George Mason University | School of Public Policy

Study on Universal Postal Service and the Postal Monopoly

Appendix G

Section 1

Assessment of Public Needs and Expectations
General Public

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Contents

1 Summary

The attitudes and behavior of households as they relate to elements of universal postal service and mail monopolies can be used to inform future need for these services and policies. They can also validate assumptions about the scale and scope of the current levels of postal services.

Overall, the need for mail services among households is uneven. Many people use it rarely, while quite a few are frequent users. People increasingly use the Internet for postal services such as sending correspondence, conducting transactions, and ordering merchandise. But the increase and substitution of volumes away from the mail is not equally distributed – it is high in informal communication and drops when transactions are involved.

The post office is the center of many people's mail-related activities, and most households are close to their local post office, in both travel time and distance. Yet its importance is ranked rather low compared to five other retail and service outlets, and most people, 65%, would not pay for keeping a post office open that is slated to close.

Most people, 68%, wouldn't mind reducing the number of delivery days from six to five days a week. Even for bill delivery, this would inconvenience only 35% of households. Three-day delivery, however, would affect 33% of households a great deal; 38% would even pay more to keep six days.

The preference for keeping the current levels of volume and delivery frequency of advertising mail is low: 95% would be fine with having it delivered three days or less. 78% would put their name on a do-not-mail list that stopped most advertising.

The USPS quality of service ranks high in people's opinion and so does its exclusive right to access their mailboxes. Security of the mail is currently not a big concern. If competition were allowed, a plurality of people would expect service to get worse but rates to get lower. There is a considerable level of uncertainty though on the effects of allowing competition.

2 Introduction

To assess the needs and expectations of the general public and single piece mailers with regard to universal postal service and the letter and mailbox monopolies, we chose to conduct a nationwide household survey. The 111 million U.S. households send 21 billion single pieces of mail, and receive 151 billion pieces (most of which is standard mail), for a total of 79% of all domestic mail.[1]

The survey was intended to provide an empirical perspective on attitudes towards universal service and the monopolies, and to complement the historical, legal, international, and economic analyses on these issues reported elsewhere in this study. The sample, questions, and categories were designed with this specific goal in mind. In particular, we included questions relating to geographical scope (e.g., travel time to nearest post office), range of products (e.g., classes of mail sent), access mode (e.g., where letters are mailed), delivery (e.g., inconvenience of a reduction in delivery frequency), quality of service (e.g., importance of reliability), user protection (e.g., establishment of a complaint mechanism), letter monopoly (e.g., impact of competition on postage rates), and mailbox monopoly (e.g., granting access to one's mailbox.)[2] In addition, we asked questions on possible alternatives to using postal services and the mailbox (e.g., email use and do-not-mail preferences), and on trade-offs between service levels and costs. Finally, many questions have volume component as well.

3 Methodology and Limitations

The household survey has been administered by phone to 791 randomly selected households in the U.S., for a standard 95% confidence level within a 3.5 confidence interval. Households were identified through two commonly used commercial sample databases. Households were called a maximum of 10 times between August 10 and October 10, 2008. The completion rate was 20% of people contacted, and the response rate was 11% of valid records.

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[1] USPS (2007) The Household Diary Study. Mail Use and Attitudes 2007. Washington, DC: USPS; p.1

While the sample size of 791 is large enough to be representative of all 116 million households throughout the U.S., the records contained 21% rural addresses, which is the percentage of the population classified by the U.S. Census Bureau as rural.[3] If there are statistically significant differences in rural versus urban respondents, they are noted.

4 Results

4.1 Socio-Economic Characteristics

Of the households surveyed, 20% were single households, and 35% were households with children under 18 years.[4] 31% had an annual household income before taxes of less than $40,000.[5] 68% of the respondents were female. Households in all 50 states and DC were surveyed, in both urban and rural areas.

13% of households run some kind of business from home.[6] 18% state they receive their daily newspaper through the mail.

73% of households surveyed have Internet access, 75% of which have a high-speed connection.[7] Of those currently without access, however, only 13% plan to get it within

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[2] These categories concur with the seven elements of a legal USO and the two monopolies identified in Appendix B, with the exception of uniform rates (no questions were asked on that element.)

[3] The definition and unit of measurement for "rural population" is rather ambiguous. The Office of Management and Budget's definition of metropolitan and nonmetropolitan populations and the Census Bureau's definition of rural and urban do not identify the same populations as rural. Depending on how the categories are combined, the rural population can vary from 10% to 28%. See Hart, L. Gary, Eric H. Larson, and Denise M. Lishner. "Rural Definitions for Health Policy and Research." Am J Public Health. 2005 July; 95(7): 1149–1155. It should be noted that the number of actual respondents from rural areas was only 9%.

[4] According to the U.S. Census Bureau, of the 111 U.S. million households in 2006, 30.5 million householders lived alone (27%), and 35.0 million were households with children under 18 (32%) (American Community Survey, United States Selected Social Characteristics in the United States: 2006). The USPS HDS Diary Sample reports 16% single-person households.

[5] 11% of respondents refused to answer this question, and another 10% refused to give a more specific answer than being over or under $40,000. According to the U.S. Census Bureau, 40% of all households earn less than $40,000 (Current Population Survey, 2008 Annual Social and Economic Supplement, Table HINC-06. Income Distribution to $250,000 or More for Households: 2007).

[6] According to the U.S. Census Bureau, 49% of businesses were home-based (2002 Survey of Business Owners (released 2006), Company Statistics Series). The USPS Household Diary Study includes a question on businesses operated from home, but the percentages are not publicly available. However, this result is consistent with findings from other marketing studies.

the next year, indicating that the adoption rate is leveling off and there will remain a core of non-adopters for some time, as predicted in technology dissemination studies. Rural households have similar access rates (slightly less than 70%) but a majority reports still using dial-up (42%).

4.2 Volume

56% send up to 10 pieces of mail per month, and 41% send more than 10 pieces. Unlike most normal distributions, the lowest and highest categories were relatively strong here i.e., 19% send less than 5 pieces, while 13% send more than 20 pieces. This indicates an uneven reliance on the mail across households – many people use it rarely, while quite a few are frequent users.

People increasingly use the Internet for postal services such as sending correspondence, conducting transactions, and ordering merchandise.

Of all households with Internet access, 86% have emailed correspondence items (email messages e-cards, or photos) in the last month. 31% have sent up to 10 items, and another 54% have sent more than 10 items. Of the same households, only 73% have used the postal service for similar correspondence. 63% have sent up to 10 items, and another 10% have sent more than 10 items. Clearly, the ease of sending emails compared to mailing letters explains the higher quantities of items emailed. The lower percentage of households who use the postal service versus those using their internet service, however, is a more qualitative indicator of propensity to use a certain medium when able to choose.

Internet transactions are still lagging the correspondence levels, with only 47% of online households paying bills electronically. Of those who do, about one-half have paid up to five bills, about one-third have paid between 6 and 10, and one-sixth have paid

[7] These numbers are consistent with the USPS HDS Diary Sample, which reports 77% of households have Internet access, 71% of which have broadband. However, according to the U.S. Census Bureau, of the 118 million U.S. households in 2007, only 62% had Internet access, 82% of which was broadband. (Current Population Survey, October 2007). Note that the estimate of total households from this survey varies significantly from the number reported in the American Community Survey. Since the ACS does not cover Internet usage, and the CPS does not report single households, both sources had to be referenced here.

more than 10 bills. Interestingly, people seem more comfortable ordering merchandise over the Internet than paying bills: 61% have ordered items in the past month.

Of all households with Internet access, 84% still use the postal service at least for some of their bill payments, and 97% still receive bills through the mail. At the same time, 32% of households also receive electronic bills, at an average of 4 per month. It seems that incentives might increase that number: 40% of households would allow substituting paper bills with electronic bills if they received a discount of fifty cents (but only 24% of rural households feel the same). Of those who said no or don't know to fifty cents, 12% could be convinced if the discount was one dollar.

4.3 Access Mode

The preferred mode of sending mail is the post office (40% overall; just over 50% for rural), closely followed by the household mailbox (38%). Only 14% use collection boxes.

In 11% of households, someone rents a mailbox at a local post office, and 12% use other mailing services such as Mail Boxes Etc.

Most households are close to their local post office, in both travel time and distance. Half of the respondents said it takes 5 minutes or less to get there, and 80% need 10 minutes or less. 15% need between 15 and 20 minutes, and only 2% need 30 minutes or more. Similarly, half the respondents are 2 miles or less away from a post office, and 95% are 10 miles ore less away. Only 3% are 15 miles or more away from a post office.

Compared to other travel times and distances, e.g. the average commute to most people's workplaces, post offices are very easy and convenient to reach for the vast majority of people.[8] This may explain why a majority still uses the post office for mailing their letters (40%).

In fact, people visit their post office quite frequently: Over 50% report that a member of their household visited in the past week (over 60% for rural), another 25% visited

[8] The average daily commute time was 24.3 minutes both ways in 2005, according to the U.S. Census Bureau's American Community Survey. See http://www.census.gov/Press-Release/www/releases/archives/american_community_survey_acs/004489.html

within the past month. For 12% of households, the last visit was longer than two months ago.

Aside from mailing letters, buying stamps is the most frequent reason to go to the post office with 23%, followed by mailing a package with 19%. It appears that only few people, 11%, have more than one reason for each visit. The post office is the also place where the vast majority of people buy their stamps. Only 15% buy them at a retail store, 3% order by mail, and 1% uses the Internet. This may explain why half the respondents would oppose closing the post office and replacing it with service at a nearby store.

The post office hours appear to be sufficient to about half of the population, while the other half would find it somewhat or very helpful to have the post office open an hour or two later than the current closing time.

While households visit their post office often, it does not rank very highly in importance.

When asked to rank the importance of having a grocery story, a pharmacy, a gas station, a bank, a public library, and a post office, a majority ranked the post office as fifth out of six on that list. Most people thought that the grocery store ranks first, and that the public library ranks last. Looking at how many people ranked the post office in the top three versus the bottom three, nearly two-thirds put it in the bottom three. This is a higher rate than for any other service except the public library. Pharmacies, gas stations, and banks were each picked by at least half of the respondents for their top three, while 86% chose the grocery store in the top three.

Table G1-1: Ranking of six retail service outlets (% of respondents)

Rank	Grocery	Gas Station	Pharmacy	Bank	Post Office	Library
1	56	13	12	13	6	3
2	19	25	20	21	11	5
3	11	20	18	24	20	7
4	8	16	17	20	27	11
5	4	16	19	13	27	18
6	2	10	13	8	9	55

Note: The total may not add to 100% because of rounding. The order in which the choices were listed in the survey was rotated.

Along the same lines, some 47% wouldn't care or even favor closing the local post office and replacing it with service at a grocery store (although that number drops to 34% for rural households.) And 65% would not be willing to pay a special fee in order to keep the local post office open, while only 8% would spend $50 or more per year for that convenience.

4.4 Frequency of Delivery

The USPS generally delivers mail to households six days a week.[9] However, a reduction in frequency has been discussed. So we asked how much people would be affected if delivery of all or certain items would not occur all six days.

Overall, more than two-thirds would not be affected very much or at all if the USPS delivered only five days a week. Only 13% feel it would affect them a great deal.

When asked about specific types of mail, the numbers are similar – for any given type, most households would not be inconvenienced. For bills a, delivery one day later than currently for would be inconvenient for 35% of households, followed by letters for 30%, statements for 25%, magazines for 23%, and only 8% were inconvenienced if advertisements arrived a day later. A majority of 65% would eliminate Saturday delivery, followed by Wednesday and Monday with about 10% each.

When asked about delivery every other day i.e., three-day a week delivery, a majority of 41% would not be affected much or at all. However, 33% would be affected a great

[9] We did not ask how often mail was de facto delivered to the household.

deal, and that number increases for rural households to 42%. If people could choose to have the mail delivered only three days a week and pay the same postage as today, or keep six-day delivery but have to pay more postage, the choice is as follows: 50% would go to three days, 38% would pay more, and 9% are undecided.

When asked about advertising mail alone, which by most people's estimates amounts to more than half of their mail, only 5% think it is important to receive it six days per week. In fact, 29% think it should not be delivered at all, while another 65% would be fine with receiving it only one, two, or three days per week.

Finally, we asked whether people would find it fair if the USPS delivered less frequently to certain areas to save costs. It is more expensive to deliver mail to some areas of the country, such as rural or low-income areas, because they have much lower than average mail volume. In fact, the postal service loses money on the mail it delivers to these areas. Based on this information, 68% of urban households (which may or may not consider themselves poor) and 80% of rural households (which, too, may or may not consider themselves poor) decided this would be unfair.

4.5 Range of Products

While the majority of USPS products mailed by households are single piece first class mail, most households also use the USPS to mail parcels. 71% use the USPS exclusively, while 10% use UPS or FedEx, and 13% use both them and the USPS. The overall amount per household is rather low: 60% send fewer than 10 parcels, and 24% send between 10 and 20 parcels. 16% do not send any parcels in a given year. Respondents are split about the importance of USPS for shipping parcels: about the same number of people would find it very or somewhat difficult to use another shipper if the USPS stopped handling as would find it not very or not difficult at all.

We also asked about preferences for standard mail. If given the choice, 78% of respondents would put their name on a do-not-mail list that would stop most advertising mail from being delivered to their home. 68% would sign up for a list that allowed them to choose which companies to receive advertising from, rather than not receiving any at all.[10]

4.6 Quality of Service

Most respondents have a high opinion of the quality of service provided by the USPS. 68% rate the speed of delivery as excellent or very good, while 20% deem it adequate, and only 3% think the speed is poor. Similarly high marks were reported for reliability. Interestingly, rural households have a significantly lower opinion of speed (only 51% excellent or very good) while the numbers for reliability are equally high. At the same time, two out of three people think that they should be able to complain to an independent organization when USPS does not live up to its own standards. It should be noted here that we did not ask about attitudes towards the *public* services that the USPS arguably performs, ranging from free mail for the blind to quasi-governmental functions such as passport applications to its general presence in communities since those fall outside the scope of the study.

4.7 Letter Monopoly

Rather than asking about the USPS letter monopoly directly, we asked what people thought about competition by other companies. On the question whether mail service would improve or get worse if the law was changed to allow other companies to compete in the delivery of mail, 31% thought it would improve, 48% thought it would get worse, while 20% were uncertain about the effect – the highest such percentage in all of the survey. On the question whether postage rates would be higher or lower if there was competition, 38% thought they would rise, 45% thought they would sink, and 16% were uncertain on this.

[10] There currently exist a number of websites, e.g., http://www.catalogchoice.org , where households can opt not to receive mail from those companies that choose to participate. More comprehensive do-not-mail

Table G1-2: Opinions on service and rate development (% of respondents)

	Service	Rates
Increase	31	38
Decrease	48	45
Uncertain	20	16

4.8 Mailbox Monopoly[11]

One-half of the households in the survey receive their mail through a mailbox at the curb or roadside. One-quarter has a mailbox attached to the home, and on in ten use cluster boxes. Less than 10% overall use a post office box, but 32% of rural respondents do. At present, most people are not very or not at all concerned about the security of their mail. However, 18% are very concerned that mail could be stolen out of their own mailbox even now.

Regarding the use of the mailbox by companies other than the postal service, respondents were overall not very supportive, but the support increased for specific companies and purposes. While 26% support the view that other companies should generally be allowed to put mail inside mailboxes, 35% would favor receiving bills directly from their utility companies, and 40% would want FedEx or UPS to be allowed to put packages inside their mailbox.

legislation has been introduced in several states, but so far none has been passed for a variety of reasons, including constitutional problems.

[11] The questions for this section were taken verbatim from a 1997 GAO Report (GAO/GGD-97-85). On mailboxes, the corresponding numbers were 42% curb, 25% house, 11% cluster, 8% post office (compared to 50% curb, 24% house, 11% cluster, and 8% post office in this survey.) On security, the corresponding numbers were 11% very concerned (compared to 18% in this survey). On other companies' access, the corresponding numbers were 58% pro FedEx/UPS, and 48% pro utilities (compared to 40%and 35%, respectively, in this survey).

5 Bibliography

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6 Technical Annex: Sample Description and Survey Questionnaire

Two commercially available databases were used to draw the sample records. The first was a Random Digit Dial file of all 50 states plus DC, containing 6,912 records. The second was a Household-Listed file with all 50 states plus DC, containing 3,000 records.

GMU PRC Household Survey

Questionnaire # ________

Q1: How many people live in your household?

.... ____

Q2: How many people in your household are in the following age groups?

Children under age 18 .... __
Adults age 18 to 64 .... __
Seniors age 65 and over ..... __

Q3: Does any member of the household run a business from the home?

Yes 1
No 2
Don't know ... 8
Refused 9

Q4: What is the zip code of your home?

(5-digits only)

.... __________

Q5: Approximately how many letters, including greeting cards and bill payments, does your household mail a month?

Less than 5 1
5 to 10 2
11 to 15 3
16 to 20 4
More than 20 .. 5
Don't know 8
Refused 9

Q6: How do you usually mail these letters?

Your household mailbox 1
At work 2
At a collection box near your home 3
At a collection box near where you work ... 4
At a post office 5
Other 6
Don't know 7
Refused 8

Q7: Does anyone in your household rent a post office box at your local post office?

Yes 1
No 2
Don't know ... 8
Refused 9

Q8: About how many minutes does it usually take to get from your home to your local post office?

.... ____

Q9: About how many miles is your local post office from your home?

.... ____

Q10: About how long ago was your last visit, or the last visit of a member of your household, to a post office? Would you say it was withing the last 7 days, within the last 30 days, within the last two months, within the last year, or not within the last year?

7 days 1
30 days 2
two months 3
last year 4
not within last year .. 5
Don't know 8
Refused 9

Q11: The last time you went to the post office, why did you go?

(Read responses as listed below)

To buy stamps 1
To mail a package 2
To pick up a package 3
To pick up mail 4
To mail letters 5
More than one of these .. 6
Other 7
Don't know 8
Refused 9

Q12: How helpful would it be if your local post office was open an hour or two later in the evening than it currently is?

Not very helpful 1
Somewhat helpful ... 2
Very helpful 3
Don't know 8
Refused 9

Q13: How do you purchase most of your postage stamps?

(Read responses as listed below)

Buy at a post office	1
Buy at a retail store	2
Order by mail	3
Order by phone	4
Order via the internet	5
Other	6
Don't buy postage stamps ...	7
Don't know	8
Refused	9

Q14: Does any member of your household regularly use a mailing service like Mail Boxes Etc.?

Yes	1
No	2
Don't know ..	8
Refused	9

Q15: I am going to mention 6 basic services and I would like you to rank them in order of importance. Which is most important to have near your home, 2nd most important, etc.

(put a number 1 to 6 next to each response. Check to make sure each number is correct)

Grocery store	__
Pharmacy	__
Post office	__
Gas station	__
Public library	__
Bank	__

Q16: What would you think about the Postal Service closing your post-office and replacing it with service at a nearby store in your neighborhood? Would you say that you would strongly favor, favor, oppose or strongly oppose, or that you don't care one way or the other?

Strongly favor	1
Favor	2
Don't care	3
Oppose	4
Strongly oppose ..	5
Don't know	8
Refused	9

Q17: Suppose the postal service decided to close your nearest post office and instead the people in your community could pay a special fee that would be used to keep the local post office open. What is the largest fee that you would be willing to pay per year to keep your local post office open?

Would you say zero, 25 dollars, 50 dollars, 100 dollars or 150 dollars?

$0	1
$25	2
$50	3
$100	4
$150	5
Don't know ..	8
Refused	9

Q18: Does your household have internet access?

Yes	1
No	2
Don't know ..	8
Refused	9

Q19: Do you plan on getting internet access in the next year?

Yes	1
No	2
Don't know ..	8
Refused	9

Q20: What type is it?

Dial-up	1
Broadband ..	2
Cable	3
Phios	4
Other	5
Don't know ..	8
Refused	9

Q21: Approximately how many items does your household order over the internet per month?

.... ____

Q22: In the last month, approximately how many times have you emailed friends or relatives with messages, greeting cards, photos or something else?

.... ______

Q23: In the last month, approximately how many times have you used the postal service to send friends or relatives messages, greeting cards, photos or something else?

.... ____

Q24: Did you pay any bills over the internet last month?

Yes	1
No	2
Don't know ..	8
Refused	9

Q25: Why not?

No internet access	1
Bank doesn't provide online bill pay	2
Don't trust online banking	3
Don't know how	4
Other reason	5
Don't know	8
Refused	9

Other reason:

____

Q27: About how many?

.... ____

Q28: Did you pay any bills using the postal service last month?

Yes	1
No	2
Don't know ..	8
Refused	9

Q29: About how many?

.... ____

Q30: Does your household receive any bills by internet or email?

Yes	1
No	2
Don't know ..	8
Refused	9

Q31: About how many bills does your household receive by internet or email?

.... ____

Q32: Does your household receive any bills through the mail?

Yes 1
No 2
Don't know ... 8
Refused 9

Q33: About how many bills does your household receive by mail?

.... ____

Q34: Would you allow bills that your household currently receives by mail to be sent to you be email instead if you received a discount of fifty cents?

Yes 1
No 2
Don't know ... 8
Refused 9

Q35: What if you received a discount of one dollar?

Yes 1
No 2
Refused 8
Don't know ... 9

Q36: Do you receive a daily newspaper through the mail?

Yes 1
No 2
Don't know ... 8
Refused 9

Q37: For the following categories of mail, please answer yes or no if you would be inconvenienced if it were delivered one day later. What about bills?

Yes 1
No 2
Don't know ... 8
Refused 9

Q38: What about statements?

(would you be inconvenienced if they arrived one day later?)

Yes 1
No 2
Don't know ... 8
Refused 9

Q39: Letters?
(would you be inconvenienced if they arrived one day later?)

Yes 1
No 2
Don't know ... 8
Refused 9

Q40: Advertisements?

(would you be inconvenienced if they arrived one day later?)

Yes 1
No 2
Don't know ... 8
Refused 9

Q41: Magazines and newspapers?
(would you be inconvenienced if they arrived one day later?)

Yes 1
No 2
Don't know ... 8
Refused 9

Q42: How much would you be affected if the Postal Service delivered all your mail to your house only 5 days a week instead of 6? Would you say not at all, not very much, somewhat, or a great deal?

Not at all 1
Not very much .. 2
Somewhat 3
A great deal 4
Don't know 8
Refused 9

Q43: If one day of delivery per week were eliminated, which day of the week do you think it should be?

Monday 1
Tuesday 2
Wednesday ... 3
Thursday 4
Friday 5
Saturday 6
Don't know 8
Refused 9

Q44: How much would you be affected if the postal service delivered mail only every other day? Would you say not at all, not very much, somewhat, or a great deal?

Not at all 1
Not very much .. 2
Somewhat 3
A great deal 4
Don't know 8
Refused 9

Q45: Suppose you could choose to have the mail delivered only three days a week and pay the same postage rates as today, or keep six-day delivery but have to pay more postage, which would you choose: three days at the current postage or six days with higher postage?

Three days with current postage ... 1
Six days with higher postage 2
Don't know 8
Refused 9

Q46: It is more expensive to deliver mail to some areas of the country, such as rural or low-income areas, because they have much lower than average mail volume. In fact, the postal service loses money on the mail it delivers to these areas. Suppose the postal service began to deliver less frequently to these areas to save costs, would you consider this fair or unfair?

Fair 1
Unfair 2
Don't know ... 8
Refused 9

Q47: About what percentage of the mail you receive would you estimate is advertising mail? Would you say it is closest to 20 percent, 40 percent, 60 percent or 80 percent?

20 1
40 2
60 3
80 4
Don't know ... 8
Refused 9

Q48: Do you think that it is important to receive advertising mail 6 days per week?

Yes 1
No 2
Don't know ... 8
Refused 9

Q49: How many days per week should advertising mail be delivered?

..... __

Q50: About how many parcels do you send a year?

.... ______

Q51: Do you bring them to the post office to mail them or do you mail them by another means, for example UPS or Fedex?

Post office 1
Other means . 2
Both 3
Don't know 8
Refused 9

Q52: How difficult would it be for you to use another shipper for your parcels if the US postal service stopped handling them? Would you say very difficult, somewhat difficult, not very difficult, or not difficult at all?

Very difficult 1
Somewhat difficult ... 2
Not very difficult 3
Not difficult at all 4
Don't know 8
Refused 9

Q53: Would you put your name on a "do not mail" list that would stop most advertising mail from being delivered to your home, like a "do not call list"?

Yes 1
No 2
Don't know ... 8
Refused 9

Q54: Would you put your name on a do not mail list that allowed you to choose which companies you want to receive advertising from, rather than not receiving any at all?

Yes 1
No 2
Don't know ... 8
Refused 9

Q55: Do you think that the mail service in the country would improve or get worse if the law was changed to allow other companies to compete with the postal service in the delivery of mail?

Improve 1
Get worse 2
Don't know ... 8
Refused 9

Q56: Do you think that postage rates would be higher or lower if there was competition?

Higher 1
Lower 2
Don't know ... 8
Refused 9

Q57: Thinking about the mail you receive and send, how would you rate the **speed** the postal service provides? Would you say excellent, very good, adequate, fair or poor?

Excellent 1
Very good 2
Adequate 3
Fair 4
Poor 5
Don't know ... 8
Refused 9

Q58: What about the **reliability** that the postal service provides? Would you say excellent, very good, adequate, fair or poor?

Excellent	1
Very good	2
Adequate	3
Fair	4
Poor	5
Don't know	8
Refused	9

Q59: Do you think that people should be able to complain to an organization that is not part of the postal service when it doesn't live up to its own standards?

Yes	1
No	2
Don't know	8
Refused	9

Q60: Which of these best describes how your household gets most of its mail? A mailbox attached to your house, a mailbox at the curb or roadside, a cluster of mailboxes near your home, an apartment house mailbox, at a US post office, or something else?

A mailbox attached to your house	1
A mailbox at the curb or roadside	2
A cluster of mailboxes near your home	3
An apartment house mailbox	4
At a US post office	5
Something else	6
Don't know	8
Refused	9

Q61: At present, how concerned are you that mail could be stolen out of your own mailbox? Would you say very, somewhat, not very, or not at all concerned?

Very	1
Somewhat	2
Not very	3
Not at all	4
Don't know	8
Refused	9

Q62: Currently, Federal law prohibits anyone except the postal service to put anything in your mailbox.
Suppose express mail companies like FedEx or UPS could put packages inside your mailbox, how strongly would you favor or oppose this? Would you strongly favor, generally favor, generally oppose, strongly oppose, or have no opinion?

