate designs, processing models, sorting schemes, various notions of elasticity element concepts and the like – because they all have their place in the big picture and are most worthy of your considerations. However, from the customers’ perspective, it’s being able to simply count on reliable and consistent service on the part of the USPS that’s most important.

To put it another way: for those of us who live and work outside the USPS "box" – whether it be a "black box" or a "clear one" [see GHS-T-1, p. 14], I venture that - generally speaking - most of us really aren't so concerned about the color of the thing and the particulars of what's inside it as we are the ultimate consistency and reliability of USPS service as a whole; that it's the predictability and trustworthiness of service performance which is most material to our election to choose the USPS in the first place. (I.e., it's being able to count on the fact that - once mail is put in the USPS system, that it will come out where it should in a reliably predictable manner, and consistently so over time -- that may be what matters most. If the service as a whole can't be deemed reliable, at some point it becomes undesirable – at any cost.)

While we acknowledge that there is probably no way to forestall increases in postal rates, the dismal service Standard Mail customers like us have been experiencing should NOT go unrecognized. The very poor service performance, especially that of Standard Non-Profit mail as demonstrated through Flute Network testimony and data, cannot be taken (by any stretch of the imagination) as demonstration of the kind of value that could reasonably serve as a justification for (or basis for) raising costs.

If postal rates have to go up, we would hope they would be minimal - if at all - for Standard Mail (especially Standard Non-Profit mail… and yes, that probably can be construed as a sort of "NIMBY" argument, but we think it actually does go deeper than that.).

Further – we hope that the PRC could find some way to include the strong recommendation that there be a firm commitment on the part of the USPS to REALIZED, SUBSTANTIAL, SIGNIFICANT and DEMONSTRABLE IMPROVEMENT in delivery service performance for Standard Mails – and sooner rather than later. Given the acknowledged importance of Standard Mail to USPS revenues as testified to in so very many other documents in this case, we can hope that the USPS might make Standard Mail delivery their "new priority", but it may well take a directive from the PRC to instigate even the consideration of that.