

Comments of the
Office of the Consumer Advocate
Postal Rate Commission

The Office of the Consumer Advocate of the Postal Rate Commission (hereinafter "OCA") is pleased to present its comments to the President's Commission on the United States Postal Service. The Comments are made by OCA's Director, Shelley Dreifuss. They reflect only the views of my office and are not intended to represent, in any way, the views of the Postal Rate Commission or its Commissioners.

There are three important issues that I respectfully ask the Commission to consider: (1) domestic services and products sold to the public by the Postal Service that the Postal Service considers to be outside the jurisdiction of the Postal Rate Commission (hereinafter "PRC"); (2) the resistance of the Postal Service to collecting and reporting publicly data on the speed and reliability of the many classes of mail service and special services that it sells to the public; and (3) strengthening the PRC's power in overseeing significant, material changes in service. The services addressed as issue #(1) can be referred to broadly as "nonjurisdictional" services; the services addressed as issue #(2) concern jurisdictional, domestic services.

Issue #1 -- Nonjurisdictional Services

In recent years, the Postal Service has stepped up its efforts to sell a variety of e-commerce services to the public. These include "eBillPay," "NetPost CardStore," and "NetPost Certified Mail." The services are characterized by a strong electronic component, although in most cases, some of the items purchased by consumers will eventually be entered into the mailstream as ordinary First-Class letters, First-Class flat-shaped pieces, and Priority Mail. The Postal Service started up these services without first coming to the Postal Rate Commission with a request to offer a new class of mail service and the price it wished to charge for the service. For mail services that the Postal Service views as more traditional in nature, like a new type of package service (perhaps at a lower price than currently available, but for a slower service), the Postal Service does not start up the new service unless it has a recommended decision from the PRC following a proceeding conducted under the Postal Reorganization Act, which incorporates due process procedures from the Administrative Procedure Act.

The e-commerce services noted above are not the only services offered by the Postal Service to the public without regulation or oversight of any kind. The Postal Service also sells phone cards, merchandise such as T-shirts and coffee mugs, and in some locations, passport photos.

My office -- OCA -- is very concerned about the sale of such items without oversight by any other regulatory entity. To begin with, many of these services generate huge losses. GAO Reports indicate that the e-commerce services have likely produced at least scores of millions of dollars of losses; but the Postal Service's record-keeping and accounting for these services is so slipshod that not only is the GAO unable to estimate the extent of the losses, but the Postal Service itself doesn't know the extent of the losses. Without a clear statutory requirement that the Postal Service establish such services at a cost-recovering price, following a public proceeding under the Administrative Procedure Act, the Postal Service's position is that it will continue to sell any service or product it wishes, whether or not the service or product has any connection to traditional postal services, at any price that it likes. Furthermore, the Postal Service does not believe that it has to account to any outside organization for these costs or activities. To the extent that losses are generated, the Postal Service believes that it is the obligation of the Postal Rate Commission to pass the losses along to ratepayers such as First Class, Periodicals, and Package Services without giving those ratepayers any say at all on the imprudence of entering into such activities in the first place.

OCA, together with another consumer organization -- Consumer Action -- brought this matter before the PRC recently in a petition for a rulemaking. The PRC's effort is certainly complicated by the lack of a clearly articulated congressional policy in the Postal Reorganization Act. Among the recommendations that the President's Commission will eventually make, there should be a recommendation for explicit statutory language that addresses whether the Postal Service has the authority to offer products and services not closely related to its core mission of providing traditional postal services; and if it does have the authority, must it first present a request to the PRC for a recommended decision to offer the service and the price for the proposed service? Finally, if there are such things as "nonpostal" or "nonjurisdictional" products and services, must there be a strict accounting for them to the PRC -- and should the losses they generate be excluded from costs that have to be recovered from jurisdictional (or traditional) ratepayers?

Issue #2 -- Collecting and Reporting Data on Speed and Reliability of Service

The Postal Service sells scores of services and products to the public -- carriage and delivery of First-Class Mail letters, flats, and packages; Periodicals such as newspapers and magazines; direct mail advertising material; merchandise; books; and special services such as Certified Mail and Insurance for mailed items. Many serious deficiencies in providing these services have come to the attention of my office in recent years, often merely as anecdotal reports appearing in newspapers or in communications made to my office or the PRC. I believe that the Postal Service must be formally required (by statute) to develop a system of data collection for each class of mail and for each individual

service it sells, such as Certified Mail and Insurance. In addition to collecting these data, the Postal Service should be required to report them publicly (at least every year) so that purchasers of the services can determine the real value of the service being purchased. For example, the Postal Service's scores for its 2-day and 3-day delivery areas for First-Class Mail are far less than 100% -- actual scores are in the mid-80% range (First-Class scores are among the few reported, but only for stamped and metered First-Class Mail). The Postal Service has never gone to the trouble to develop a measurement system for the speed and reliability of mailing the majority of First-Class Mail -- bulk First Class that is paid by permit. Neither does the Postal Service measure the speed and reliability of an entire class of mail -- the Periodicals class. In general, the Postal Service has never developed a performance measurement system for any class (or large segment of a class) of mail that is paid by permit.

The Postal Service neglects entirely the measurement and reporting of data for special services, including Certified Mail Return Receipt. I have learned through anecdotal reports that the Postal Service fails to obtain signatures on return receipt cards that are delivered in bulk to large institutions; neither does the Postal Service detach these cards and send them back to the purchaser through the First-Class Mail system, although this is the very service that purchasers have paid for.

Channels that are important to consumers for entering their mail into the postal system -- collection mailboxes and retail counters -- appear to be subject to significant reductions year by year. These are measures that the Postal Service should be required to make and report. Length of time waiting in line for retail services is another important part of the entry process. The Postal Service should be required to collect and report average time waiting in line at retail facilities on an annual basis.

Anecdotal reports have come to my attention concerning curtailment of the methods of receiving mail. I frequently read community newspaper articles published throughout the nation that in individual communities the Postal Service is attempting to pressure residents to remove their individual curbside mail boxes and agree to clusterbox replacements. These figures should also be collected and reported.

Issue #3 -- Public Involvement and Influence in Making Significant Reductions in Service; Strengthening the Role of the PRC

In addition to collecting and reporting figures on service performance trends, the President's Commission should devise a set of formal procedures that prohibit the Postal Service from making significant reductions in service without the approval of the PRC. Under the present statutory scheme, the PRC merely can "advise" the Postal Service on whether to make significant or material diminutions in service. I recommend a strengthening of the PRC's authority so

that such steps may not be taken without a recommended decision by the PRC following public hearings with the opportunity for members of the public to air their views.

The public would also be better protected if the PRC were given the explicit power to establish service minimums, such as for the length of time waiting in line for retail services.

Although I am not requesting an opportunity to testify on these matters, I am willing to do so if it is the wish of the Commission (or on other matters for which I may be able to make a contribution). I extend sincere thanks for the opportunity to present comments on issues that concern postal consumers.

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