Strongly favor	1
Generally favor	2
Generally oppose	3
Strongly oppose	4
No opinion	5
Refused	9

Q63: Suppose the electric, gas or water company could put bills inside your mailbox, instead of sending them through the US mail, how strongly would you favor or oppose this? Would you strongly favor, generally favor, generally oppose, strongly oppose, or have no opinion?

Strongly favor 1
Generally favor 2
Generally oppose ... 3
Strongly oppose 4
No opinion 5
Refused 9

Q64: Some people say that only the US postal service should put mail inside mailboxes. Other people say that other companies should be allowed to put mail inside mailboxes as well. Which of these two statements comes closer to your own views?

US postal service only
Other companies also

You can also tell me if you have no preference or are not sure.

US postal service only ... 1
Other companies also 2
No preference 3
Not sure 4
Refused 9

Q65: For statistical purposes only, please tell me which category best describes your household's total annual income before taxes. Is it more or less than $40,000?

Less than $40,000 1
More than $40,000 ... 2
Don't know 8
Refused 9

Q66: Is it:

$10,000 or less 1
$10,001 to $20,000 ... 2
$20,001 to $30,000 ... 3
$30,001 to $40,000 ... 4
Don't know 8
Refused 9

Q67: Is it:

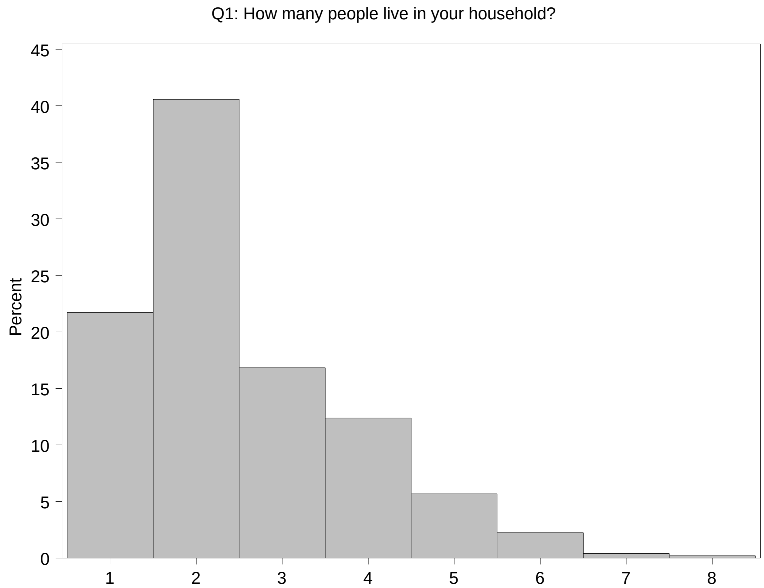
$40,000 to $60,000 1
$60,001 to $80,000 2
$80,001 to $100,000 ... 3
$100,000 or more 4
Don't know 8
Refused 9

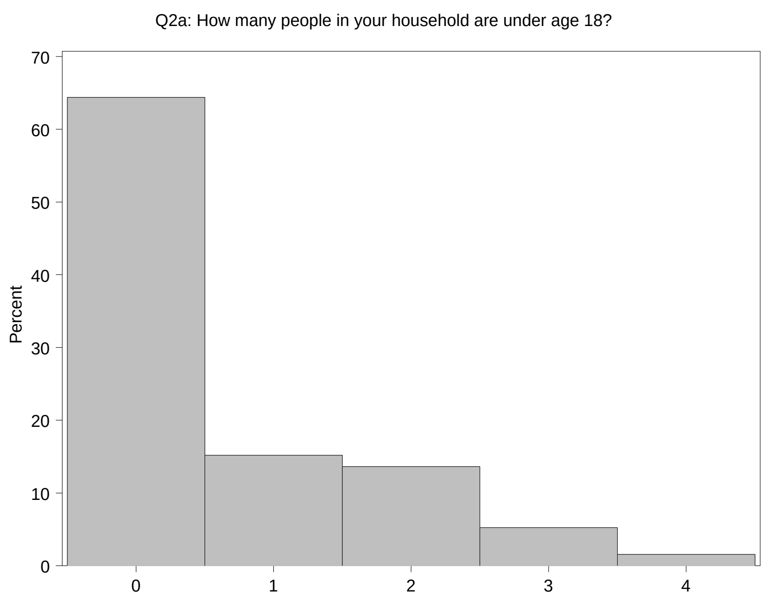
Record respondent's sex.

If not sure ask:
Q68: Sorry, I have to ask this last question. Are you male or female?

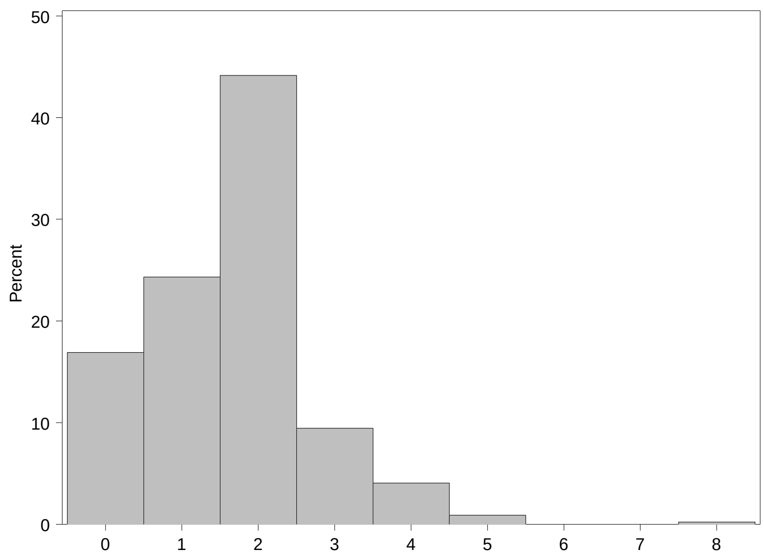
Thank you. That is all the questions I have for you today. If you have any questions about this research you can call Christine Pommerening at George Mason University at 703-993-3132. You may contact the George Mason University Office of Research Subject Protections at 703-993-4121 if you have questions or comments regarding your rights as a participant in the research.

Male 1
Female 2
Don't know ... 8
Refused 9

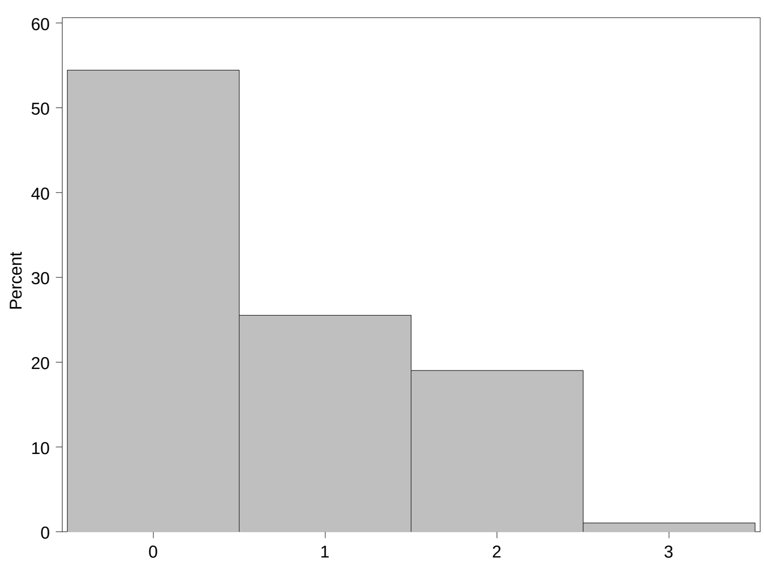

Q1: How many people live in your household?
Percent
0
5
10
15
20
25
30
35
40
45
1
2
3
4
5
6
7
8


Q2a: How many people in your household are under age 18?
Percent
0
10
20
30
40
50
60
70
0
1
2
3
4

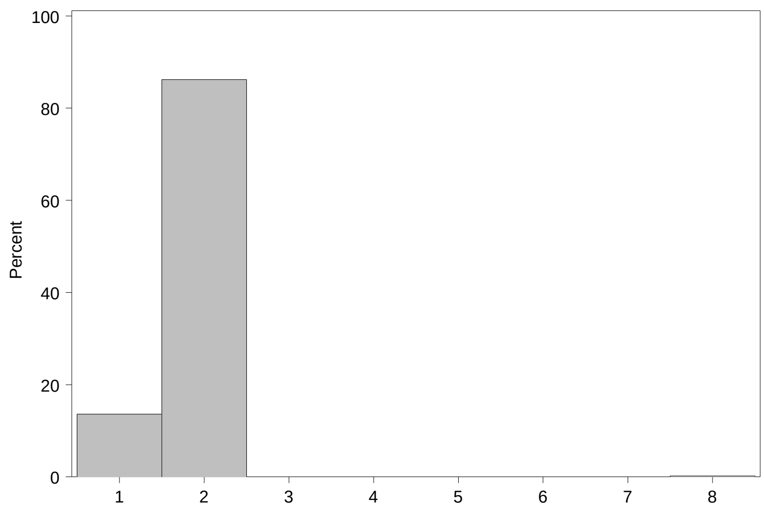
Q2b: How many people in your household are over age 64?



Q2c: How many people in your household are age 18 to 64?

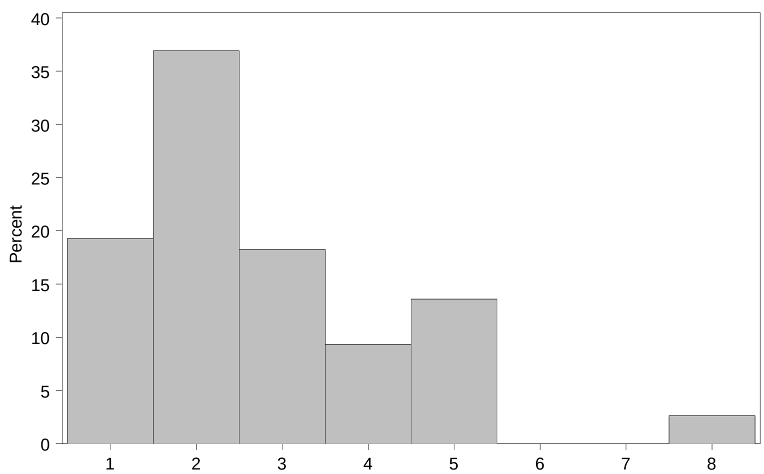


Q3: Does any member of the household run a business from the home?



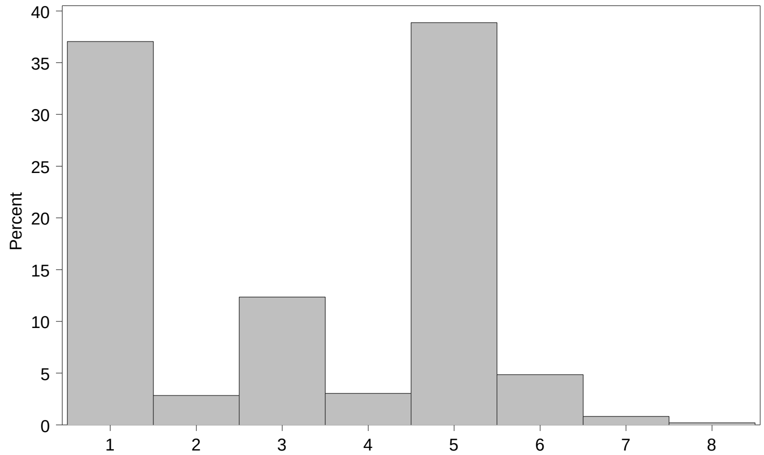
1 = Yes
2 = No
8 = Don't know

Q5: How many letters does your household mail a month?



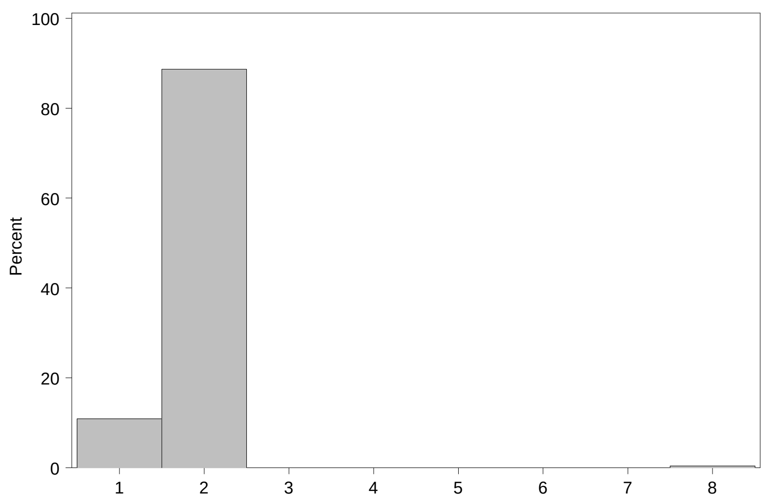
1 = Less than 5
2 = 5 to 10
3 = 11 to 15
4 = 16 to 20
5 = More than 20
8 = Refused

Q6: How do you usually mail these letters?



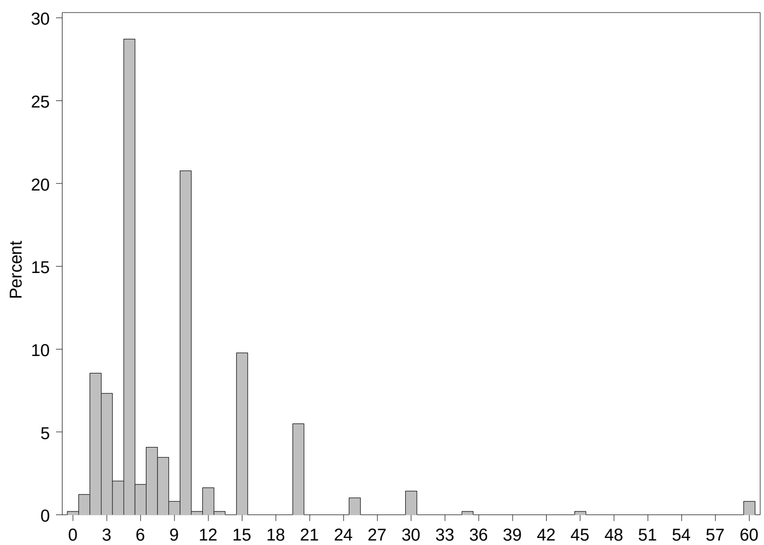
1 = Your household mailbox
2 = At work
3 = At a collection box near your home
4 = At a collection box near where you work
5 = At a post office
6 = Other
8 = Refused

Q7: Does anyone in your household rent a post office box at your local post office?

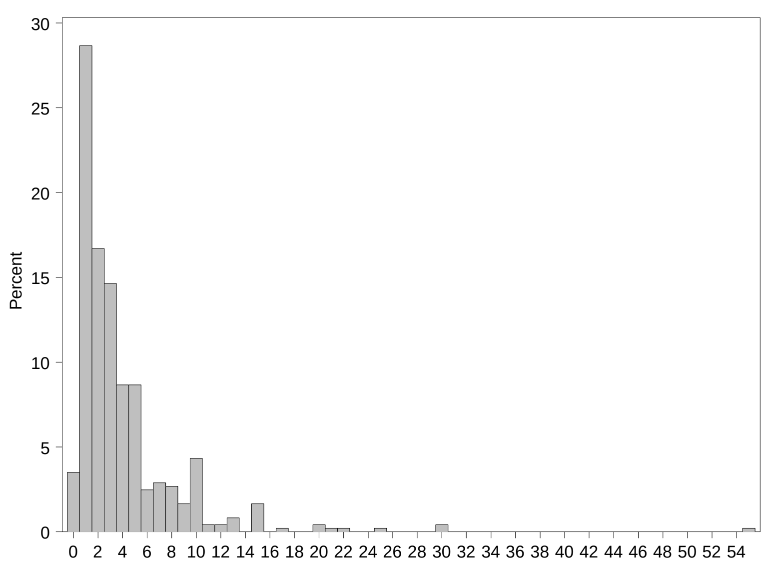


1 = Yes
2 = No
8 = Don't know

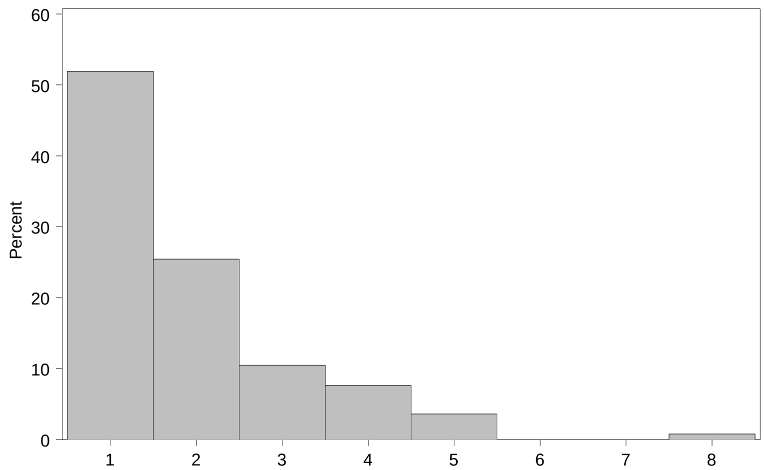
Q8: About how many minutes does it take to get from your home to your local post office?



Q9: About how many miles is your local post office from your home?

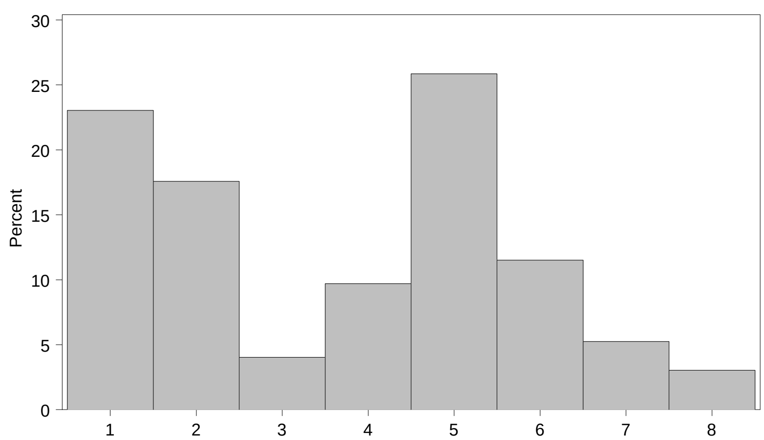


Q10: About how long ago was your last visit to a post office?



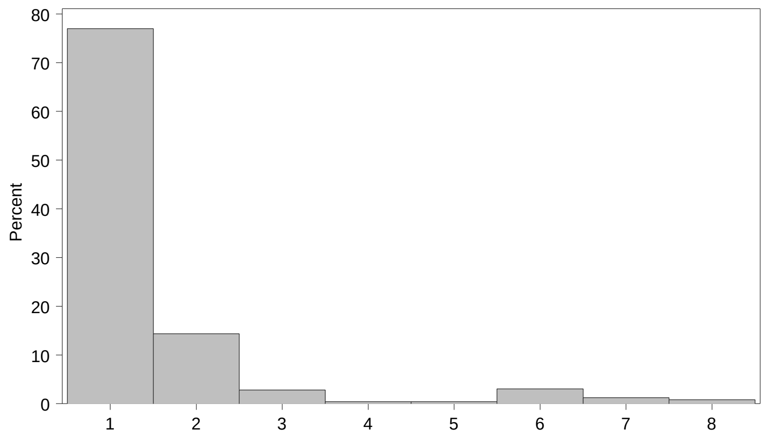
1 = 7 days
2 = 30 days
3 = 2 months
4 = Last year
5 = Not within last year
8 = Don't know

Q11: The last time you went to the post office, why did you go?



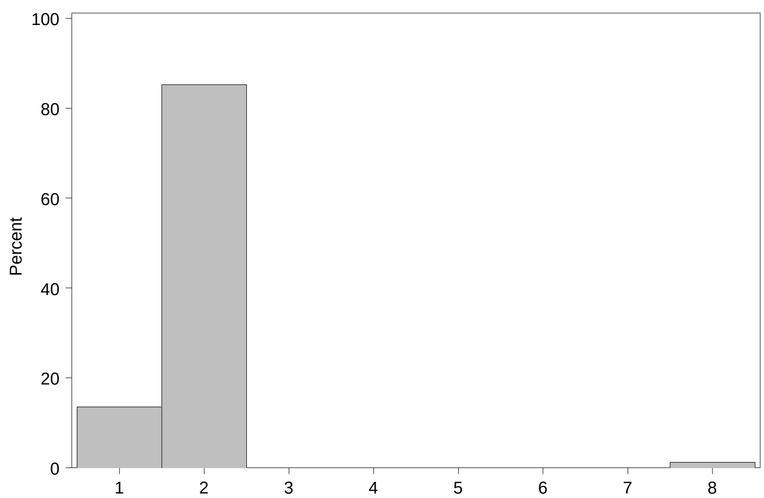
1 = To buy stamps
2 = To mail a package
3 = To pick up a package
4 = To pick up mail
5 = To mail letters
6 = More than one of these
7 = Other
8 = Don't know

Q13: How do you purchase most of your postage stamps?

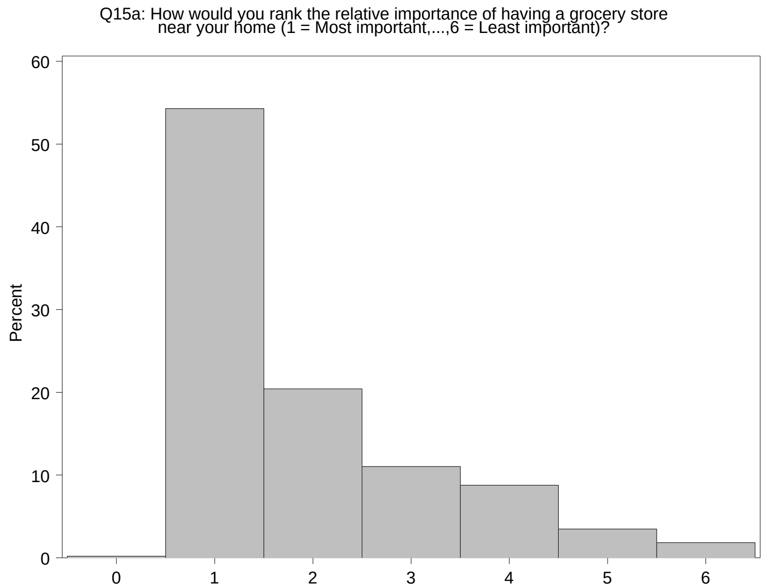


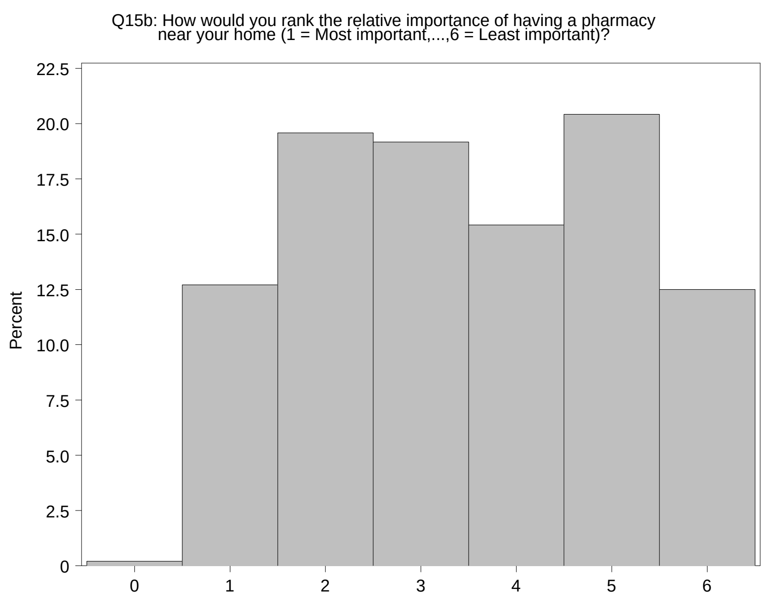
1 = Buy at a post office
2 = Buy at a retail store
3 = Order by mail
4 = Order by phone
5 = Order via the internet
6 = Other
7 = Don't buy postage stamps
8 = Don't know

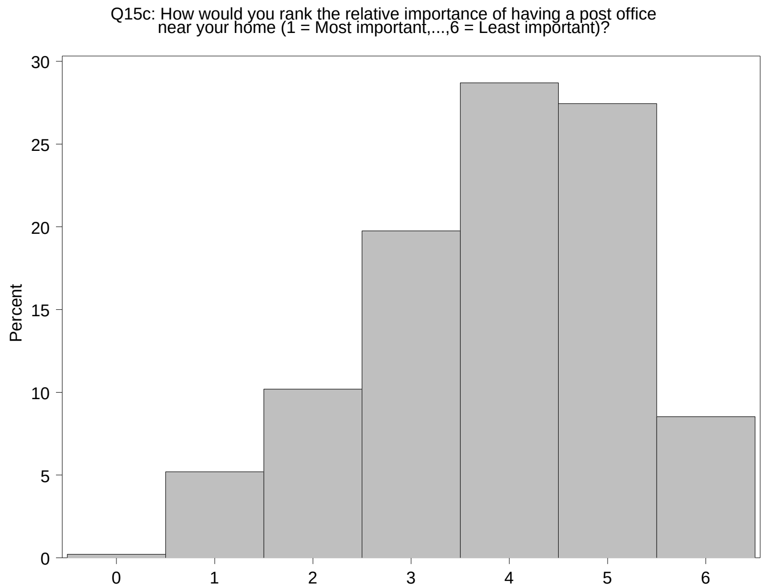
Q14: Does any member of your household regularly use a mailing service like Mail Boxes Etc.?

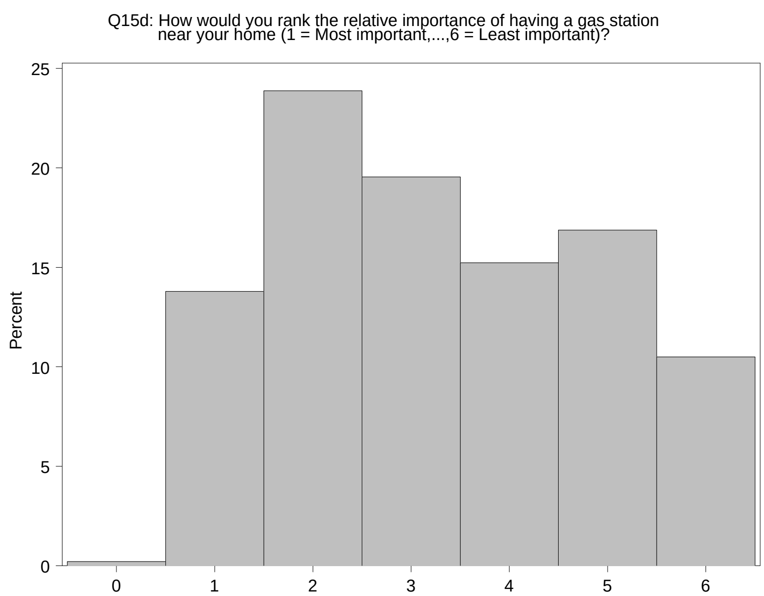


1 = Yes
2 = No
8 = Don't know

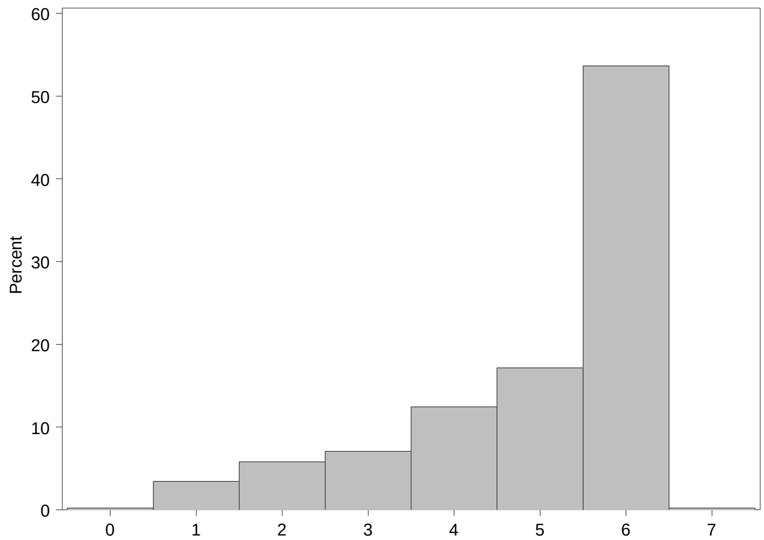

Q15a: How would you rank the relative importance of having a grocery store
near your home (1 = Most important,...,6 = Least important)?
Percent
60
50
40
30
20
10
0
0
1
2
3
4
5
6


Q15b: How would you rank the relative importance of having a pharmacy
near your home (1 = Most important,...,6 = Least important)?
Percent
22.5
20.0
17.5
15.0
12.5
10.0
7.5
5.0
2.5
0
0
1
2
3
4
5
6

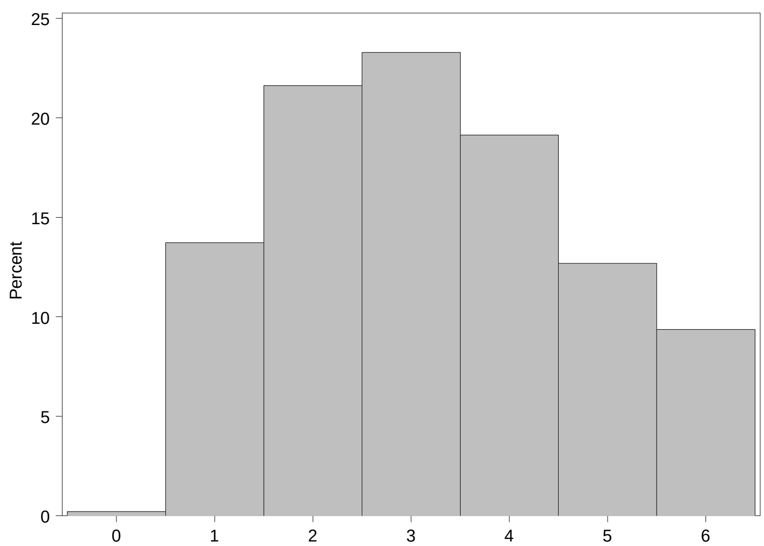

Q15c: How would you rank the relative importance of having a post office
near your home (1 = Most important,...,6 = Least important)?
Percent
0
5
10
15
20
25
30
0
1
2
3
4
5
6


Q15d: How would you rank the relative importance of having a gas station
near your home (1 = Most important,...,6 = Least important)?
Percent
0
5
10
15
20
25
0
1
2
3
4
5
6

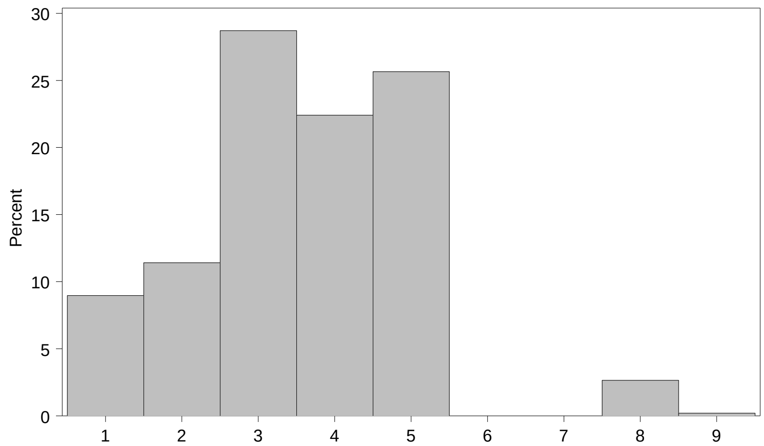
Q15e: How would you rank the relative importance of having a public library near your home (1 = Most important,...,6 = Least important)?



Q15f: How would you rank the relative importance of having a bank near your home (1 = Most important,...,6 = Least important)?

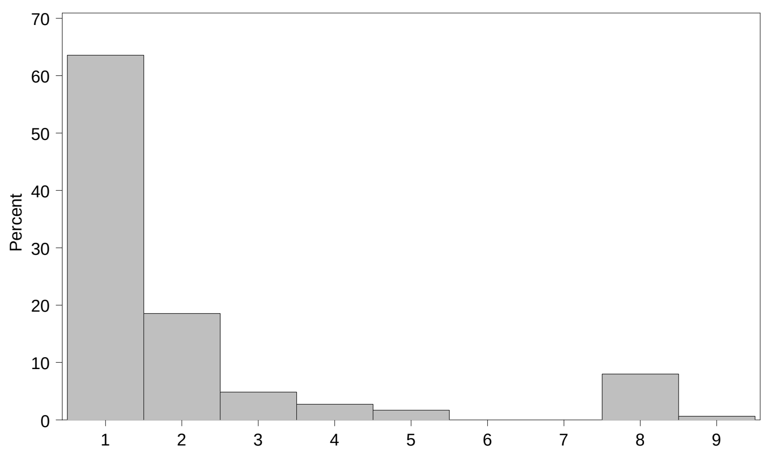


Q16: What would you think about the Postal Service closing your post office
and replacing it with service at a nearby store in your neighborhood?



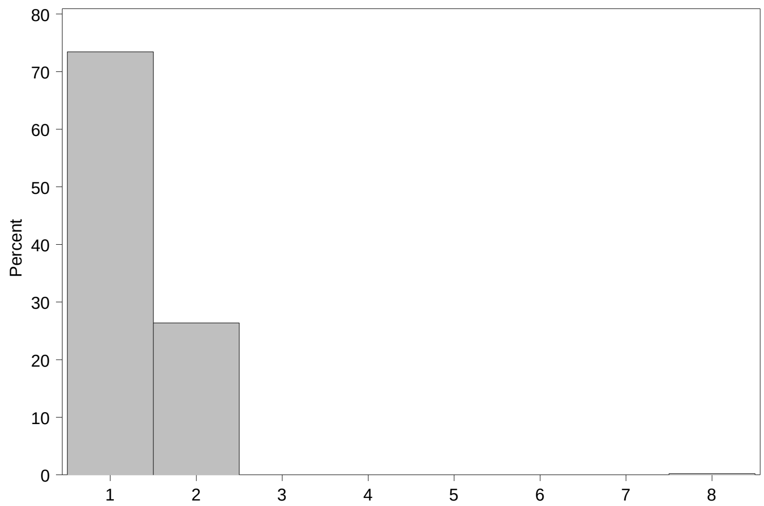
1 = Strongly favor
2 = Favor
3 = Don't care
4 = Oppose
5 = Strongly oppose
8 = Don't know
9 = Refused

Q17: Suppose the postal service decided to close your nearest post office.
What is the largest fee you would be willing to pay to keep it open?



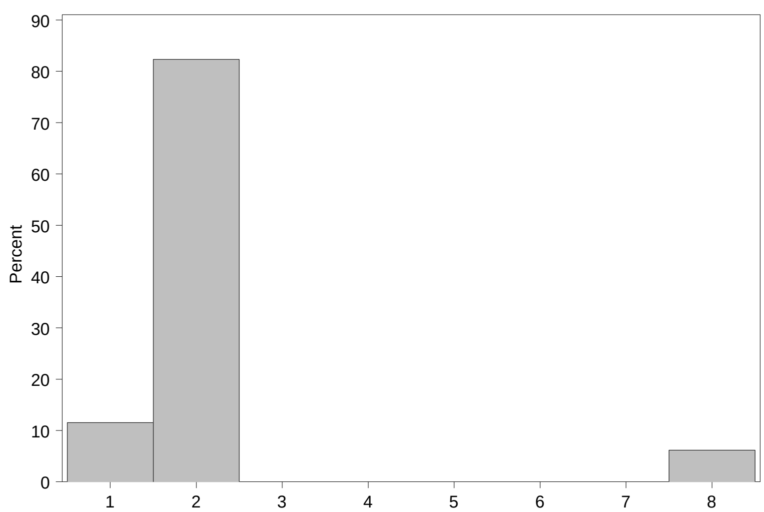
1 = $0
2 = $25
3 = $50
4 = $100
5 = $150
8 = Don't know
9 = Refused

Q18: Does your household have internet access?

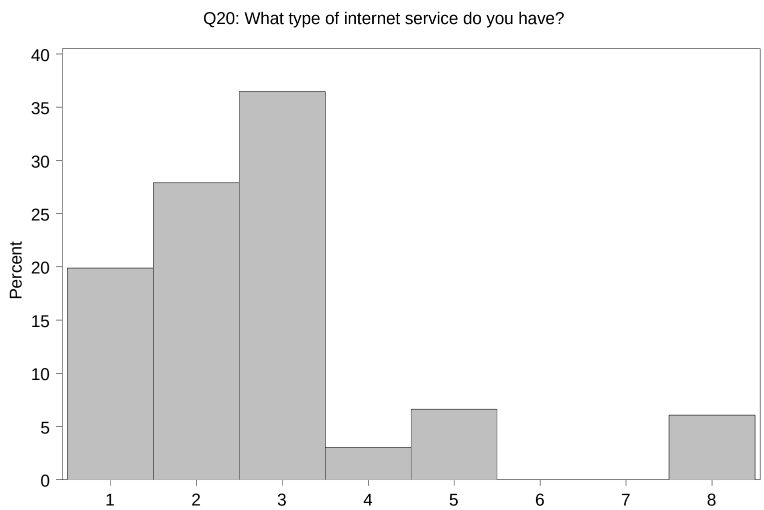


1 = Yes
2 = No
8 = Don't know

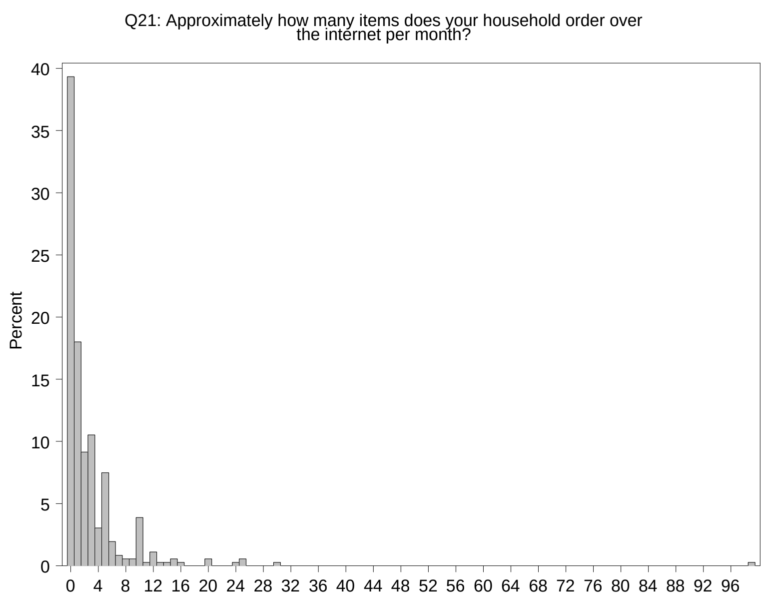
Q19: Do you plan on getting internet access in the next year?



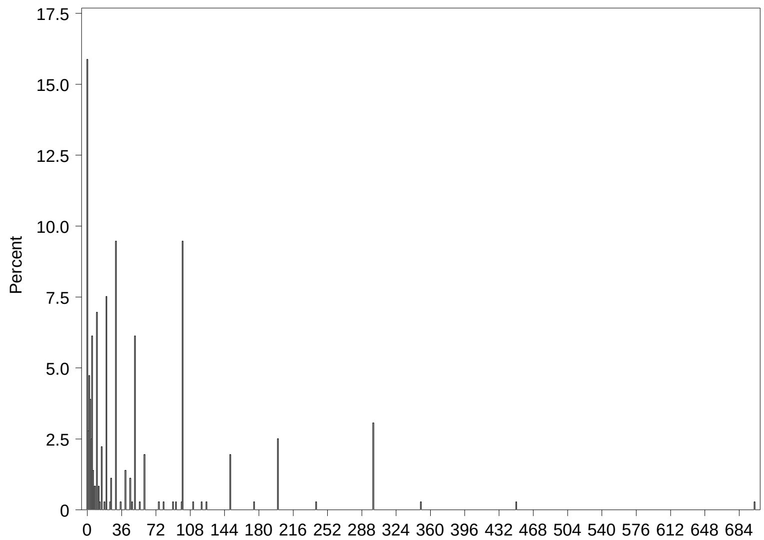
1 = Yes
2 = No
8 = Don't know



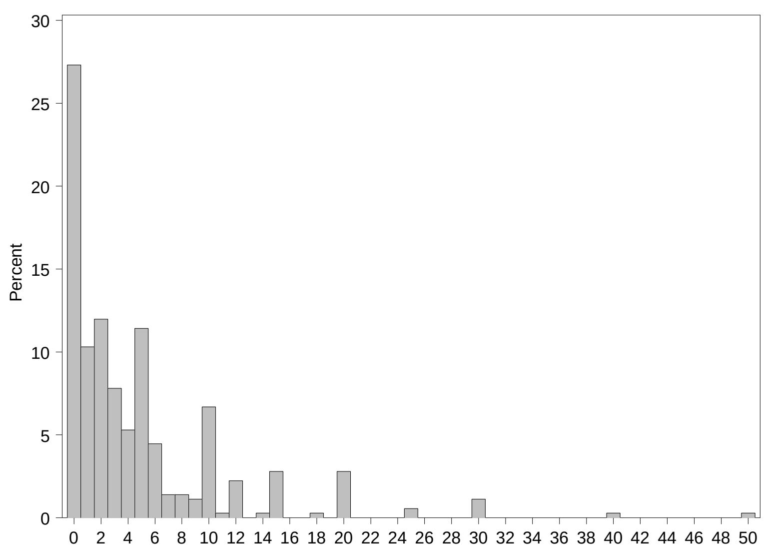
1 = Dial-up
2 = Broadband
3 = Cable
4 = fios
5 = Other
8 = Don't know

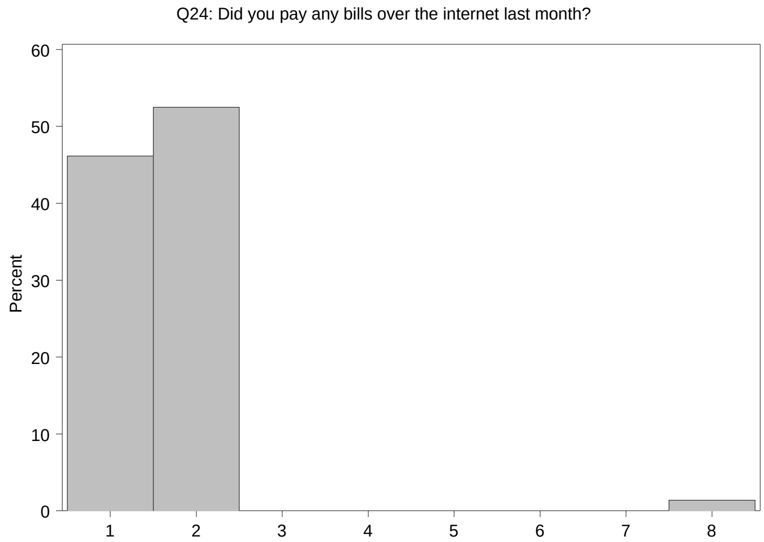


Q22: In the last month, approximately how many times have you emailed friends or relatives?

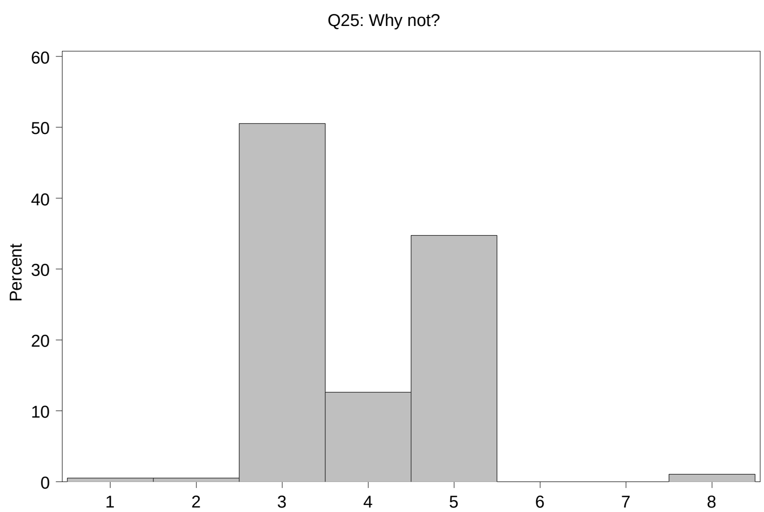


Q23: In the last month, approximately how many times have you used the Postal Service to send mail to friends or relatives?



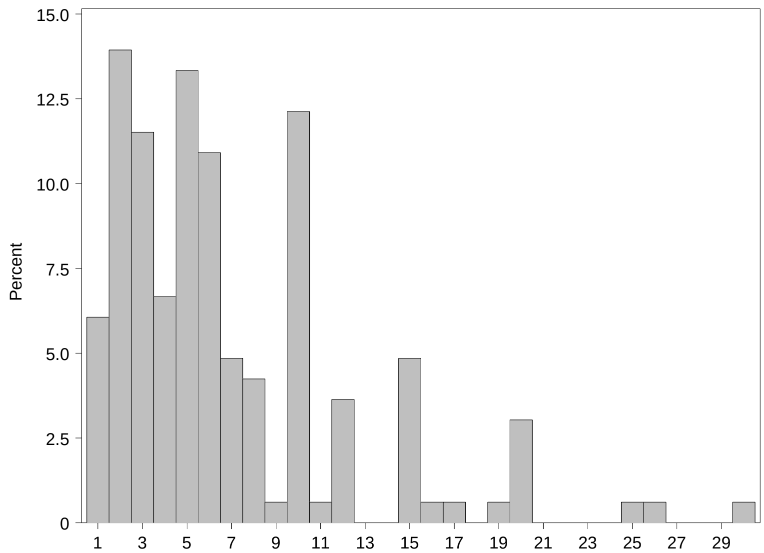


1 = Yes
2 = No
8 = Don't know

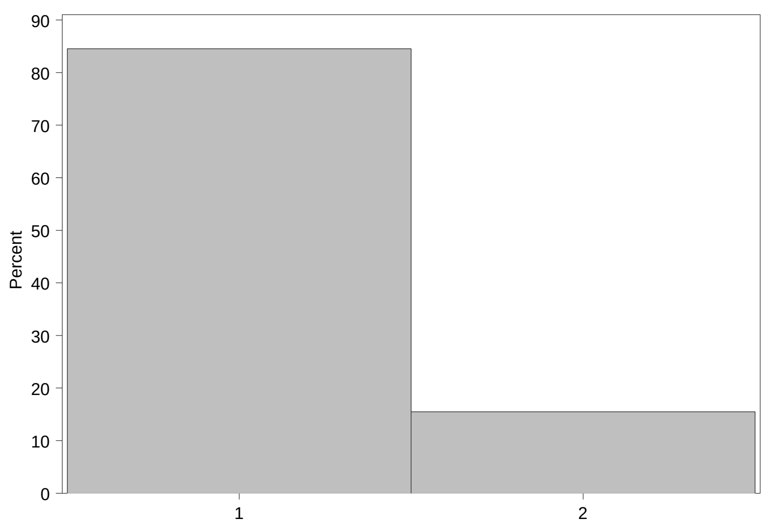


1 = No internet access
2 = Bank doesn't provide online bill pay
3 = Don't trust online banking
4 = Don't know how
5 = Other reason
8 = Don't know

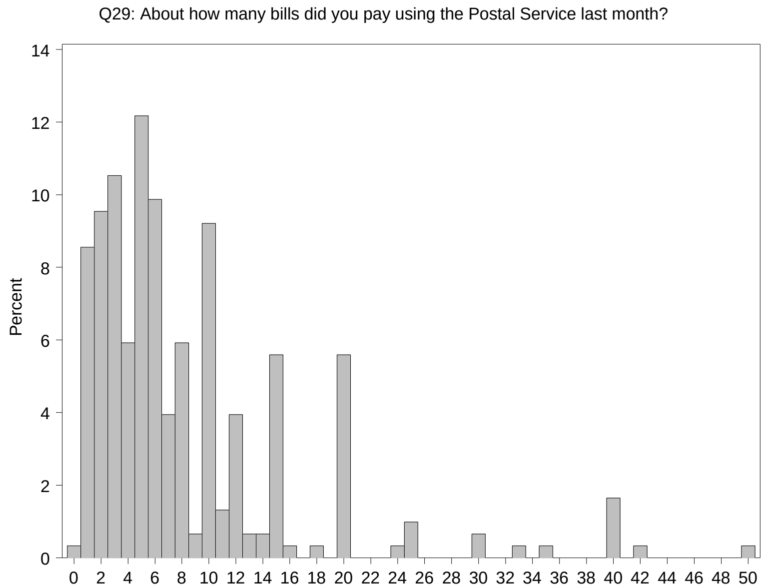
Q27: About how many bills did you pay over the internet last month?

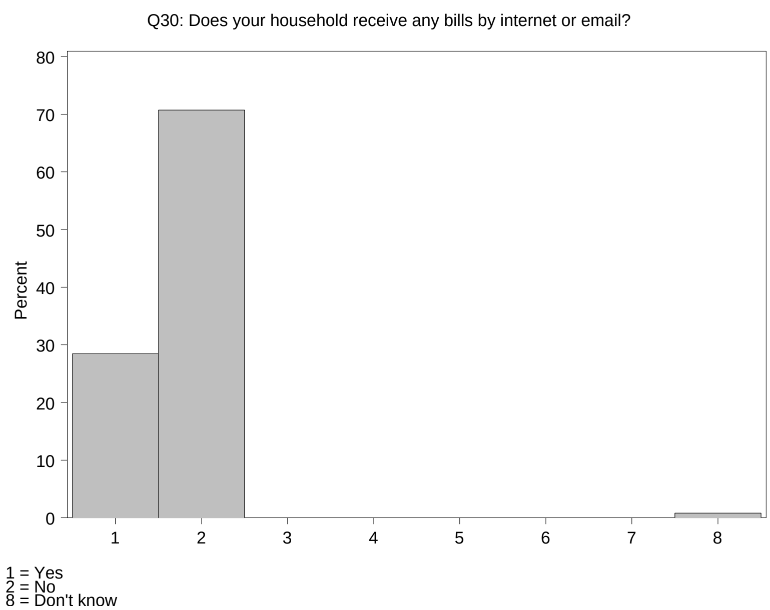


Q28: Did you pay any bills using the Postal Service last month?

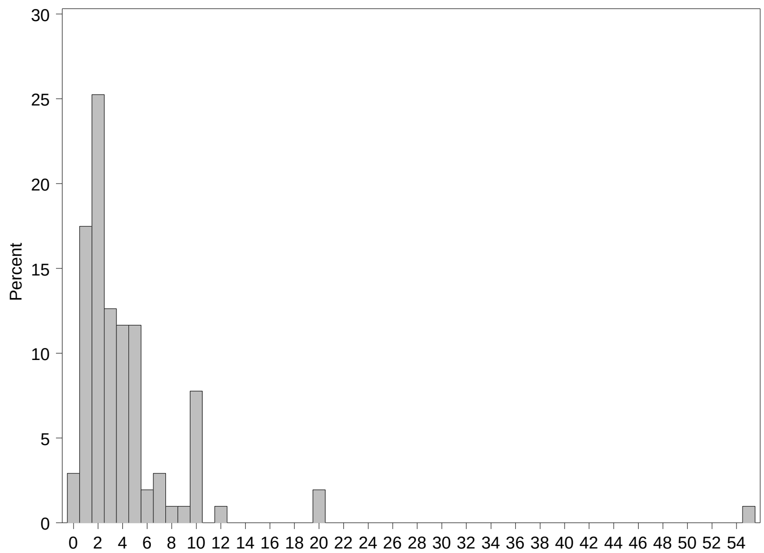


1 = Yes
2 = No

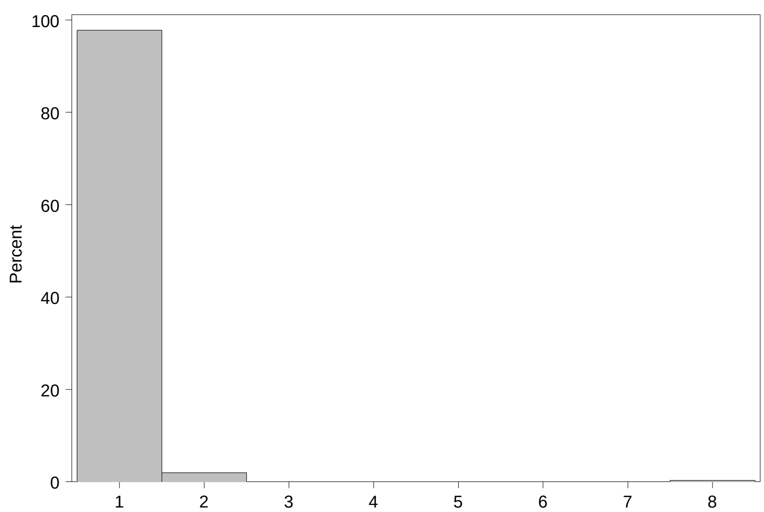

Q29: About how many bills did you pay using the Postal Service last month?
Percent
0
2
4
6
8
10
12
14
0 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42 44 46 48 50


Q30: Does your household receive any bills by internet or email?
Percent
0
10
20
30
40
50
60
70
80
1 2 3 4 5 6 7 8
1 = Yes
2 = No
8 = Don't know

Q31: About how many bills does your household receive by internet or email?

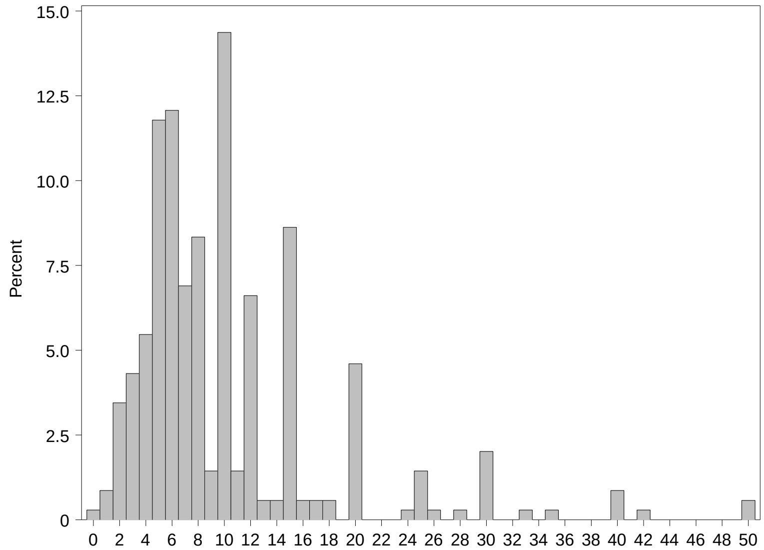


Q32: Does your household receive any bills through the mail?

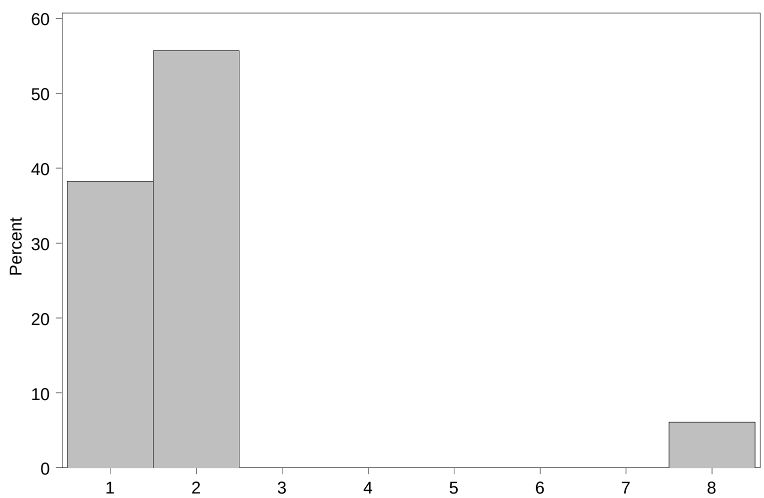


1 = Yes
2 = No
8 = Don't know

Q33: About how many bills does your household receive by mail?

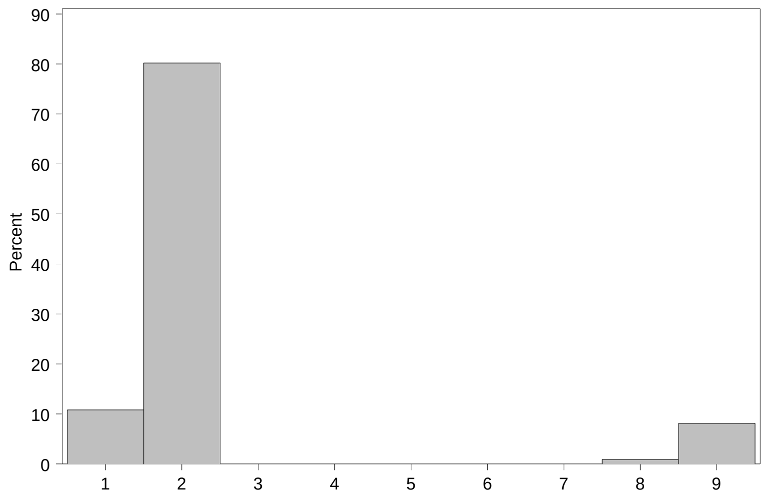


Q34: Would you allow bills that your household currently receives by mail to be sent to you by email instead if you received a discount of 50 cents?



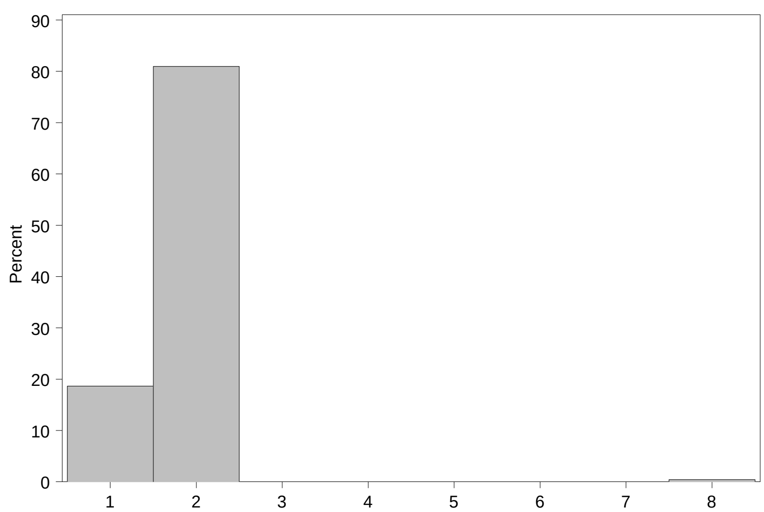
1 = Yes
2 = No
8 = Don't know

Q35: What if you received a discount of one dollar?



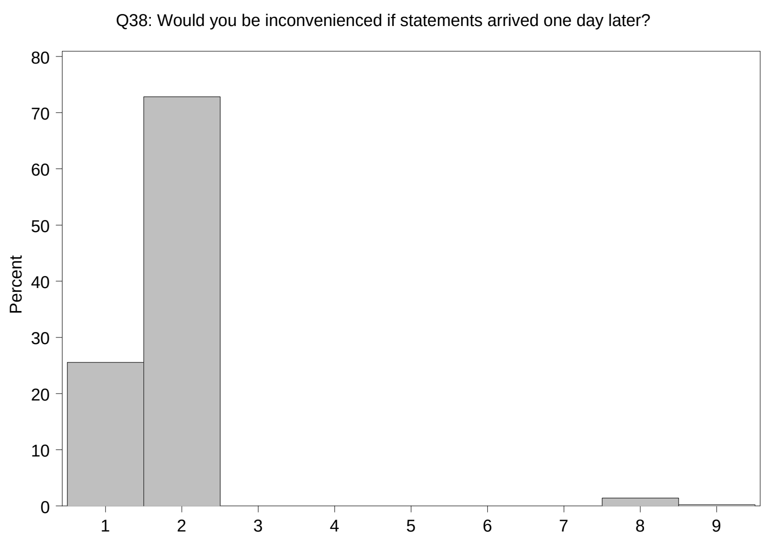
1 = Yes
2 = No
8 = Refused
9 = Don't know

Q36: Do you receive a daily newspaper through the mail?



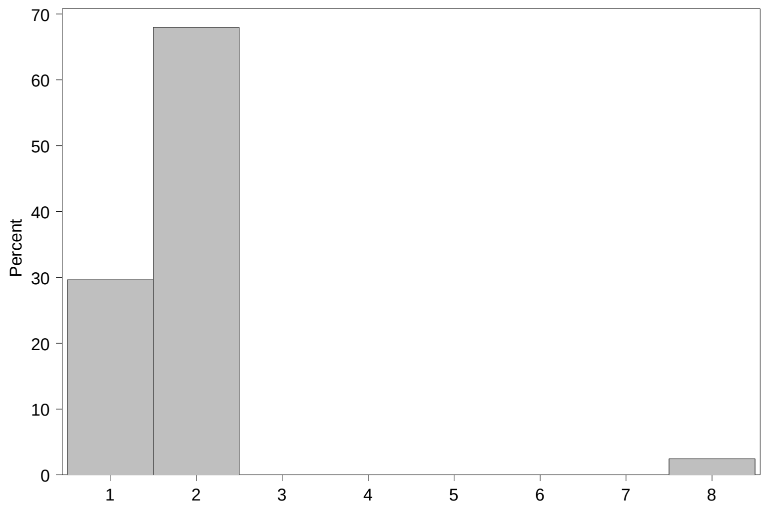
1 = Yes
2 = No
8 = Don't know

1 = Yes
2 = No
8 = Don't know



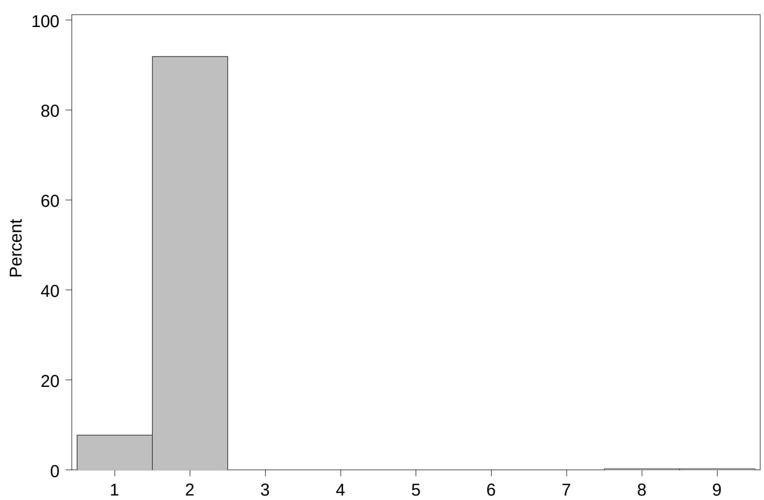
1 = Yes
2 = No
8 = Don't know
9 = Refused

Q39: Would you be inconvenienced if letters arrived one day later?

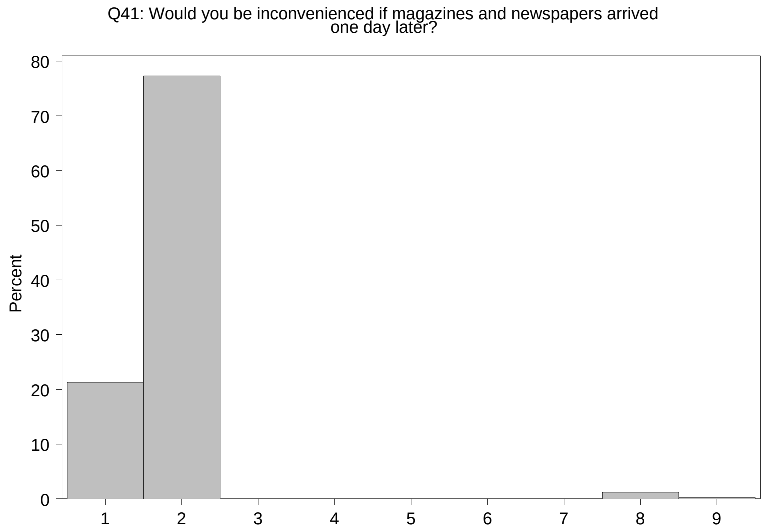


1 = Yes
2 = No
8 = Don't know

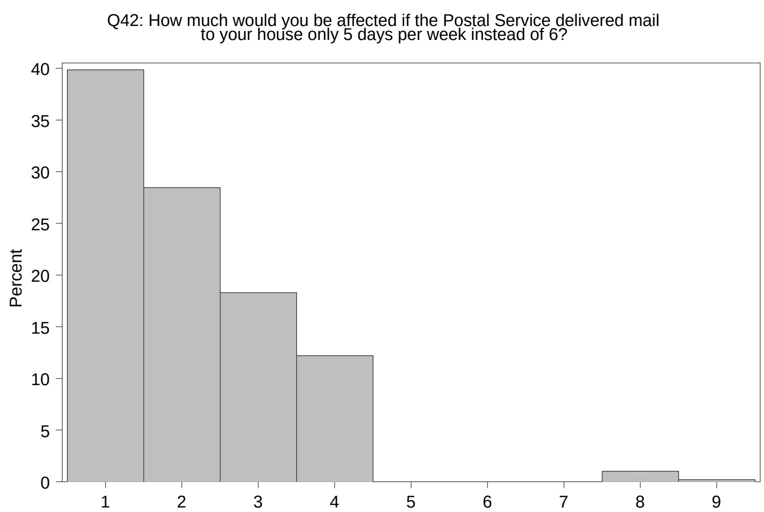
Q40: Would you be inconvenienced if advertisements arrived one day later?



1 = Yes
2 = No
8 = Don't know
9 = Refused

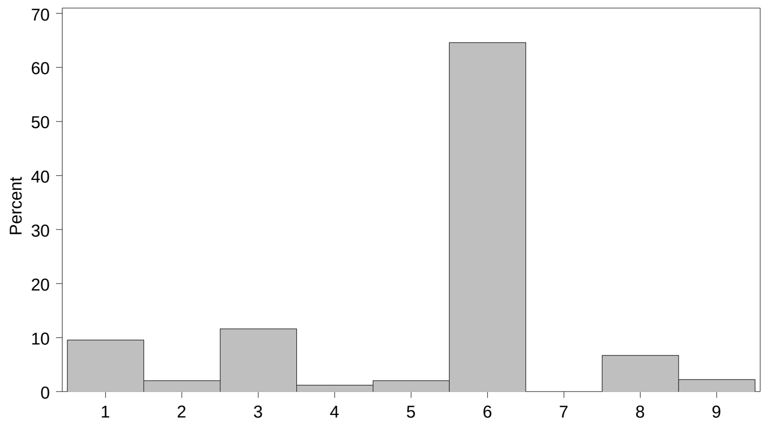


1 = Yes
2 = No
8 = Don't know
9 = Refused



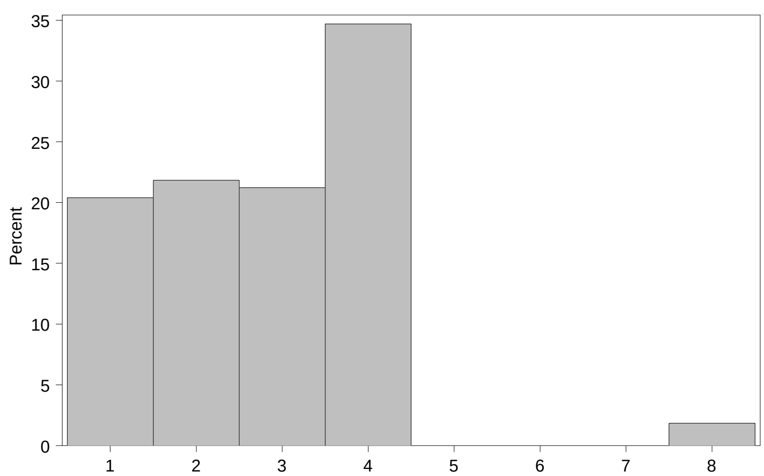
1 = Not at all
2 = Not very much
3 = Somewhat
4 = A great deal
8 = Don't know
9 = Refused

Q43: If one day of delivery per week were to be eliminated, which day of the week do you think it should be?



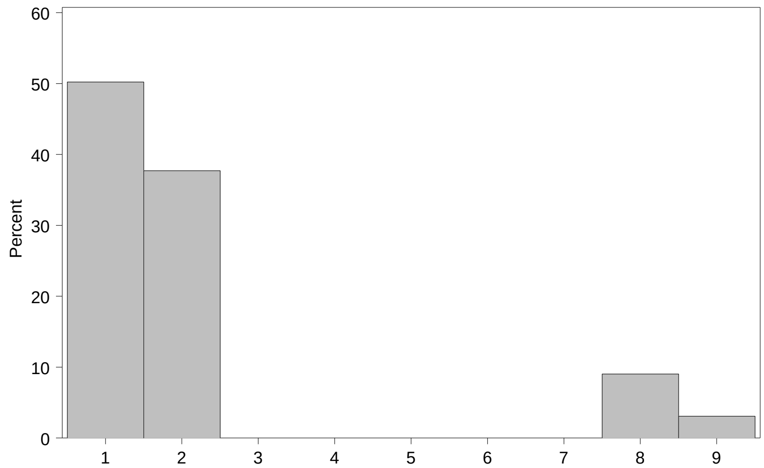
1 = Monday
2 = Tuesday
3 = Wednesday
4 = Thursday
5 = Friday
6 = Saturday
8 = Don't know
9 = Refused

Q44: How much would you be affected if the Postal Service delivered mail only every other day?



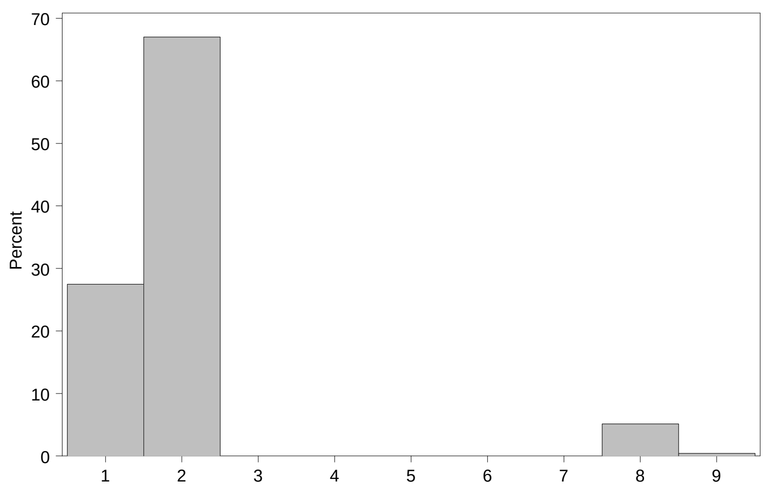
1 = Not at all
2 = Not very much
3 = Somewhat
4 = A great deal
8 = Don't know

Q45: Suppose you could choose to have the mail delivered only three days per week and pay the same postage rates as today, or keep six-day delivery but have to pay more postage. Which would you choose?

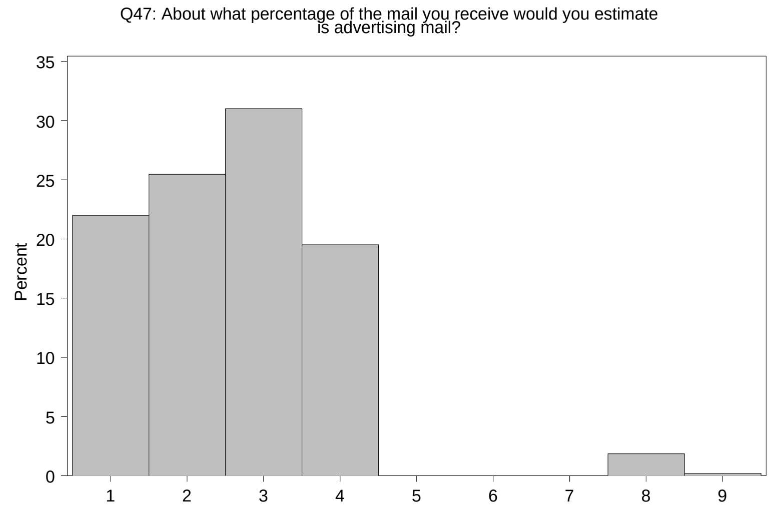


1 = Three days with current postage
2 = Six days with higher postage
8 = Don't know
9 = Refused

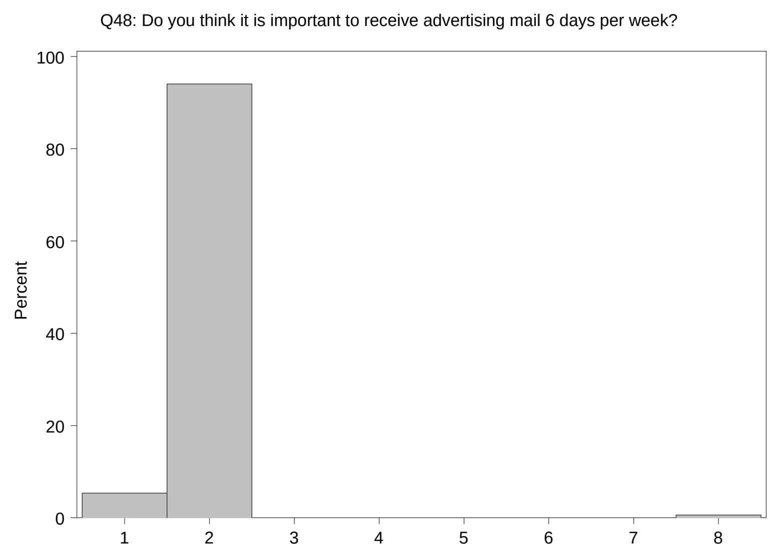
Q46: Suppose the Postal Service began to deliver less frequently to rural and low-income areas to save costs. Would you consider this fair or unfair?



1 = Fair
2 = Unfair
8 = Don't know
9 = Refused

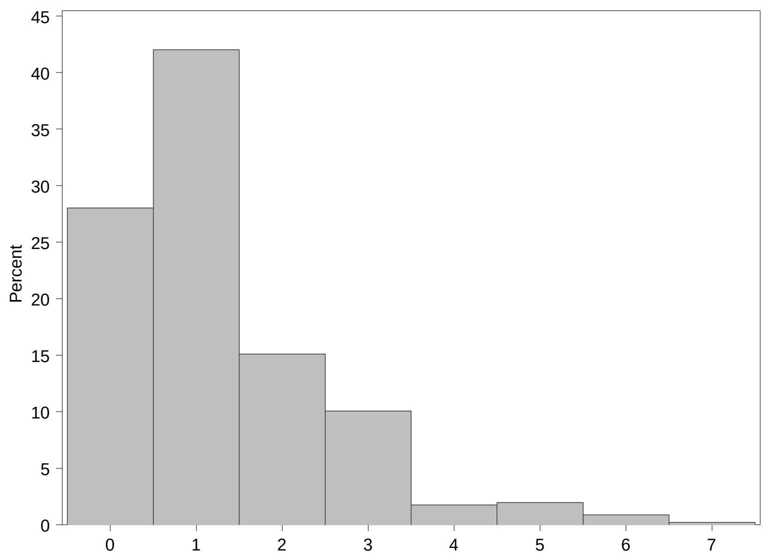


1 = 20 percent
2 = 40 percent
3 = 60 percent
4 = 80 percent
8 = Don't know
9 = Refused

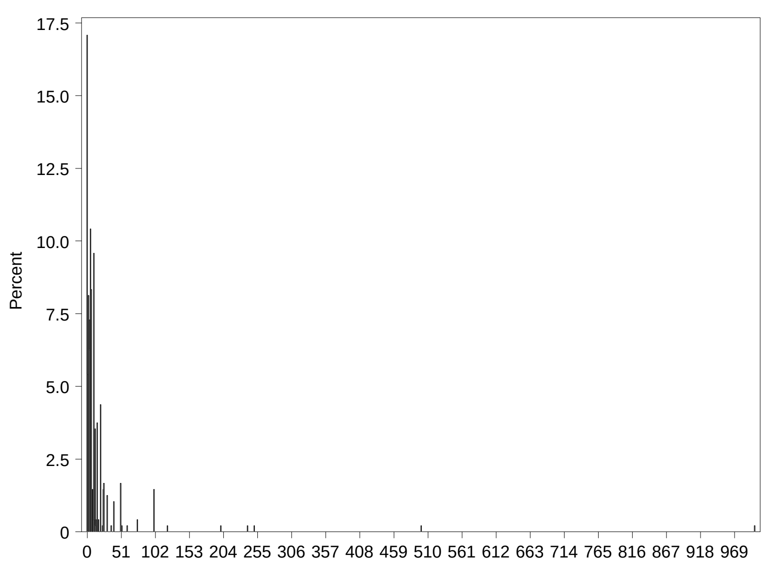


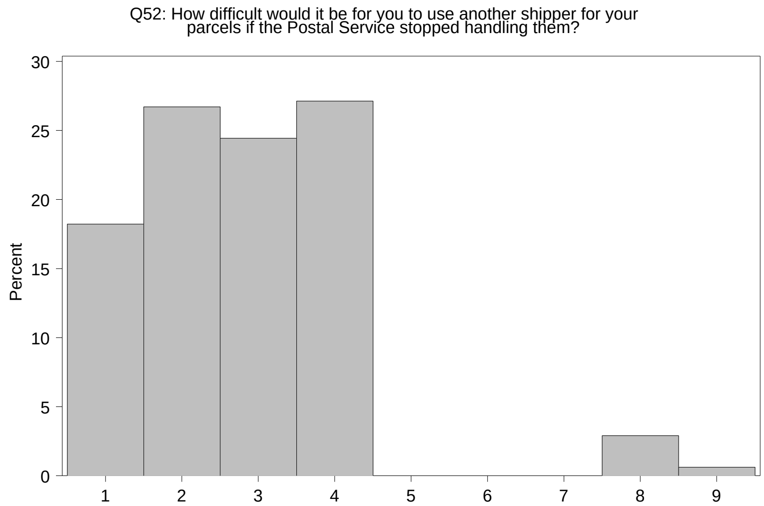
1 = Yes
2 = No
8 = Don't know

Q49: How many days per week should advertising mail be delivered?

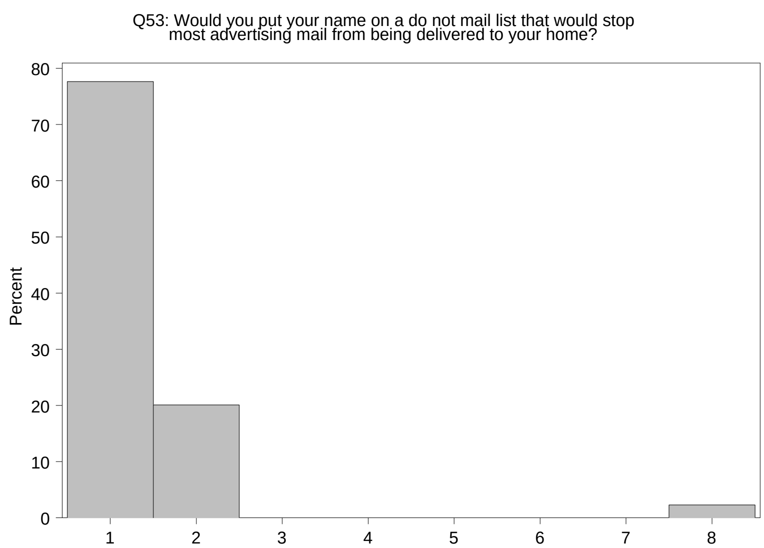


Q50: About how many parcels do you send a year?



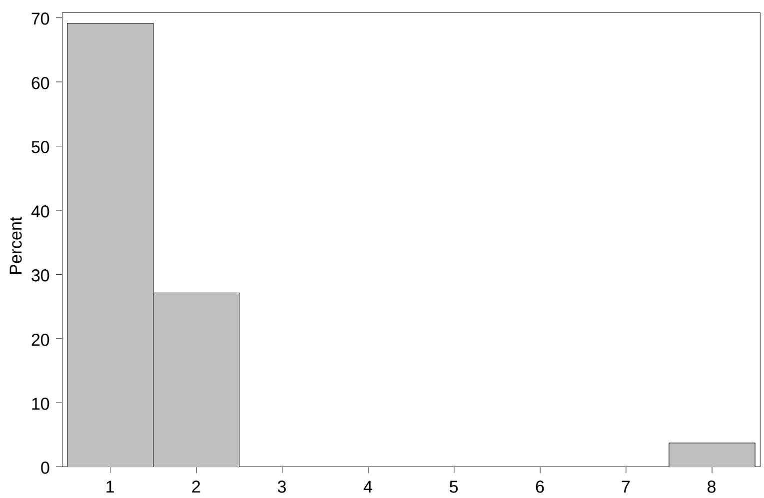


1 = Very difficult
2 = Somewhat difficult
3 = Not very difficult
4 = Not difficult at all
8 = Don't know
9 = Refused



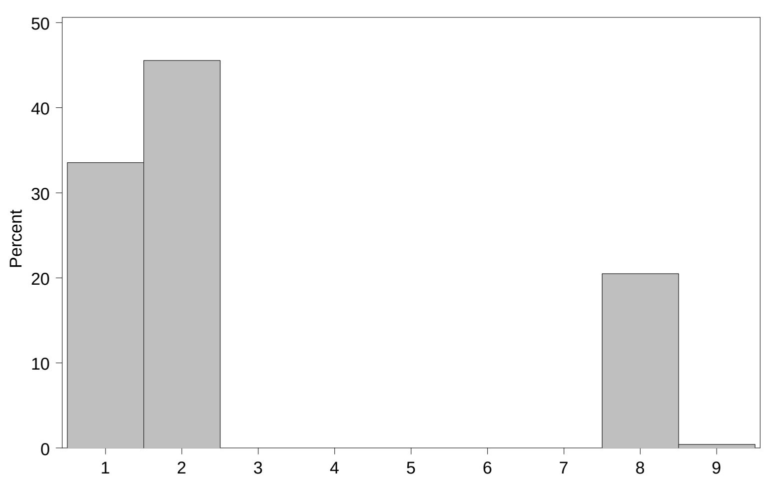
1 = Yes
2 = No
8 = Don't know

Q54: Would you put your name on a do not mail list that allowed you to choose which companies you want to receive advertising from?



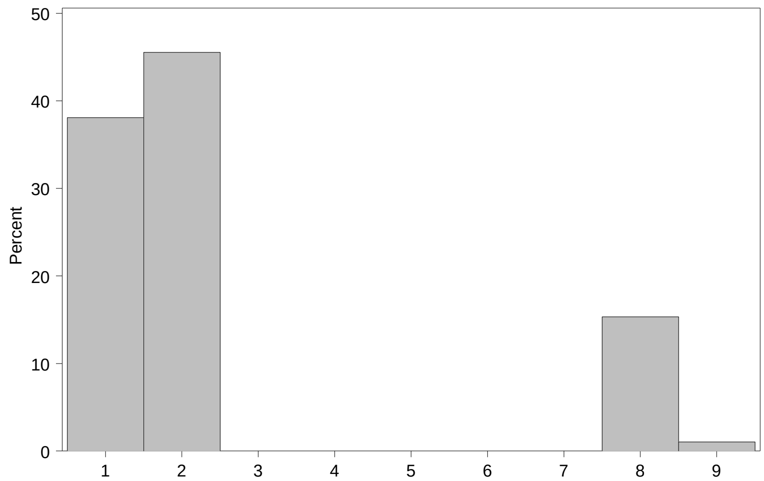
1 = Yes
2 = No
8 = Don't know

Q55: Do you think that the mail service in the country would improve or get worse if the law was changed to allow other companies to compete with the Postal Service in the delivery of mail?



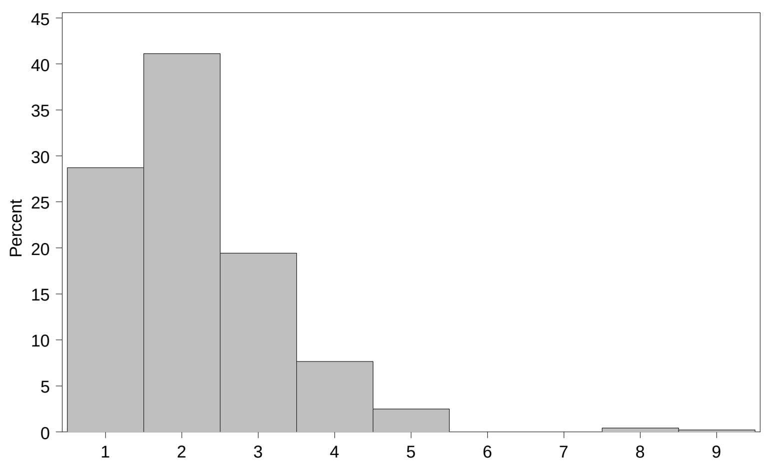
1 = Improve
2 = Get worse
8 = Don't know
9 = Refused

Q56: Do you think that postage rates would be higher or lower if there was competition?



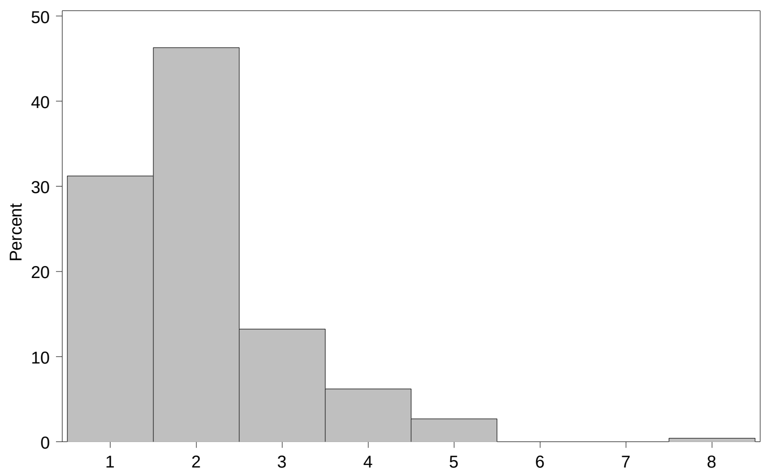
1 = Higher
2 = Lower
8 = Don't know
9 = Refused

Q57: How would you rate the speed of the Postal Service?



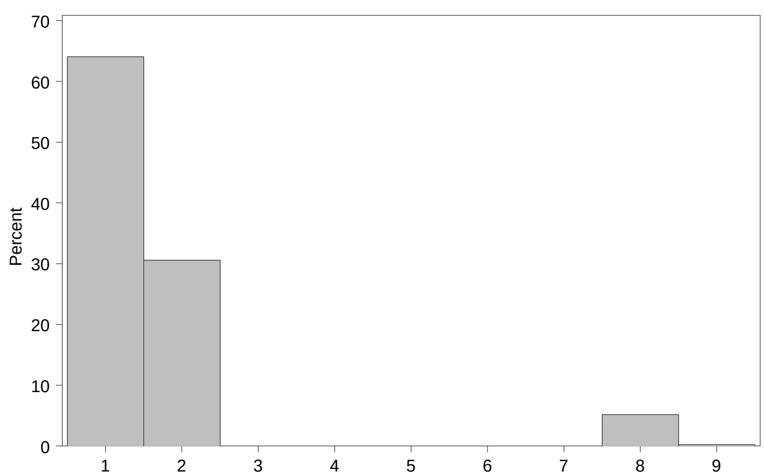
1 = Excellent
2 = Very good
3 = Adequate
4 = Fair
5 = Poor
8 = Don't know
9 = Refused

Q58: How would you rate the reliability of the Postal Service?



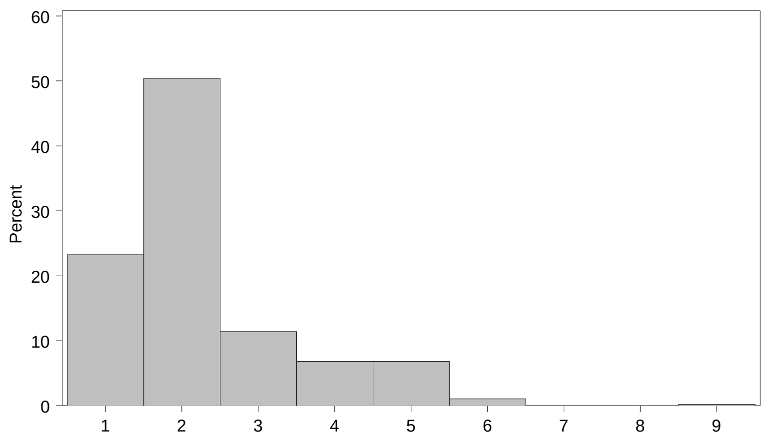
1 = Excellent
2 = Very good
3 = Adequate
4 = Fair
5 = Poor
8 = Don't know

Q59: Do you think that people should be able to complain to an organization that is not part of the Postal Service when it doesn't live up to its own standards?



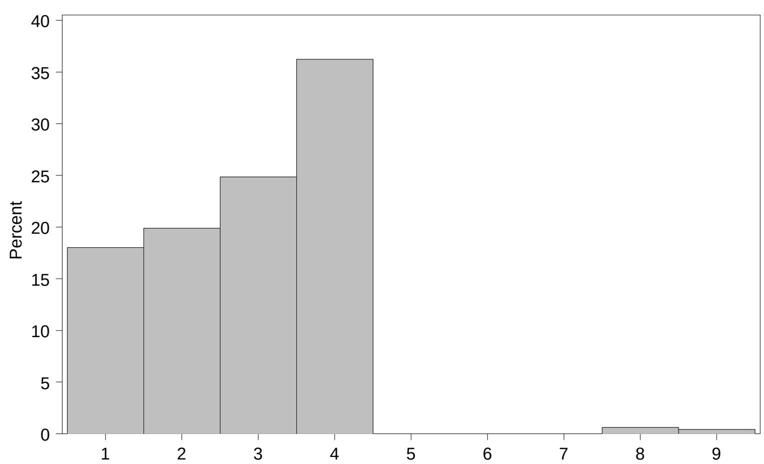
1 = Yes
2 = No
8 = Don't know
9 = Refused

Q60: How does your household receive most of its mail?



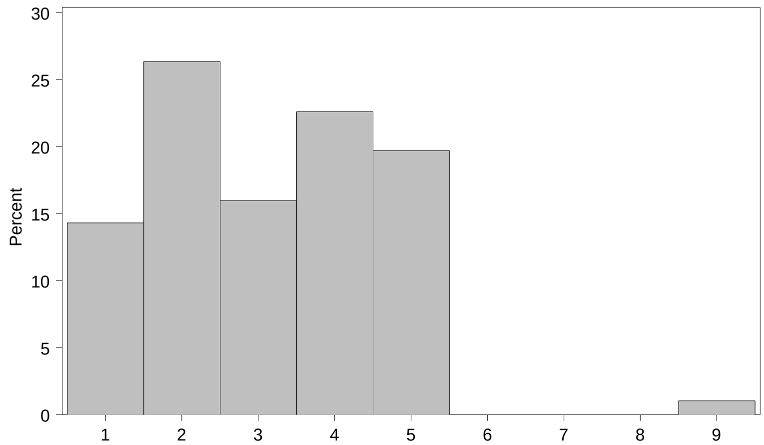
1 = A mailbox attached to your house
2 = A mailbox at the curb or roadside
3 = A cluster of mailboxes near your home
4 = An apartment house mailbox
5 = At a US post office
6 = Something else
8 = Don't know
9 = Refused

Q61: At present, how concerned are you that mail could be stolen out of your own mailbox?



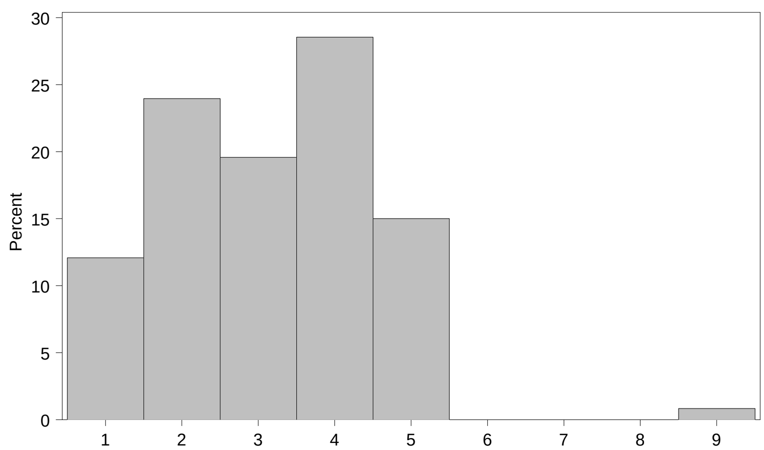
1 = Very
2 = Somewhat
3 = Not very
4 = Not at all
8 = Don't know
9 = Refused

Q62: Suppose express mail companies like FedEx or UPS could put packages inside your mailbox. How strongly would you favor or oppose this?



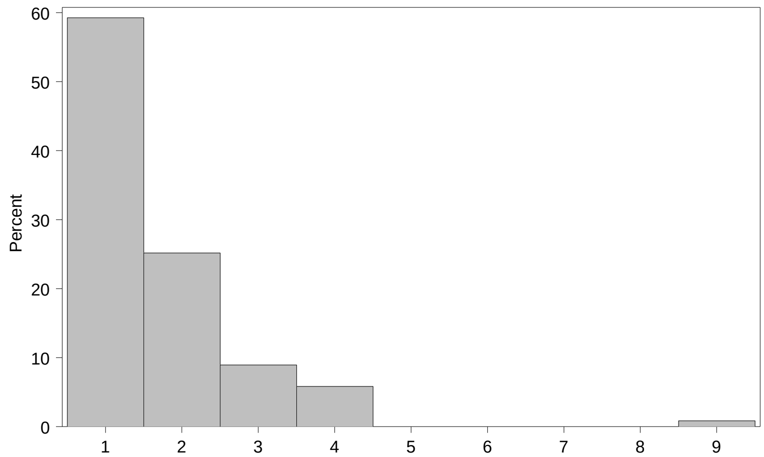
1 = Strongly favor
2 = Generally favor
3 = Generally oppose
4 = Strongly oppose
5 = No opinion
9 = Refused

Q63: Suppose the electric, gas, or water company could put bills inside your mailbox, instead of sending them through the US mail. How strongly would you favoror oppose this?



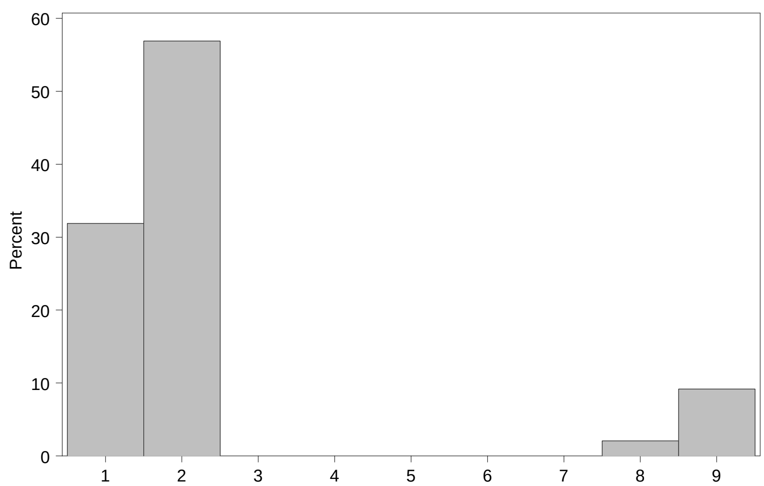
1 = Strongly favor
2 = Generally favor
3 = Generally oppose
4 = Strongly oppose
5 = No opinion
9 = Refused

Q64: Should only the US Postal Service be allowed to put mail inside mailboxes, or should other companies be allowed to put mail inside mailboxes as well?

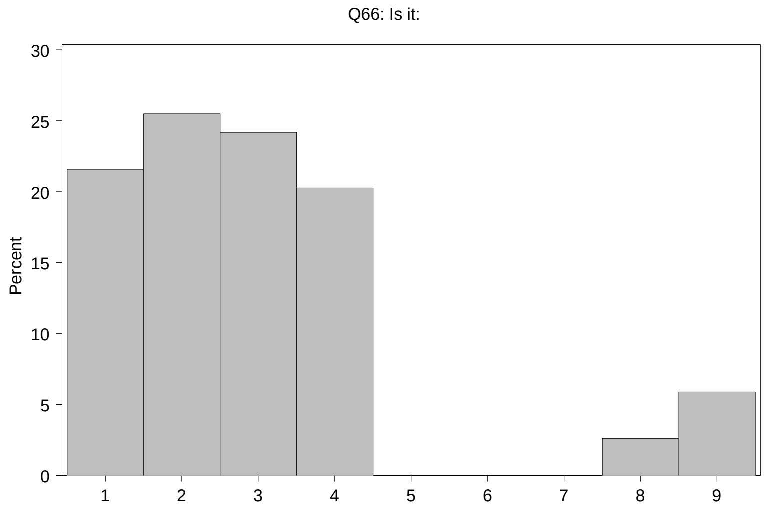


1 = US Postal Service only
2 = Other companies also
3 = No preference
4 = Not sure
9 = Refused

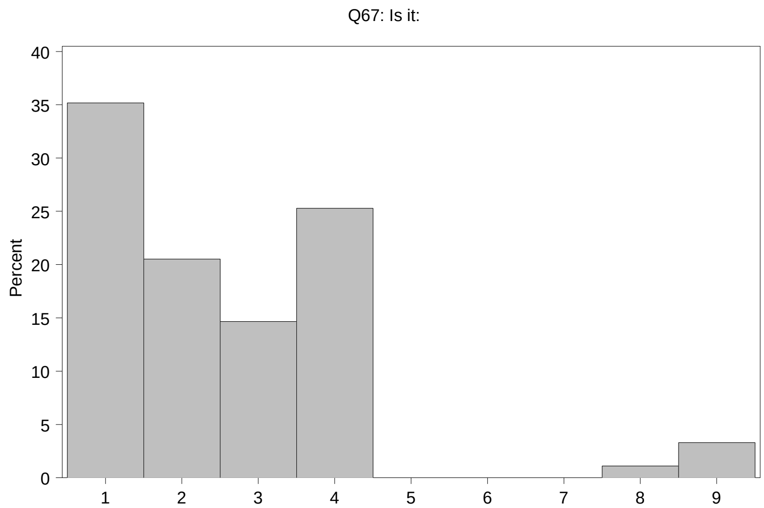
Q65: Which category best describes your household's total annual income before taxes?



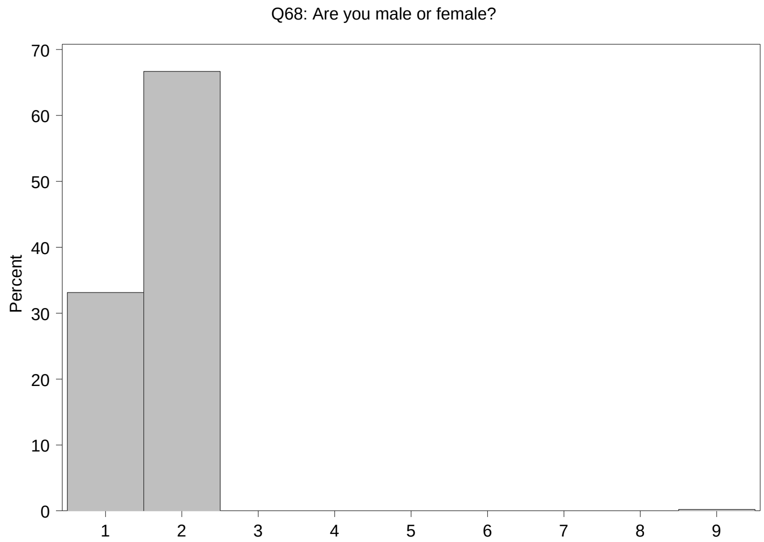
1 = Less than $40,000
2 = More than $40,000
8 = Don't know
9 = Refused



1 = $10,000 or less
2 = $10,001 to $20,000
3 = $20,001 to $30,000
4 = $30,001 to $40,000
8 = Don't know
9 = Refused



1 = $40,000 to $60,000
2 = $60,001 to $80,000
3 = $80,001 to $100,000
4 = $100,000 or more
8 = Don't know
9 = Refused



1 = Male
2 = Female
9 = Refused

School of Public Policy

Study on Universal Postal Service and the Postal Monopoly

Appendix G

Section 2

Assessment of Public Needs and Expectations: Small Business and Small Nonprofit Mailers

Christine Pommerening

Contents

1 Summary

The attitudes and behavior of small businesses and nonprofit organizations as they relate to elements of universal postal service and mail monopolies can be used to inform future need for these services and policies. They can also validate assumptions about the scale and scope of the current levels of postal services.

Most small businesses and small nonprofits are single piece mailers for all intents and purposes. Over 90% send out less than 100 letters per week, and only 23% of respondents send out large mailings such as catalogs, newsletters, or solicitations. 78% obtain postage at a post office, and 50% use the post office for mailing their pieces.

Small businesses and nonprofits generally don't experience or expect much volume change. Among those who have reported change over the past three years, or project change five years from now, more respondents estimate an increase rather than a decrease, but the estimated scope of decrease is higher than the scope of increase. Internet use is expected to trigger only modest volume shifts of less than 10% by nearly half (47%) the respondents, while shifts of 10% or more is expected by 35% .

Five-day delivery would not affect 80% much or at all. Three-day delivery, however, would affect 56% significantly or very significantly.

Apparently, price is a more important factor than delivery frequency for these mailers, while the overall mail volume is rather inelastic to changes in price or delivery frequency. Closing of post offices for cost savings, however, is only supported by one in three companies even if it resulted in a reduction in rates.

If competition were allowed, more than one-half of the respondents think that rates would decrease, while only one-quarter expects increases. Respondents are split about the effect on service quality – about one-third each expect an improvement or deterioration, and nearly as many are uncertain.

2 Introduction

To assess the needs and expectations of small business and small nonprofit mailers with regard to universal postal service and the letter and mailbox monopolies, we chose to conduct a combined nationwide survey.

The survey was intended to provide an empirical perspective on attitudes towards universal service and the monopoly, and to complement the historical, legal, international, and economic analyses on these issues reported elsewhere in this study. The sample, questions, and categories were designed with this specific goal in mind. In particular, we included questions relating to range of products (e.g., classes of mail sent), access mode (e.g., where letters are mailed), delivery (e.g., inconvenience of a reduction in delivery frequency), quality of service (e.g., importance of reliability), user protection (e.g., establishment of a complaint mechanism), letter monopoly (e.g., impact of competition on postage rates), and mailbox monopoly (e.g., granting access to one's mailbox.)[1] In addition, we asked questions on possible alternatives to using postal services and the mailbox (e.g., email use and do-not-mail preferences), and on trade-offs between service levels and costs. Finally, many questions have a volume component as well.

3 Methodology and Limitations

The survey has been administered by phone to 541 randomly selected businesses and nonprofit organizations in the U.S. There is no single standard or definition in the U.S. of what constitutes a "small" business or "small" nonprofit. Thus, we decided to use several sources to define the scale and scope of the population for this purpose. First, we selected industry sectors by NAICS / SIC codes that are made up entirely or largely of nonprofit establishments for the scope.[2] Then, we set an upper limit of $25,000 annual receipts for

[1] These categories concur with the seven elements of a legal USO and the two monopolies identified in Appendix B, with the exception of uniform rates (no questions were asked on this element.) Geographic scope was not covered except by a question on travel time to the local post office, which is reported under access mode.

[2] NAICS (North American Industry Classification Standard is the current system; until 1997 the SIC (Standard Industrial Classification) system was used. Some sample database providers still use SIC

the scale, which according to Internal Revenue Service data includes the majority of nonprofits in the country.[3] Reference data for both nonprofit status and revenue is contained in the U.S. Census Bureau's Economic Census. For businesses, we included all NAICS / SIC codes except those for public administration. To set the upper limit for annual sales volume, we consulted the Small Business Administration standards, and decided on $100,000 or less for a first cut, and $750,000 for a second cut.[4]

Based on this, we draw three samples from a commercially available database of business records. Companies/organizations were called a maximum of 10 times starting October 15, 2008 until November 21, 2008.

4 Results

4.1 Corporate Characteristics

Of the small businesses/nonprofits surveyed, 66% had 1-9 full time employees.[5] 19% had no paid employees, which is typical for many small nonprofits. 78% were local businesses and nonprofits, while 21% were part of a larger regional or national corporation or organization. 29% were tax exempt nonprofits, and 70% were for-profit businesses. 71% of them have broadband Internet access.

4.2 Volume

Only 23% of respondents send out large mailings such as catalogs, newsletters, or solicitations, most of those (71%) do it infrequently (monthly or annually). 92% of them

designations. It should be noted that neither NAICS nor SIC have a separate category for nonprofits. See table in the annex for the code selection.

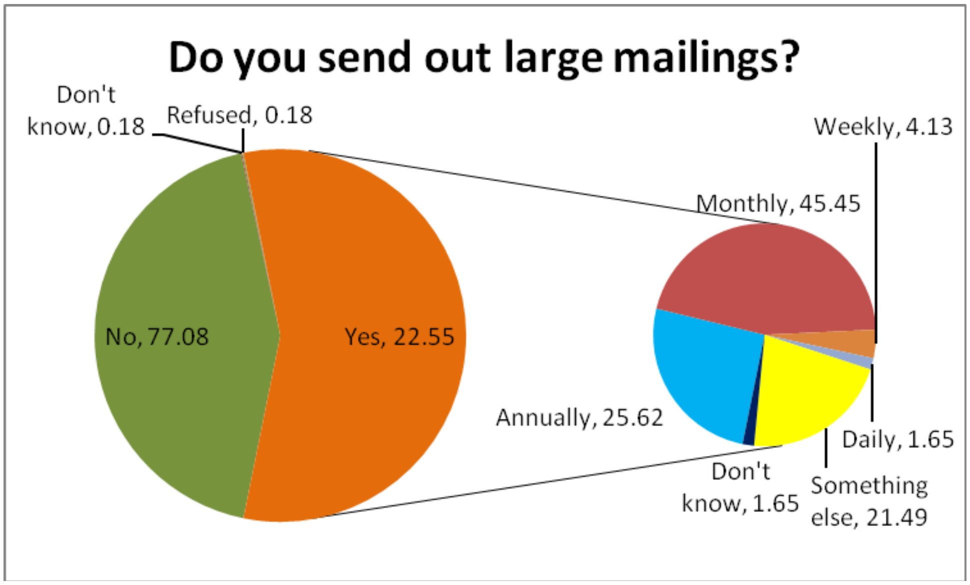
[3] See Arnsberger, Paul. *Charities and other tax-exempt organizations, 2000.* Statistics of Income Bulletin (IRS-SOI), Fall 2003.

[4] See Small Business Administration. Size Standards. Available at http://www.sba.gov/services/contractingopportunities/sizestandardstopics/index.html The results for the second cut are not included in this preliminary analysis yet.

[5] According to the U.S. Census Bureau, there are 26 million employer and nonemployer firms. Of the 6 million firms with employees, 79% of the have 0 to 9 employees (Statistics of U.S. Businesses: 2005, and Nonemployer Statistics: 2005). 49% of businesses were home-based (2002 Survey of Business Owners (released 2006), Company Statistics Series). It should be noted that it is very likely that many respondents in our survey who have 0 employees have included themselves in the 1 to 9 category.

send out less than 10,000 pieces per mailing, and most (74%) do not use a third-party mailer.

Figure G2-1: Frequency of large mailings



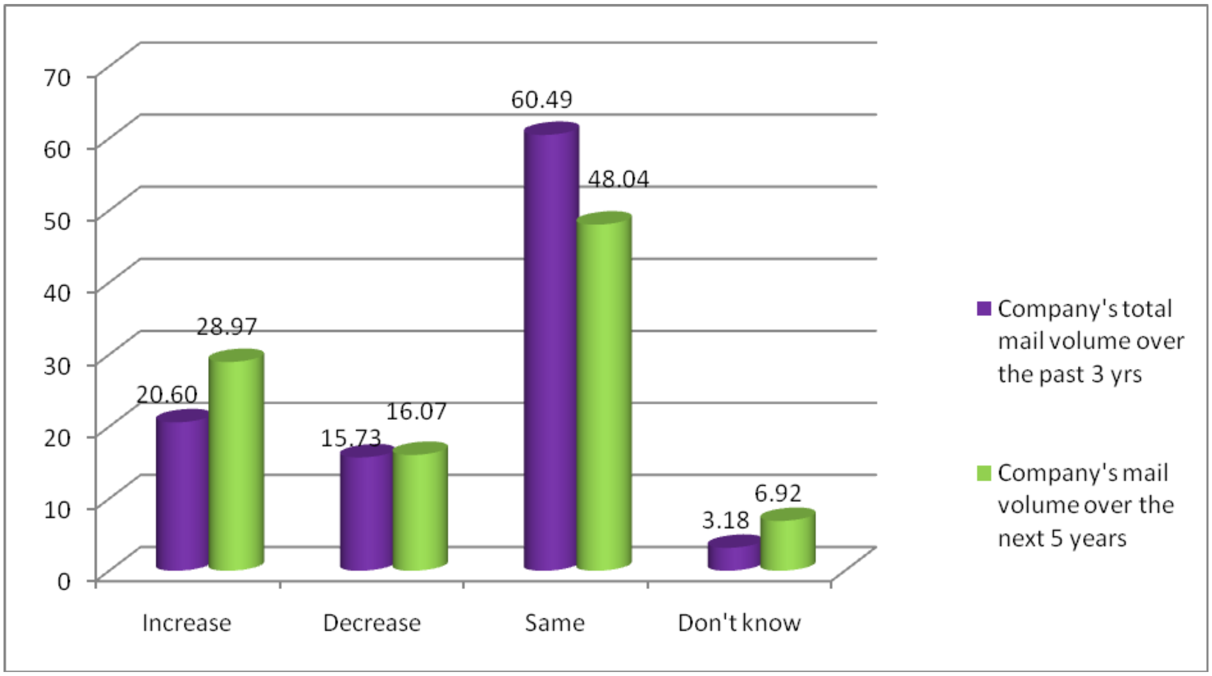
Around 90% send out less than 100 letters per week, not counting their large mailings, if any. This may explain why 78% obtain their postage directly at a post office, while only 9% have a meter and 4% have a permit.

A majority of 52% does not send parcels in any given month; 36% send between 1 and 10, and 12% send more than 10.

Over the past three years, a majority of companies/organizations report that their mail volume has remained steady. 21% saw an increase, while 16% saw a decrease. Most who reported an increase estimate it to be between 10 to 20%. Most who reported a decrease, however, estimated it to be quite substantial at 30% or more.

When asked to look ahead five years, roughly half of the respondents expect little change in their total mail volume. Somewhat surprisingly given the current economic downturn, 29% still expect an increase, while only 16% expect a decrease. Again, there is a noticeable disparity between the volume estimates. 38% of those who think it will increase have modest expectations of 10% to 20%. Yet 35% of those who think it will decrease see a 30% or higher drop.

Figure G2-2: Mail volumes over the past three years and over the next five years



The Internet is expected to change the mailing behavior somewhat over the next five years: 47% expect a volume shift of 10% or less, 15% think that between 10 and 20% will be replaced, 12% expect a more than 30% change. There is a considerable number (17%) who say they don't know what will happen to their volumes.

4.3 Access Mode

The preferred mode of sending letter mail is the post office (50%). 28% use a collection box (either on the street or in their office building), and 16% use their own home mailbox. 21% of companies/organizations rent a PO Box at their local post office.

Only 7% use a company like Mail Boxes, Etc. for renting a mailbox, receiving mail, and sending mail.

Some 63% of small businesses and nonprofits are 5 minutes or less away from their local post office. Only 11% report that it takes 15 minutes or longer to get there. The frequency of visits to the post office is rather evenly distributed between across categories, meaning roughly half the respondents go there rather frequently (15% daily and 34% at least once a week) while the other half is less likely to go (28% at least once a month and 20% less than once a month.)

There are various reasons why small business and nonprofit employees visit a post office The most frequent reason is to mail letters (78%), then buying stamps (67%), and picking up mail (61%). Mailing and picking up packages is named by half of the respondents, 54% and 47%, respectively.

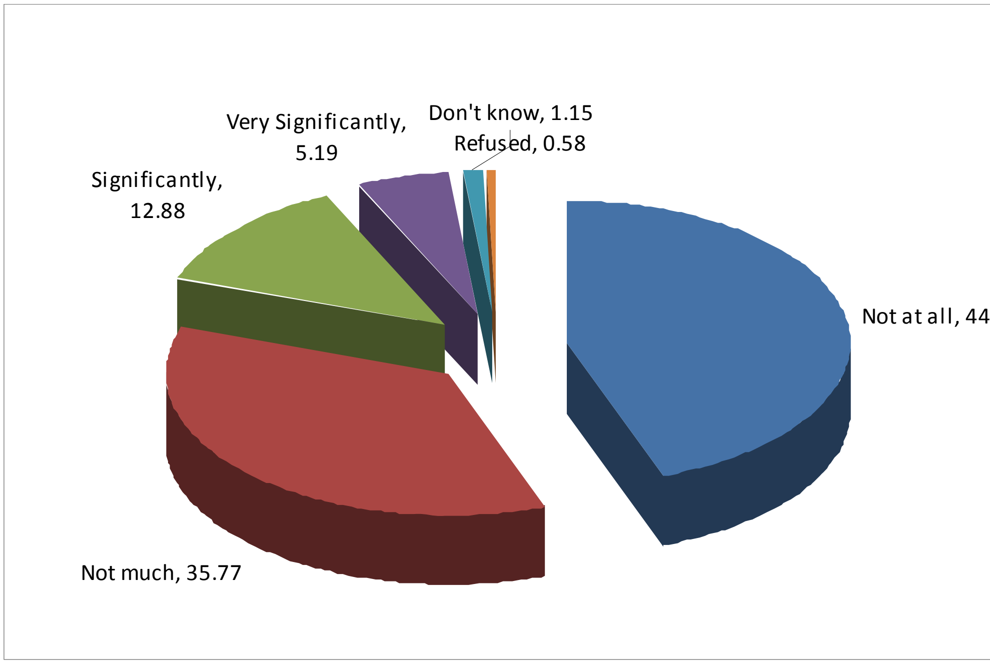
4.4 Frequency of Delivery

The USPS generally delivers mail to residential routes six days a week, and to business routes five days a week.[6] However, a reduction in frequency has been discussed. So we asked how much the company or organization would be affected if delivery of all or certain items would not occur the standard six days a week.

Overall, close to 80% would not be affected much or at all if the USPS delivered all mail only five days a week to their place of business. Only 5% would be affected very significantly.

Figure G2-3: Impact of five-day delivery to place of business

[6] We did not ask how often mail was de facto delivered to the office or location contacted, or whether they were on a residential or business route. Presumably, most of them are not on business routes.



When asked about receiving specific types of mail, the numbers vary – for most types, a majority of small businesses and nonprofits would not be inconvenienced. Receiving bills, statements, and letters one day later than currently would be inconvenient for about one-third, while advertisements would be missed by one in six. The highest inconvenience rate is for payments at 49%. A similar percentage would also like to receive packages at the current levels. A large majority of 78% would eliminate Saturday delivery, which is likely explained by the fact that many offices are closed that day anyway.

When asked about having mail that they send to customers, clients, or business partner delivered one day later, the inconvenience rates go up slightly. The highest rate, again, is for payments sent out at 51%, followed by bills at 46%, statements at about 37%, letters and packages at about 40%, and advertisements at 19%.

Finally, we asked how much respondents would be affected if the USPS delivered all mail to their place of business only three days a week. In that case, the number of those not affected much or at all changes to 40%, while 56% would be affected significantly or very significantly.

4.5 Range of Products

Small businesses and nonprofits use several classes and categories of mail, to varying degrees.

A relative majority uses the USPS to mail parcels. 49% usually use USPS, 9% use FedEX, and 18% use UPS. Asked why they use their preferred mode, 40% said it is because it is most convenient, 11% because it is cheapest, and 8% because it is most reliable. If they had to change their preferred shipper, this would be very or somewhat difficult for 29% of people, while it is not deemed very or at all difficult by 43%.

Bills or invoices are mailed by 60% of companies/organizations. Of those who do send them, 80% send 50 or less per month and only 7% send 100 or more. For postage, 80% of them use stamps most often, and 13% use meters. The Internet has not yet replaced billing in these small offices: Only 10% present more than 30% of their bills by email, while 73% issue less than 10%.Advertising and fundraising mail is sent by 29% of respondents. Of those who do send them, 70% send less than 100 pieces per month, 20% send between 100 and 500, and % send more than 1,000 pieces. For postage for these mailings, 73% use stamps, 11% use meters, 7%use permits, and 2% use a third-party mailing firm. Internet-based advertising and fundraising campaigns make up only a small percentage of their respective volumes in this category, although its use is slightly higher than for bill presentation. 6% send more than 30% of those letters by email or internet, 61% send less than 10%.

International mail is not a factor for the vast majority of small businesses and nonprofits. Only 8% regularly send letters or packages or both abroad.

4.6 Quality of Service

When asked about the value of predictability of delivery date versus delivery speed, predictability wins by more than 2 to 1. Monitoring and reporting such service performance is a job for the USPS itself, according to 34% of respondents, while 25% would prefer an independent accounting firm, and 14% favor the Postal Regulatory Commission. 21% responded that they do not know who should be responsible.

4.7 Trade-Offs between Volume, Price, and Frequency

A number of questions examined the attitudes and effects in relation to changing some variables with respect to certain others (elasticities.)

First, if the postal service had to choose between reducing delivery to five days a week or increasing rates, 67% would not be willing to pay anything more. Some 17% would accept a 2.5% rate increase, but only 6% would pay 5% or more.

Second, if the postal service chose to convert to three days of residential delivery, the mail volume of 20% of respondents would decrease while 59% do not expect any change.

Third, if the postal service chose to convert to three days of residential delivery but decreased the postage rate by 10% at the same time, the mail volume of 14% would decrease while 66% would not expect any change.

Lastly, we asked the following question: If the postal service could save 10-15 % of its total costs by reducing delivery to three days per week and closing the 10,000 smallest of the 40,000 post offices, how likely would your company be to support these service reductions if it resulted in a 10% reduction in postage rates. A slight majority answered that their company was not very or not at all likely to support this (17% and 37%, respectively.) 11% were very likely, and 21% somewhat likely supporters

Apparently, price is a more important factor than delivery frequency for these mailers, while the overall mail volume is rather inelastic to changes in price or delivery frequency. Closing of post offices for cost savings, however, is only supported by one in three companies even if it resulted in a reduction in rates.

4.8 Letter Monopoly

Rather than asking about the USPS letter monopoly directly, we asked what companies and nonprofits thought about competition by other companies. On the question whether mail service would improve or deteriorate if the law was changed to allow other companies to compete in the delivery of mail, 36% thought it would improve, 36% thought it would deteriorate, while 21% were uncertain about the effect; responding either it depends or they don’t know. On the question whether postage rates would be higher or lower if there was competition, 24% thought they would rise, 53% thought they would sink, and 21% were uncertain on this.

Table G2-1: Opinions on service and rate development (% of respondents)

	Service	Rates
Increase	36	24
Decrease	36	53
Uncertain	21	21

5 Bibliography

Arnsberger, Paul. "Charities and Other Tax-Exempt Organizations, 2000."*Statistics of Income Bulletin (IRS-SOI)* Fall 2003 (2003).

U.S. Census Bureau. 2002 Survey of Business Owners, Company Statistics Series. Washington, DC. 2006.

U.S. Census Bureau. Statistics of U.S. Businesses: 2005. Washington, DC. 2006.

———. Nonemployer Statistics: 2005. Washington, DC. 2006.

6 Technical Annex: Sample Description and Survey Questionnaire

The randomized sample consisted of the following records, with a more detailed description of the SIC codes with tax-exempt corporations in the second table below:

	Draw 1	**Draw 2**	**Draw 3**	**Draw 4**
Area	50 states	50 states	50 states	50 states
SIC included*	01-99	83, 84, 86	01-99	83, 84, 86
SIC exluded	43, 91-97		43, 91-97, 8351	
Status	All	Tax Exempt	All	Tax Exempt
Location	Single site	Single site	Single site	Single site
Receipts	$100,000 or less	$25,000 or less	$750,000 or less	$25,000 or less

* 2-digit SIC codes; draw 2 and 4 furthermore included the following 4-digit SIC: 6732, 7922 , 7997 , 8051, 8052, 8059, 8062, 8063, 8069, 8093.

SIC Code	1987 SIC Description	Status	Establishments	Receipts	Paid employees	Annual payroll
6732	Grantmaking foundations	Exempt	5,656	32,237,885		1,091,724
7922	Theatrical producers (exc motion picture) and miscellaneous theatrical services %	Taxable	5,217	7,178,240	66,175	2,044,118
		Exempt	2,273	2,811,051	47,550	889,165
7997	Membership sports and recreation clubs	Taxable	6,432	5,884,679	131,332	1,993,141
		Exempt	8,591	7,860,389	186,975	3,135,205
805	Nursing and personal care facilities	Taxable	19,641	49,532,896	1,312,703	22,358,777
		Exempt	13,657	27,819,012	745,146	13,109,351
8062	General medical and surgical hospitals	Taxable	784	34,140,320	419,865	11,535,646
		Exempt	4,626	312,376,662	4,014,735	127,846,360
8063	Psychiatric hospitals	Taxable	342	3,080,332	49,549	1,220,583
		Exempt	381	D	(100,000+)	D
8069	Specialty hospitals, except psychiatric	Taxable	219	2,925,727	42,170	1,129,579
		Exempt	333	D	(100,000+)	D
8093	Specialty outpatient facilities, not elsewhere classified	Taxable	7,504	7,196,827	89,925	2,671,388
		Exempt	8,831	18,006,616	284,244	8,713,470
83	Social services	Taxable	69,713	18,893,957	662,201	8,025,759
		Exempt	92,156	75,682,312	1,586,186	25,998,954
84	Museums, art galleries, and botanical and zoological gardens	Taxable	659	405,742	5,897	98,240
		Exempt	4,781	6,277,474	84,417	1,713,627
86	Membership organizations	Taxable	868	1,997,359	25,238	682,645
		Exempt	65,075	D	(100,000+)	D
		Total	**317,739**	(n/a)	(n/a)	(n/a)
		Exempt	**206,360**	(n/a)	(n/a)	(n/a)
Sources:	http://www.census.gov/epcd/ec97sic/E97SUSI.HTM#I79					
	http://www.census.gov/epcd/ec97brdg/E97B1813.HTM					

GMU PRC Small Business / Small Nonprofits

Questionnaire # ________

Q1: What best describes your area of responsibility?

Upper management 1
Advertising/marketing 2
Billing/accounting 3
Order fulfillment or circulation 4
Other 5
Refused 9

For the following questions, please provide answers for your **local** office or branch, not for any regional or national organization or corporation you might be affiliated with.

Q2: How many full time employees does your company or organization employ at your location? Is it more than 100, 50 to 100, 10 to 49, 1 to 9, or zero?

More than 100 ... 1
50 to 100 2
10 to 49 3
1 - 9 4
0 5
Don't know 8
Refused 9

Q3: What is the major product or service your company or organization provides?

____

Q4: What is your 5-digit zip code?

.... __________

Q5: Is your company or organization part of a regional or national organization or corporation?

Yes 1
No 2
Don 't know ... 8
Refused 9

Q6: Are you a tax-exempt non-profit organization?

Yes 1
No 2
Don't know ... 8
Refused 9

Q7: Does your company or organization send out large mailings such as catalogs, newsletters, or solicitations?

Yes 1
No 2
Don't know ... 8
Refused 9

Q8: Approximately how often do you send large mailings? Is it annually, monthly, weekly, daily, or something else?

Annually 1
Monthly 2
Weekly 3
Daily 4
Something else 5
Don't know 8
Refused 9

Q9: About how many times do you send out mailings in a year?

____

Q10: What is the average number of pieces in each mailing? Is it less than 1,000, 1,000 to 10,000, 10,000 to 100,000, or over 100,000?

Less than 1,000 1
1,000 to 10,000 2
10,000 to 100,000 ... 3
Over 100,000 4
Don't know 8
Refused 9

Q11: Do you use a third party to mail them?

Yes 1
No 2
Don't know ... 8
Refused 9

Q12: Thinking about the mailing that you might send out on a daily basis, that are not large mailings, about how many letters does your organization mail per week? Is it less than 100, 100 to 500, 500 to 1,000, or over 1,000?

Less than 100 ... 1
100 to 500 2
500 to 1,000 3
Over 1,000 4
Don't know 8
Refused 9

Q13: How does your company or organization most often obtain postage? Do you use a meter, have a permit, buy stamps at a post office, order stamps by mail or telephone from the US postal service, print postage online from the US postal service website, or something else?

Meter	1
Permit	2
Buy at post office	3
Order by mail or telephone from USPS	4
Order online from USPS	5
Something else	6
Don't know	8
Refused	9

Q14: How do you usually mail your letters? A collection box on the street, a collection box in your building, at a household mail box, at a post office, or something else?

Collection box on the street	1
Collection box in building	2
Household mail box	3
Post office	4
Something else	5
Don't know	8
Refused	9

Q15: About how many parcels does your company send in a month?

.... ____________

Q16: How do you usually send parcels? The US postal service, FedEx, UPS, DHL, or some other way?

US Postal Service	1
FedEx	2
UPS	3
DHL	4
Some other way	5
Don't know	8
Refused	9

Q17: Why does your company use [ANSWER TO Q. 16] to send parcels? Is it because they are cheapest, most convenient, most reliable, or some other reason?

Cheapest	1
Most convenient	2
Most reliable	3
Other reason	4
More than one of these reasons	5
Don't know	8
Refused	9

Q18: How difficult would it be for your organization to use another shipper? Would you say very difficult, somewhat difficult, not very difficult, or not difficult at all?

Very difficult 1
Somewhat difficult ... 2
Not very difficult 3
Not difficult at all 4
Depends 5
Don't know 8
Refused 9

Q19: Does your company rent a post office box at a post office?

Yes 1
No 2
Don't know ... 8
Refused 9

Q20: About how long does it take you to get to your local post office, in minutes?

.... ______

Q21: About how often does an employee of your company visit a post office on company business? Would you say daily, at least once a week, at least once a month, or less often than once a month?

Daily 1
At least once a week 2
At least once a month 3
Less than once a month 4
Don't know 8
Refused 9

Q22: Please specify all reasons why company employees visit a post office on behalf of your company? To buy stamps? Mail packages? Pick up packages? Pick up mail? Mail letters? Send or receive registered, certified, insured or COD mail? Some other reason?

[check all that apply]

Buy stamps 1
Mail packages 2
Pick up packages 3
Pick up mail 4
Mail letters 5
Send or receive registered, certified, insured or COD mail 6
Don't know 8
Refused 9

Q23: Do you use a company like Mail Boxes, ETC.?

Yes 1
No 2
Don't know ... 8
Refused 9

Q24: What services do you receive from them? A PO box? Receive mail? Send mail? Other mail related services? Other non-mail related services?

[check all that apply]

PO box 1
Receive mail 2
Send mail 3
Other mail related services 4
Other non-mail related services 5
Don't know 8
Refused 9

Q25: Does your company or organization have access to a broadband internet connection?

Yes 1
No 2
Don't know ... 8
Refused 9

Q26: Do you send bills or invoices by mail?

Yes 1
No 2
Don't know ... 8
Refused 9

Q27: Approximately how many bills or invoices do you send per month? Is it less than 10, 10 to 50, 50 to 100, or over 100?

Less than 10 ... 1
10 to 50 2
50 to 100 3
Over 100 4
Don't know 8
Refused 9

Q28: How do you mail them most often? Do you use stamps, a meter, a permit, a mailing firm, or something else?

Stamps 1
Meter 2
Permit 3
Mailing firm 4
Something else 5
Don't know 8
Refused 9

Q29: About what percent of the bills and invoices that our company or organization issues do you send via email or internet? Is it less than 10%, 10 to 20%, 20 to 30%, or more than 30%?

Less than 10% ... 1
10 to 20% 2
20 to 30% 3
More than 30% ... 4
Don't know 8
Refused 9

Q30: Do you send advertising or fundraising letters by mail?

Yes 1
No 2
Don't know ... 8
Refused 9

Q31: Approximately how many do you send per month? Is it less than 100, 100 to 500, 500 to 1,000, or over 1,000?

Less than 100 ... 1
100 to 500 2
500 to 1,000 3
1,000 or over 4
Don't know 8
Refused 9

Q32: How do you mail them most often? Do you use stamps, a meter, a permit, a mailing firm, or something else?

Stamps 1
Meter 2
Permit 3
Mailing firm 4
Something else 5
Don't know 8
Refused 9

Q33: About what percentage of the advertising or fundraising letters that your organzation issues do you send via email or internet? Is it less than 10%, 10 to 20%, 20 to 30%, or more than 30%?

Less than 10% ... 1
10 to 20% 2
20 to 30% 3
More than 30% ... 4
Don't know 8
Refused 9

Q34: Over the past 3 years, would you say that your company's total mail volume was generally increasing, decreasing, or remained about the same?

Increasing 1
Decreasing ... 2
Same 3
Don't know 8
Refused 9

Q35: By about what percentage has the volume increased? Was it less than 10%, 10 to 20%, 20 to 30%, or more than 30%?

Less than 10% ... 1
10 to 20% 2
20 to 30% 3
More than 30% ... 4
Don't know 8
Refused 9

Q36: By about what percentage has the volume decreased? What it less than 10%, 10 to 20%, 20 to 30%, or more than 30%?

Less than 10% ... 1
10 to 20% 2
20 to 30% 3
More than 30% ... 4
Don't know 8
Refused 9

Q37: Looking ahead 5 years from now, do you expect your company's total mail volume to increase, decrease, or remain the same?

Increase 1
Decrease 2
Same 3
Don't know ... 8
Refused 9

Q38: By about what percentage will the volume increase? Less than 10%, 10 to 20%, 20 to 30%, or more than 30%?

Less than 10% ... 1
10 to 20% 2
20 to 30% 3
More than 30% ... 4
Don't know 8
Refused 9

Q39: By about what percentage will the volume decrease? Less than 10%, 10 to 20%, 20 to 30%, or more than 30%?

Less than 10% ... 1
10 to 20% 2
20 to 30% 3
More than 30% ... 4
Don't know 8
Refused 9

Q40: Looking ahead 5 years from now, how much do you expect your current mail volume to shift to the internet? By less than 10%, 10 to 20%, 20 to 30% or more than 30%?

Less than 10% ... 1
10 to 20% 2
20 to 30% 3
More than 30% ... 4
Don't know 8
Refused 9

Q41: Do you regularly send letters or packages internationally?

Q42: Is that letters, packages or both?

No 1
Yes, letters only 2
Yes, packages only 3
Yes, letters and packages ... 4
Don't know 8
Refused 9

Q43: For the following categories you **receive**, please answer yes or no if your company would be inconvenienced if it were delivered one day later. What about bills?

Yes 1
No 2
Don't know ... 8
Refused 9

Q44: What about statements?

Yes 1
No 2
Don't know ... 8
Refused 9

Q45: What about payments?

Yes 1
No 2
Don't know ... 8
Refused 9

Q46: What about letters?

Yes 1
No 2
Don't know ... 8
Refused 9

Q47: What about advertisements?

Yes 1
No 2
Don't know ... 8
Refused 9

Q48: What about packages?

Yes 1
No 2
Don't know ... 8
Refused 9

Q49: For the following categories of mail you **send**, please answer yes or no if your company would be inconvenienced if it were delivered one day later. What about bills?

Yes	1
No	2
Not applicable (don't send bills)	3
Don't know	8
Refused	9

Q50: What about statements?

Yes	1
No	2
Not applicable (don't send statements)	3
Don't know	8
Refused	9

Q51: What about payments?

Yes	1
No	2
Don't know	8
Refused	9

Q52: What about letters?

Yes	1
No	2
Don't know	8
Refused	9

Q53: What about advertisements?

Yes	1
No	2
Don't know	8
Refused	9

Q54: What about packages?

Yes	1
No	2
Not applicable (don't send)	3
Don't know	8
Refused	9

Q55: How much would you be affected if the postal service delivered all your mail to your place of business only 5 days a week instead of 6? Would you say not at all, not much, significantly, or very significantly?

Not at all	1
Not much	2
Significantly	3
Very Significantly	4
Don't know	8
Refused	9

IQ56: f the postal service reduced delivery to 5 days a week, eliminating which day of the week would work best for your business?

Monday 1
Tuesday 2
Wednesday ... 3
Thursday 4
Friday 5
Saturday 6
Don't know 8
Refused 9

Q57: If the postal service had to choose between reducing delivery to 5 days an week, or increasing postage rates, how much overall rate increase would your company be willing to pay to maintain 6 day a week delivery? Would you say nothing, about 2.5%, 5%, 7.5% or more than 7.5%?

Nothing 1
2.5% 2
5% 3
7.5% 4
More than 7.5% .. 5
Don't know 8
Refused 9

Q58: How much would you be affected if the postal service delivered all your mail to your place of business only 3 days a week? Would you say not at all, not much, significantly, or very significantly?

Not at all 1
Not much 2
Significantly 3
Very significantly .. 4
Don't know 8
Refused 9

Q59: If the postal service chose to convert to 3 days of residential delivery a week instead of the current 6 days, how would your company or organization respond to this change in terms of total mail volume? Would it increase, decrease or stay the same?

Increase 1
Decrease 2
Stay the same ... 3
Don't know 8
Refused 9

Q60: By how much would the volume decrease or increase? By less than 5%, 5 to 10%, 10 to 25%, 25 to 50%, or more than 50%?

Less than 5% 1
5 to 10% 2
10 to 25% 3
25 to 50% 4
More than 50% .. 5
Don't know 8
Refused 9

Q61: How would your company respond to a 3 day delivery reduction in terms of total mail volume if it were accompanied by a 10% postage rate decrease? Would you mail volume increase, decrease, or stay the same?

Increase 1
Decrease 2
Stay the same ... 3
Don't know 8
Refused 9

Q62: Which does your company value more: speed of delivery or predictability of the date of delivery?

Speed 1
Predictability ... 2
Depends 3
Don't know 8
Refused 9

Q63: Who do you think should be responsible for monitoring and reporting USPS service performance? Should it be the US Postal service itself, the Postal Regulatory Commission, another government agency, or an independent accounting firm?

US Postal service itself 1
Postal Regulatory Commission 2
Another government agency 3
An independent accounting firm 4
Don't know 8
Refused 9

Q64: Do you think that mail service in the country would improve or deteriorate if the law was changed to allow other companies to compete with the postal service in the delivery of mail?

Improve 1
Deteriorate ... 2
Depends 3
Don't know ... 8
Refused 9

Q65: Do you think that postage rates would be higher or lower if there was competition?

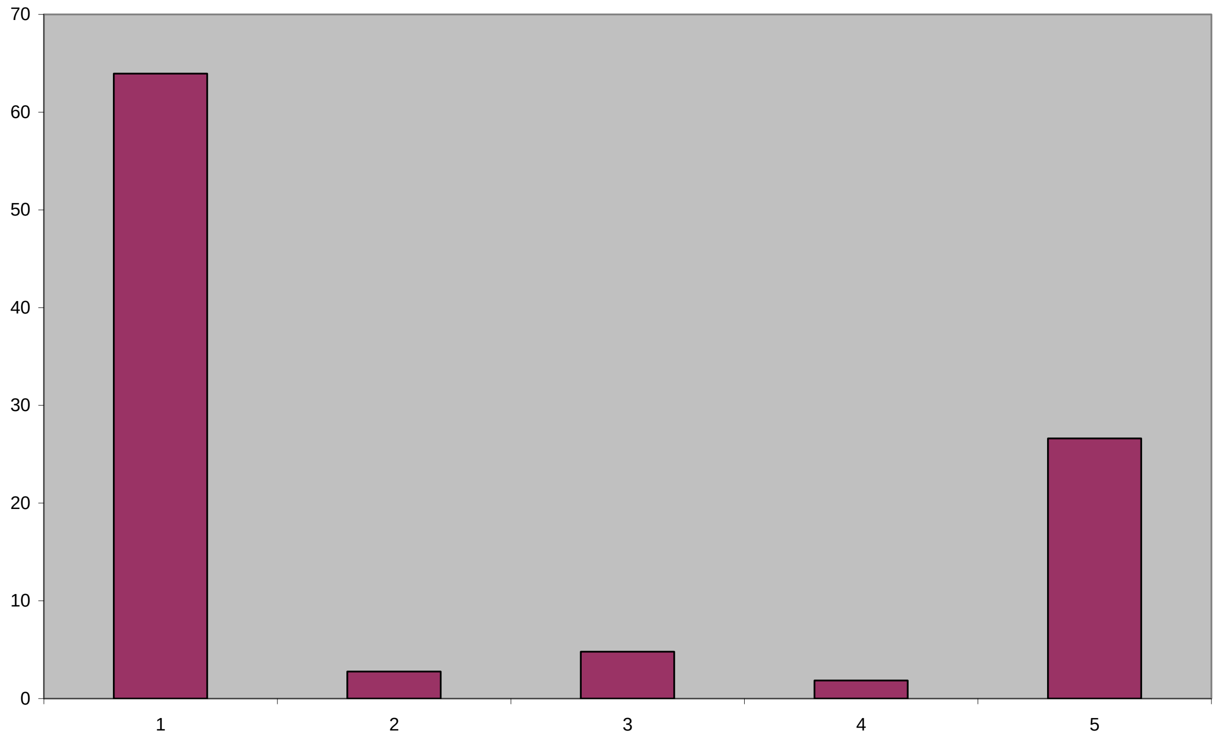
Higher 1
Lower 2
Depends 3
Don't know ... 8
Refused 9

Q66: If the postal service could save 10 to 15% of its total costs by reducing delivery to 3 days per week and closing the 10,000 smallest of the 40,000 post offices, how likely would your company be to support these service reductions if it resulted in a 10% reduction in postage rates? Would you say very likely, somewhat likely, not very likely, or not at all likely?

Very likely 1
Somewhat likely ... 2
Not very likely 3
Not at all likely 4
Depends 5
Don't know 8
Refused 9

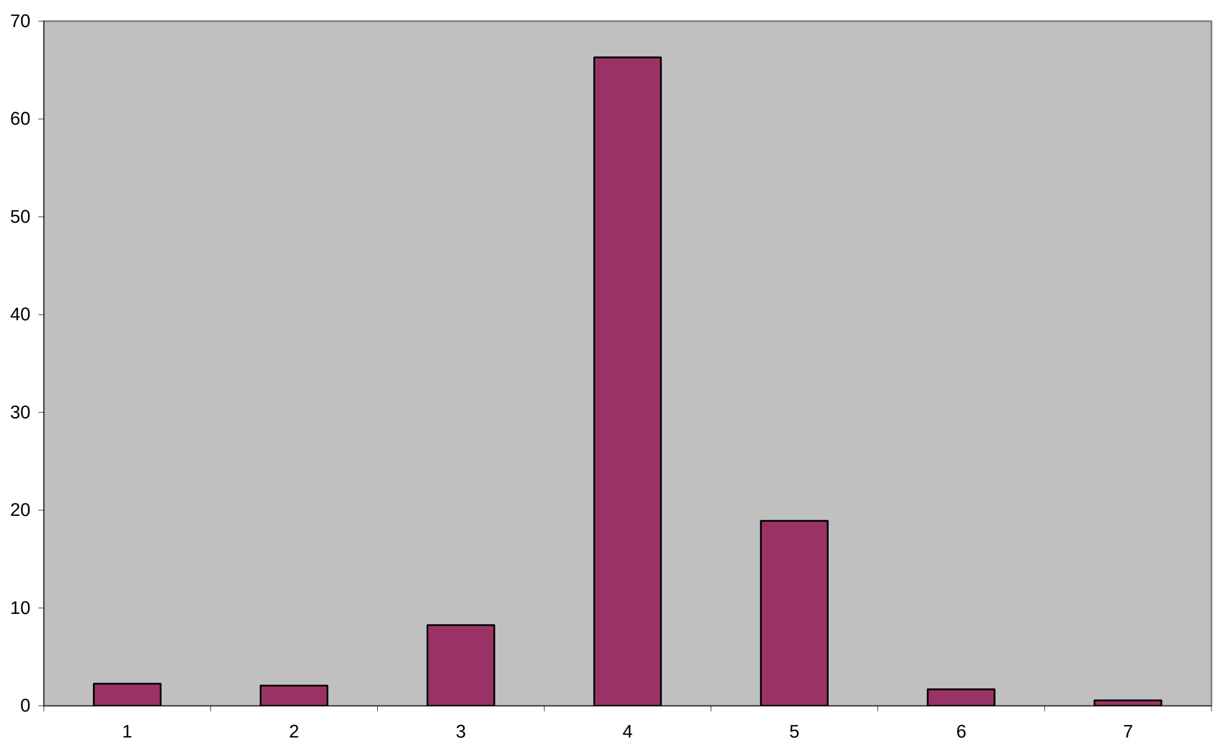
Thank you for answering our questions. If you have any questions about this research you can call Christine Pommerening at George Mason University at 703-993-3132. You may contact the George Mason University Office of Research Subject Protections at 703-993-4121 if you have questions or comments regarding your rights as a participant in the research.

Q1: What best describes your area of responsibility?



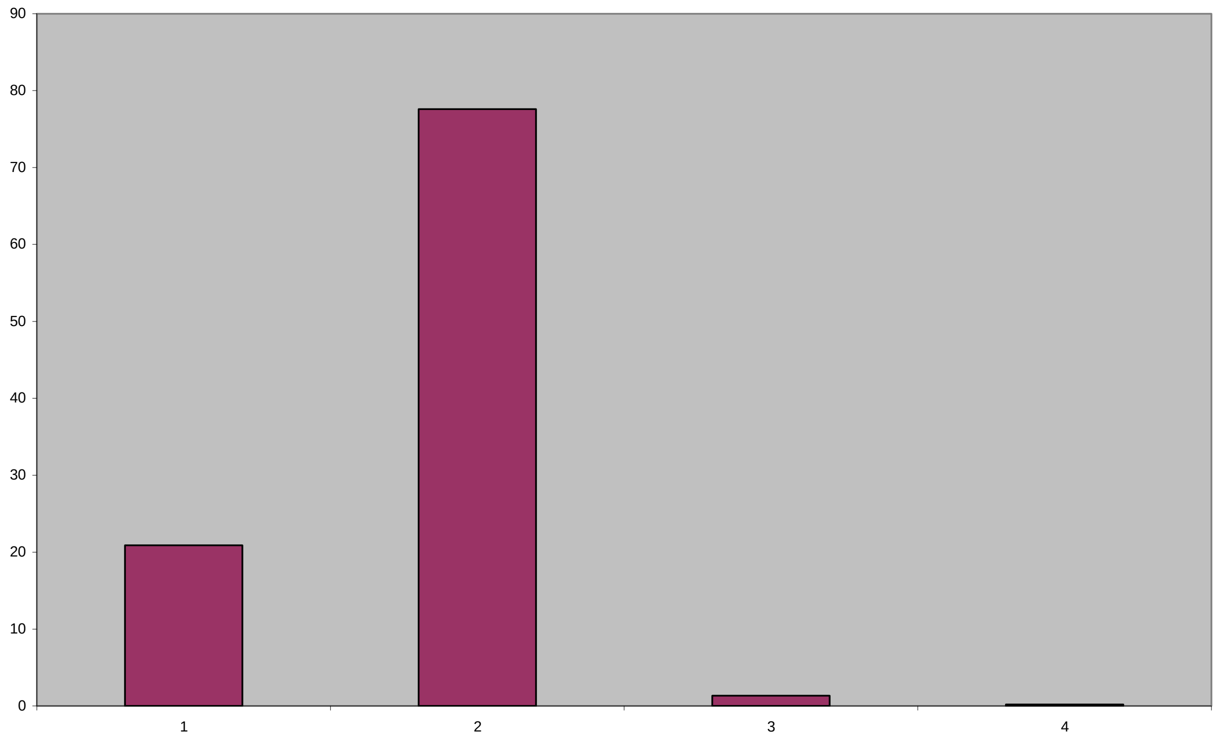
Upper management 1
Advertising/marketing 2
Billing/accounting 3
Order fulfillment or circulation 4
Other 5

Q2: How many full time employees does your company or organization employ at your location?



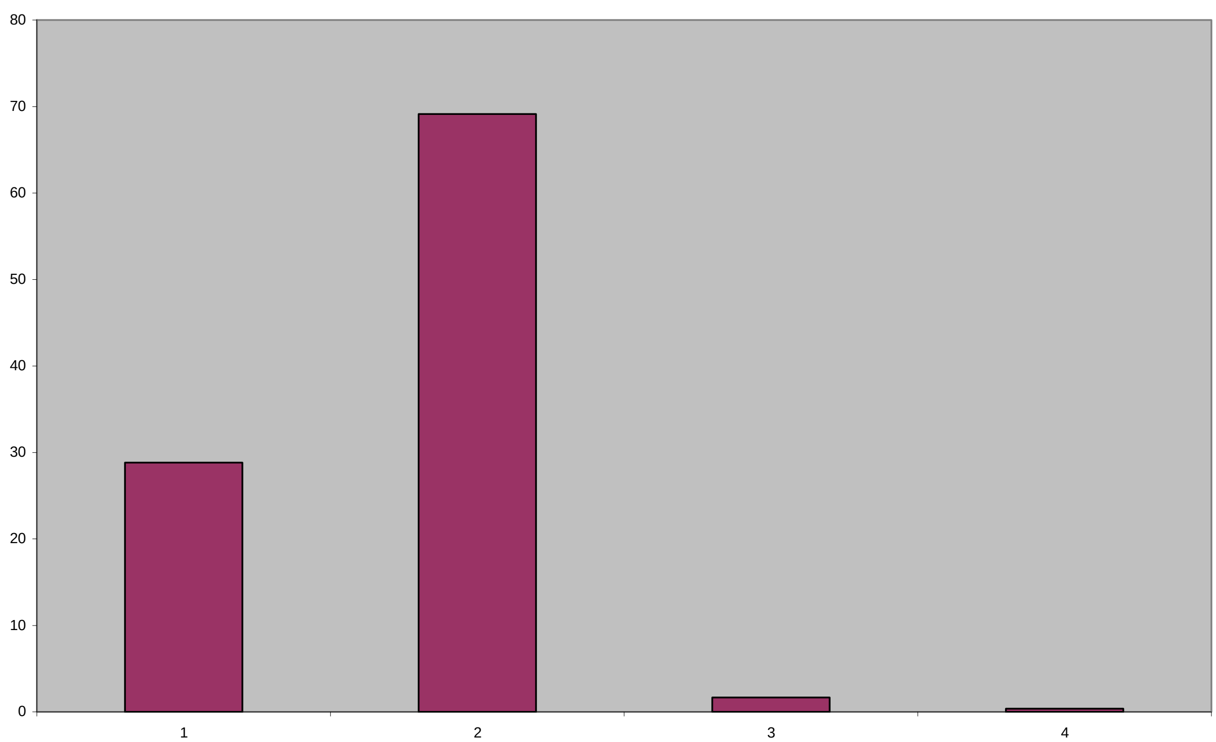
More than 100 1
50 to 100 2
10 to 49 3
1 - 9 4
0 5
Don't know 6
Refused 7

Q5: Is your company or organization part of a regional or national organization or corporation?ganization?



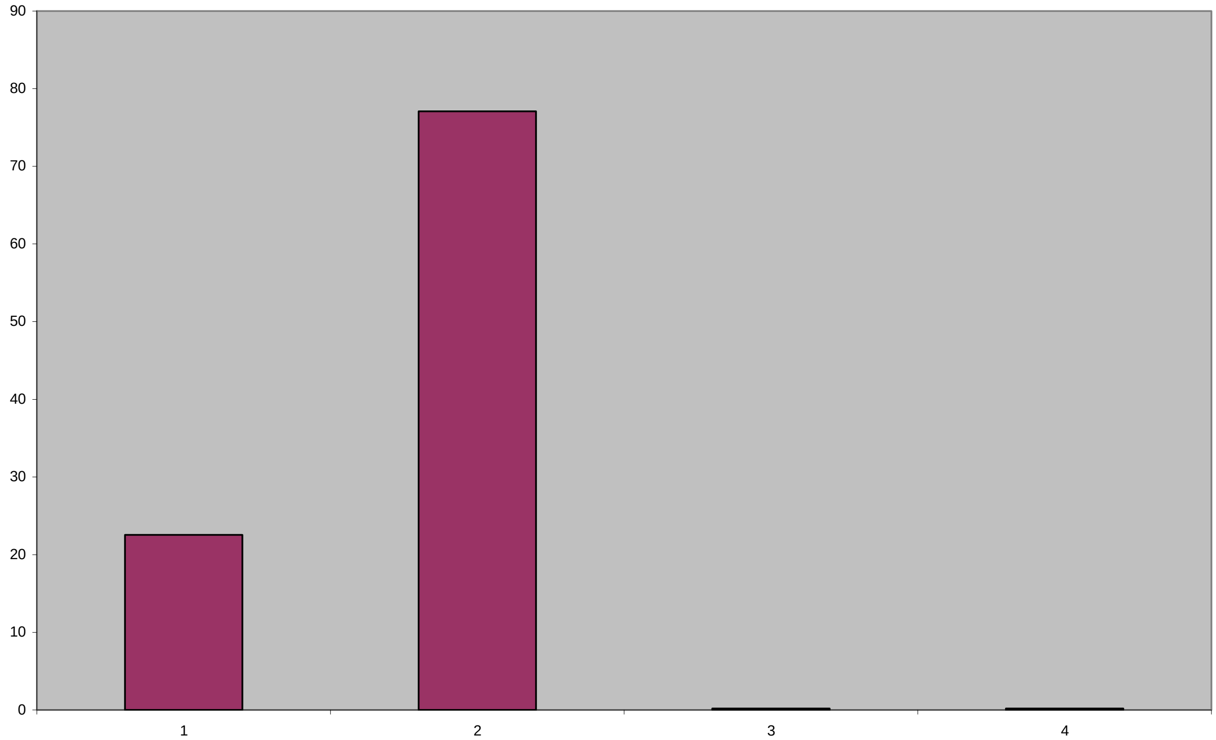
Yes 1
No 2
Don 't know 3
Refused 4

Q6: Are you a tax-exempt non-profit organization?



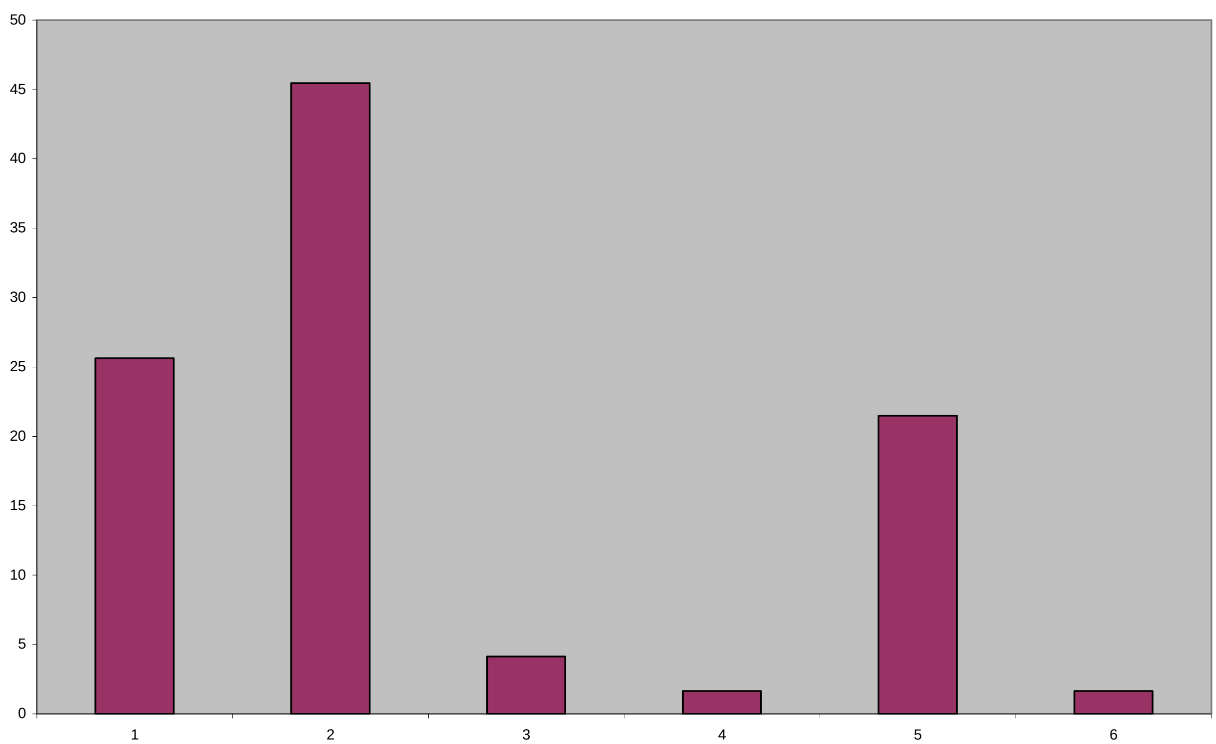
Yes 1
No 2
Don 't know 3
Refused 4

Q7: Does your company or organization send out large mailings such as catalogs, newsletters, or solicitations?



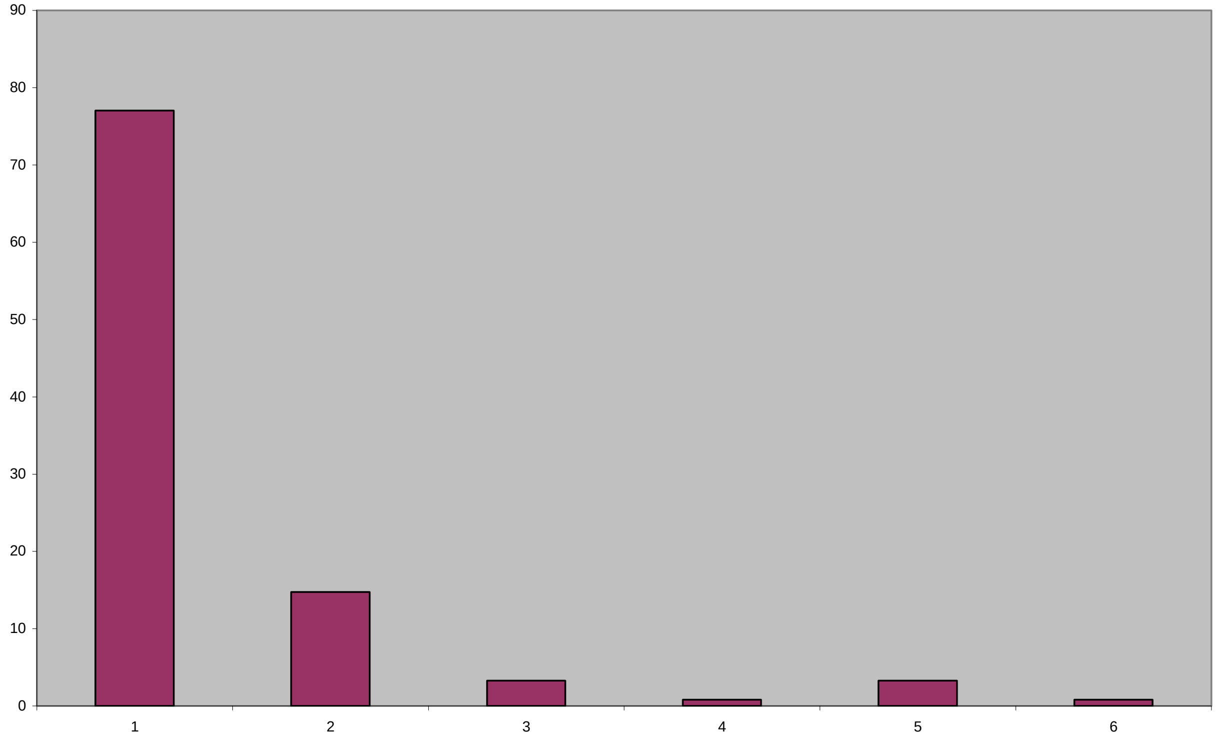
Yes 1
No 2
Don 't know 3
Refused 4

Q8: Approximately how often do you send large mailings?



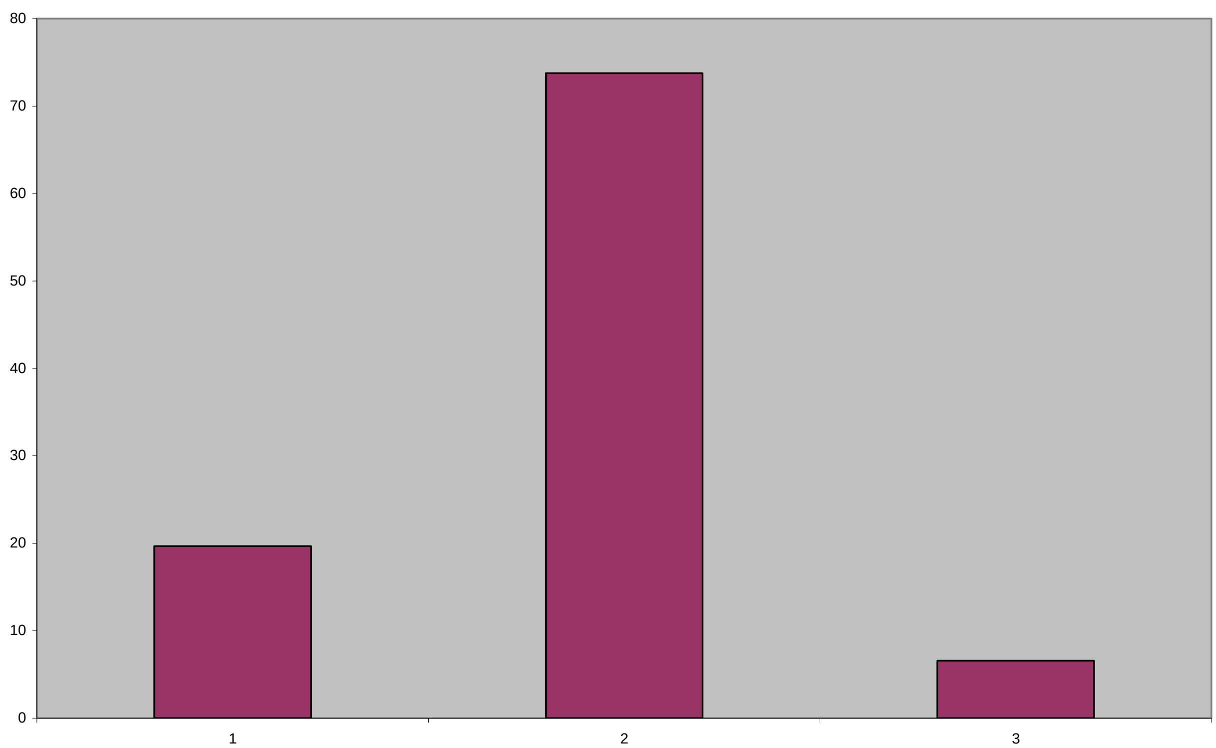
Annually 1
Monthly 2
Weekly 3
Daily 4
Other 5
Don't know 6
Refused 7

Q10: What is the average number of pieces in each mailing?



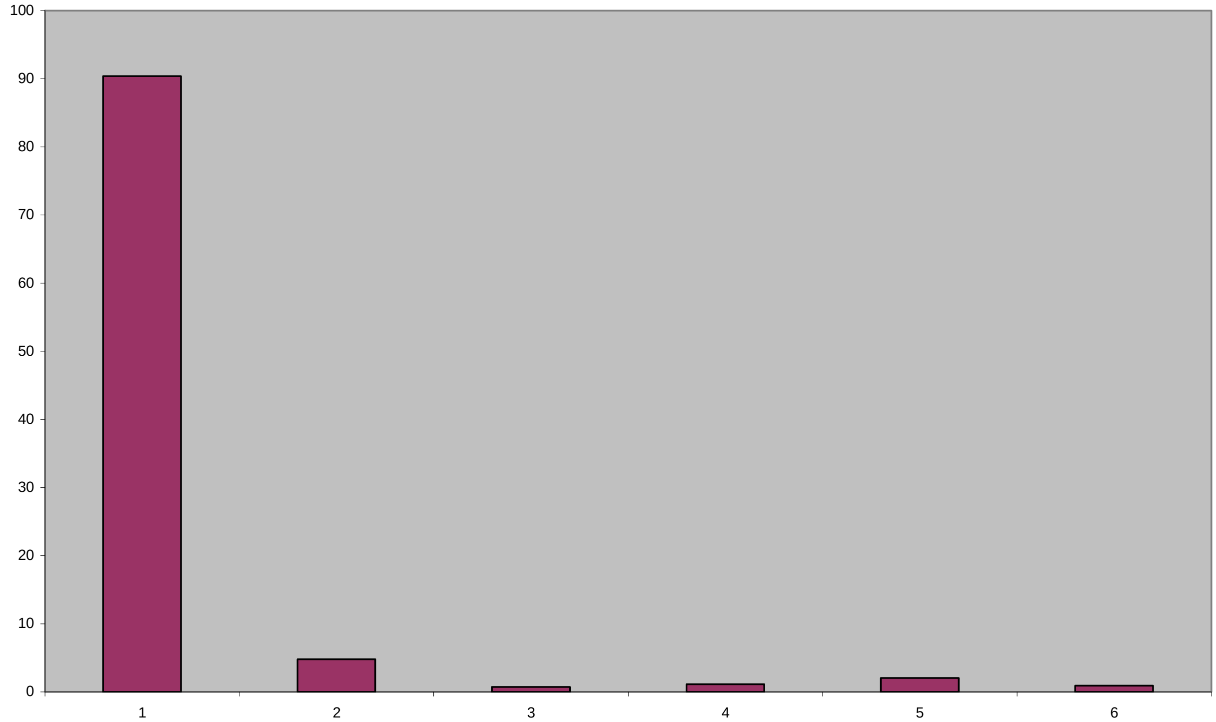
Less than 1,000	1
1,000 to 10,000	2
10,000 to 100,000	3
Over 100,000	4
Don't know	5
Refused	6

Q11: Do you use a third party to mail them?



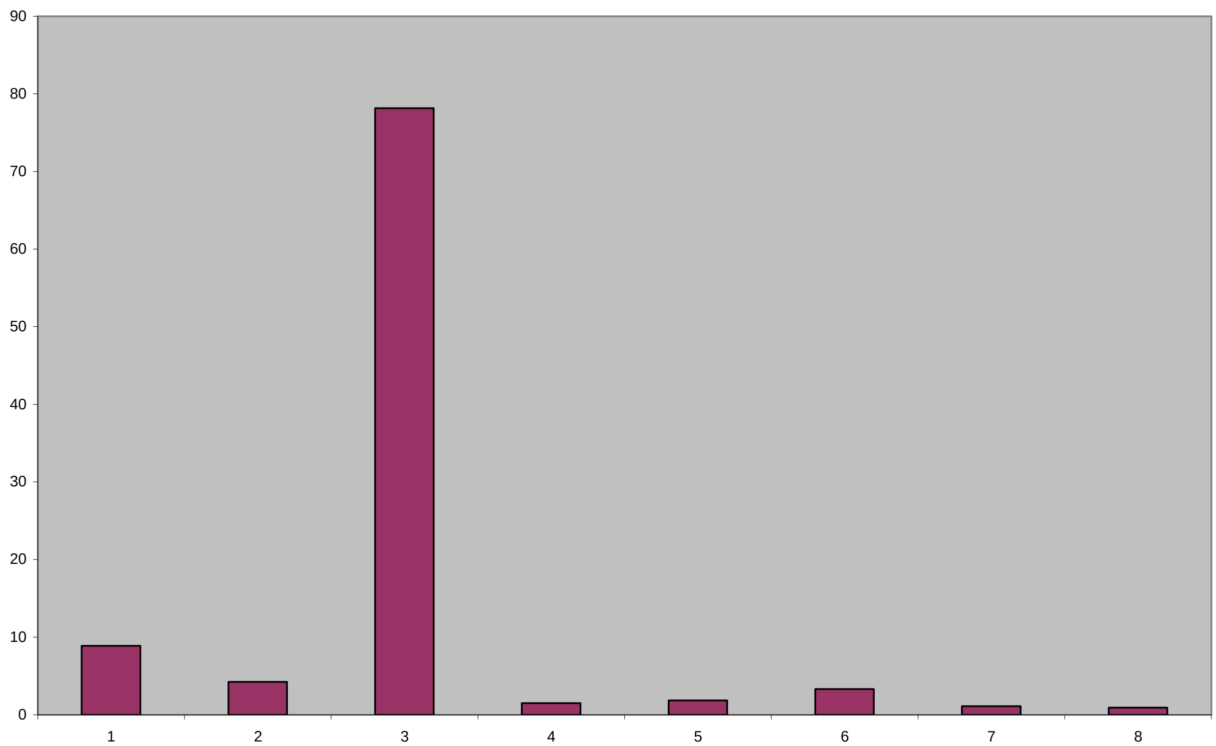
Yes	1
No	2
Don 't know	3
Refused	4

Q12: Thinking about the mailing that you might send out on a daily basis, that are not large mailings, about how many letters does your organization mail per week?



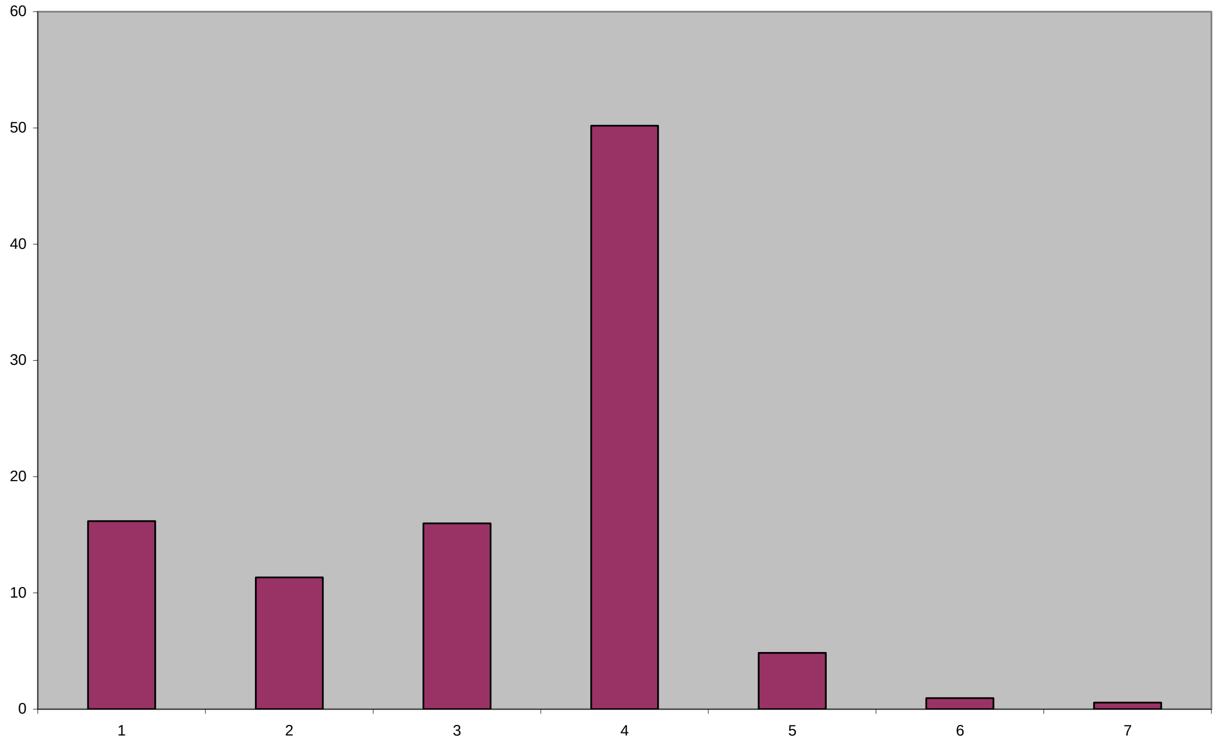
Less than 100	1
100 to 500	2
500 to 1,000	3
Over 1,000	4
Don't know	5
Refused	6

Q13: How does your company or organization most often obtain postage?



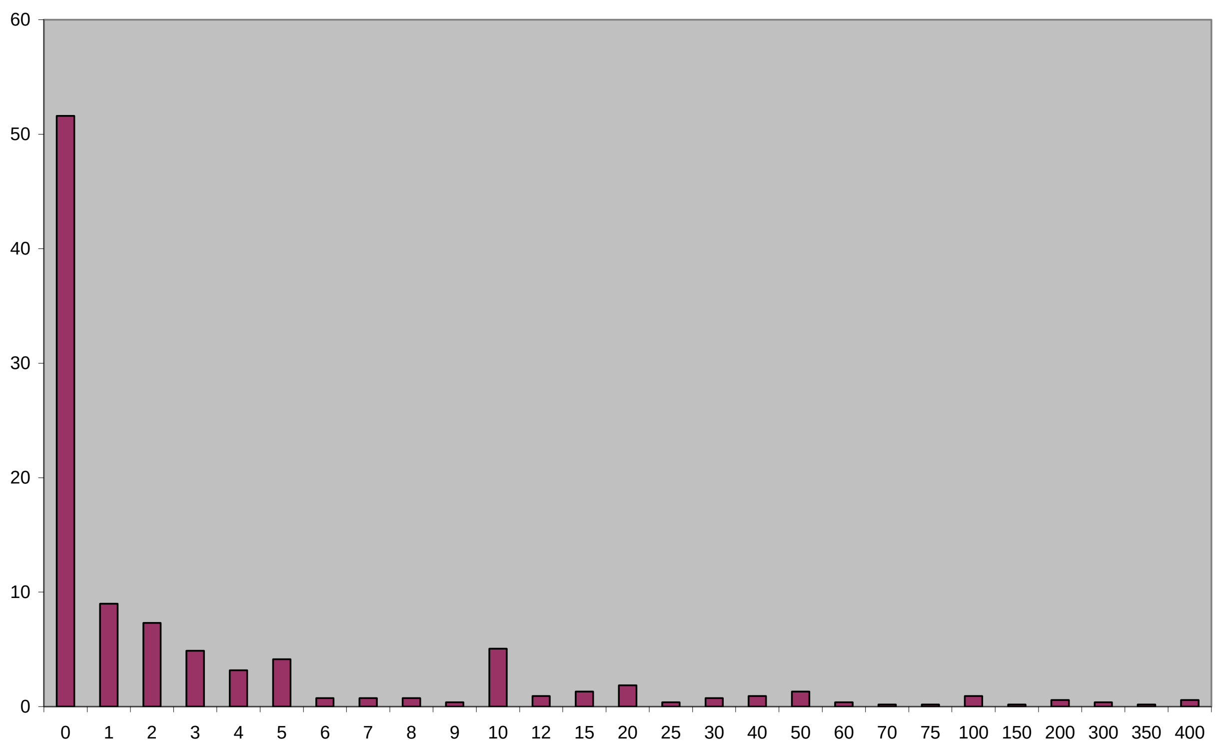
Meter	1	Order online from USPS	5
Permit	2	Something else	6
Buy at post office	3	Don't know	7
Order by mail or telephone from USPS	4	Refused	8

Q14: How do you usually mail your letters?

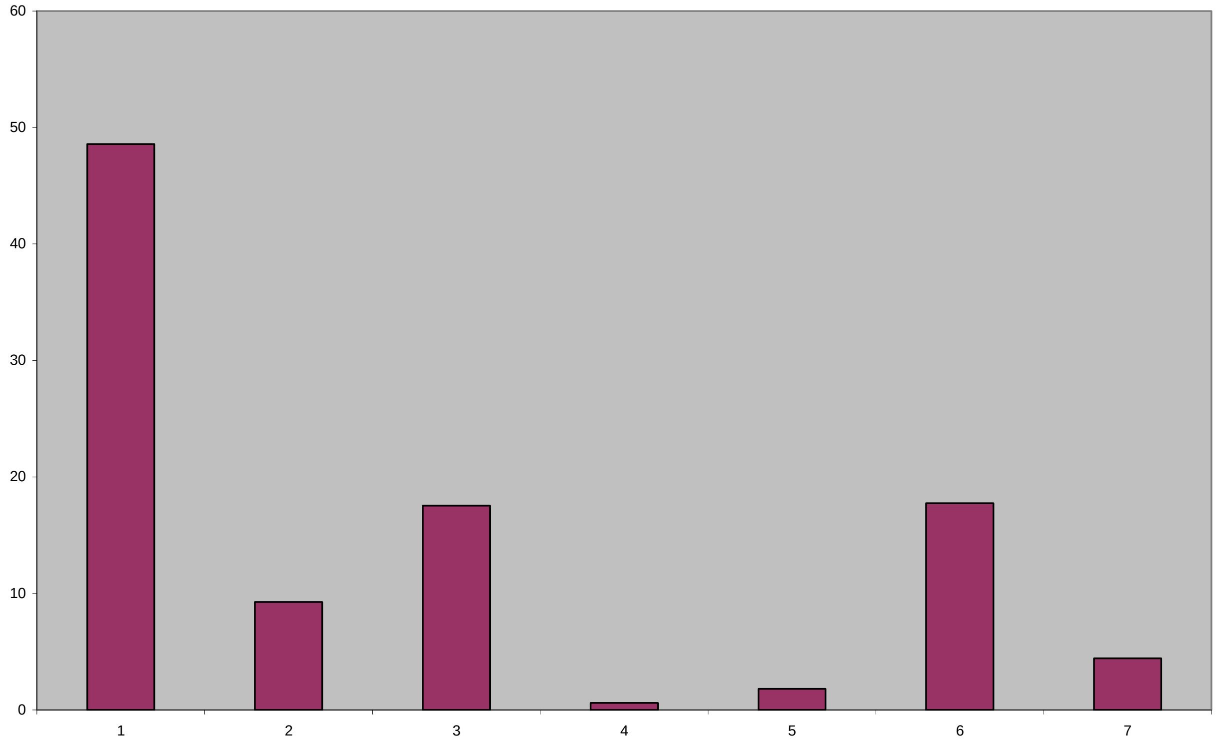


Collection box on the street	1
Collection box in building	2
Household mail box	3
Post office	4
Something else	5
Don't know	6
Refused	7

Q15: About how many parcels does your company send in a month?

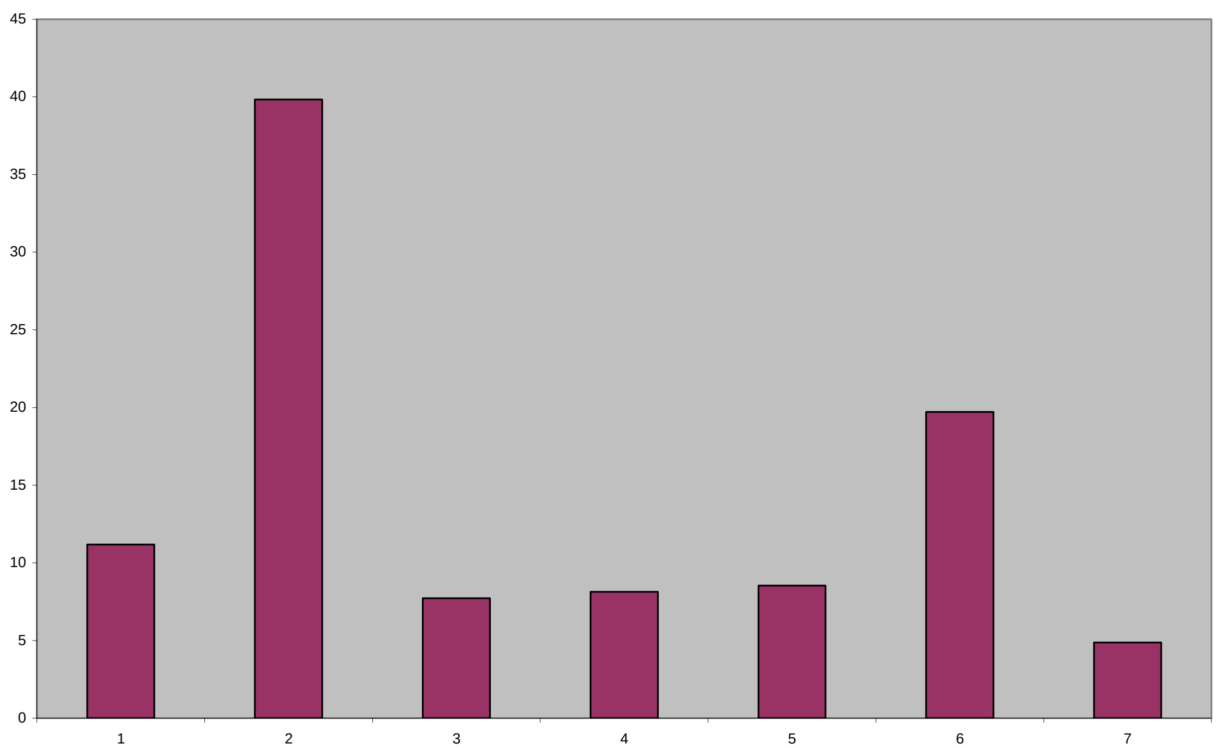


Q16: How do you usually send parcels?



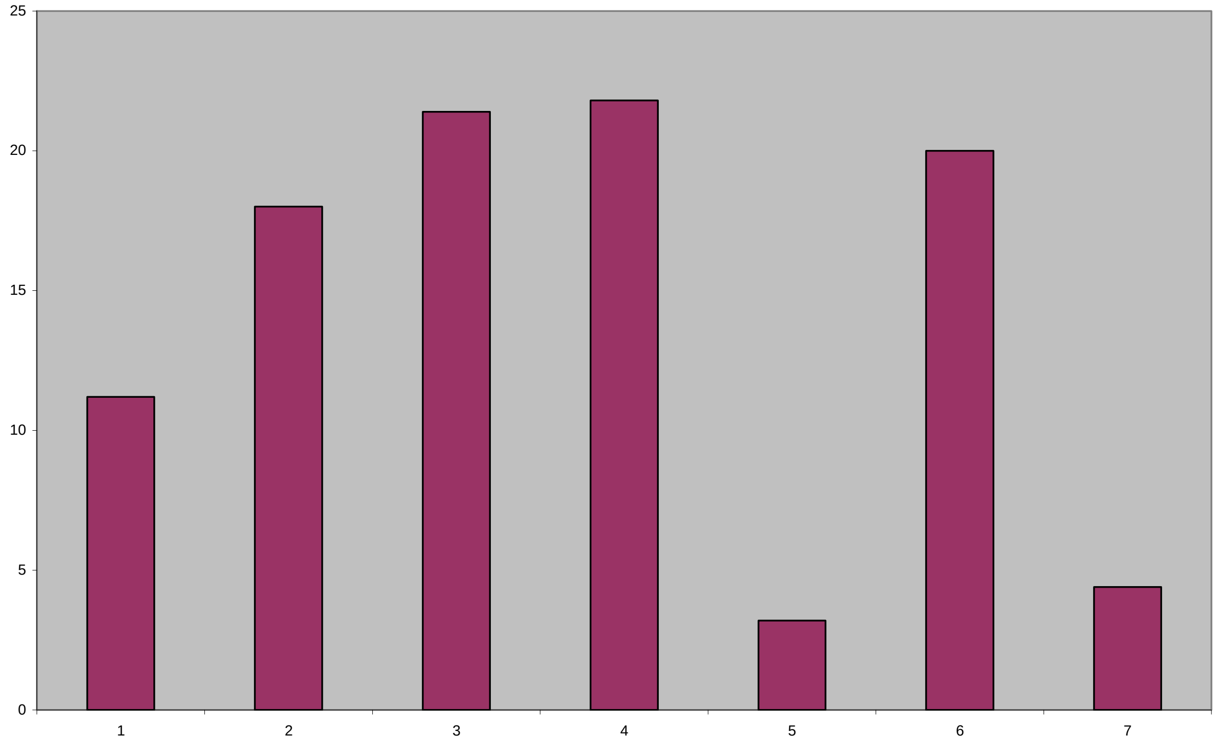
US Postal Service	1
FedEx	2
UPS	3
DHL	4
Some other way	5
Don't know	6
Refused	7

Q17: Why does your company use [ANSWER TO Q. 16] to send parcels?



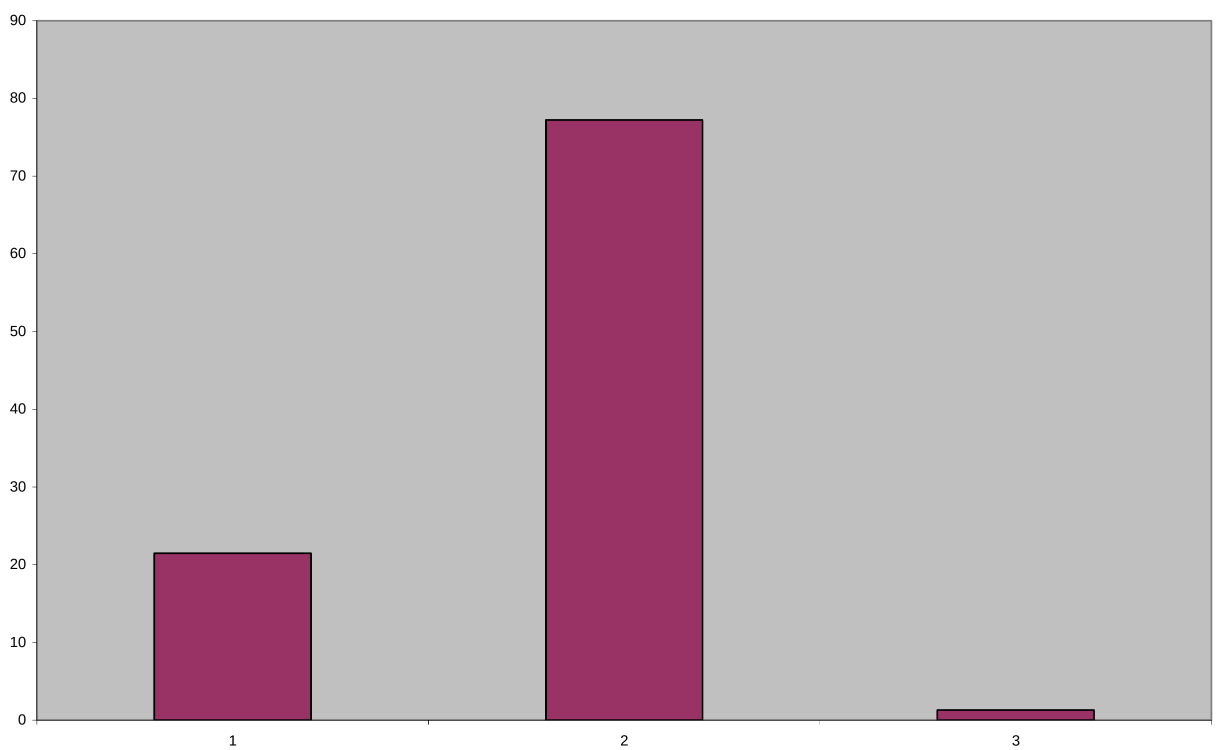
Cheapest	1
Most convenient	2
Most reliable	3
Other reason	4
More than one of these reasons	5
Don't know	6
Refused	7

Q18: How difficult would it be for your organization to use another shipper?



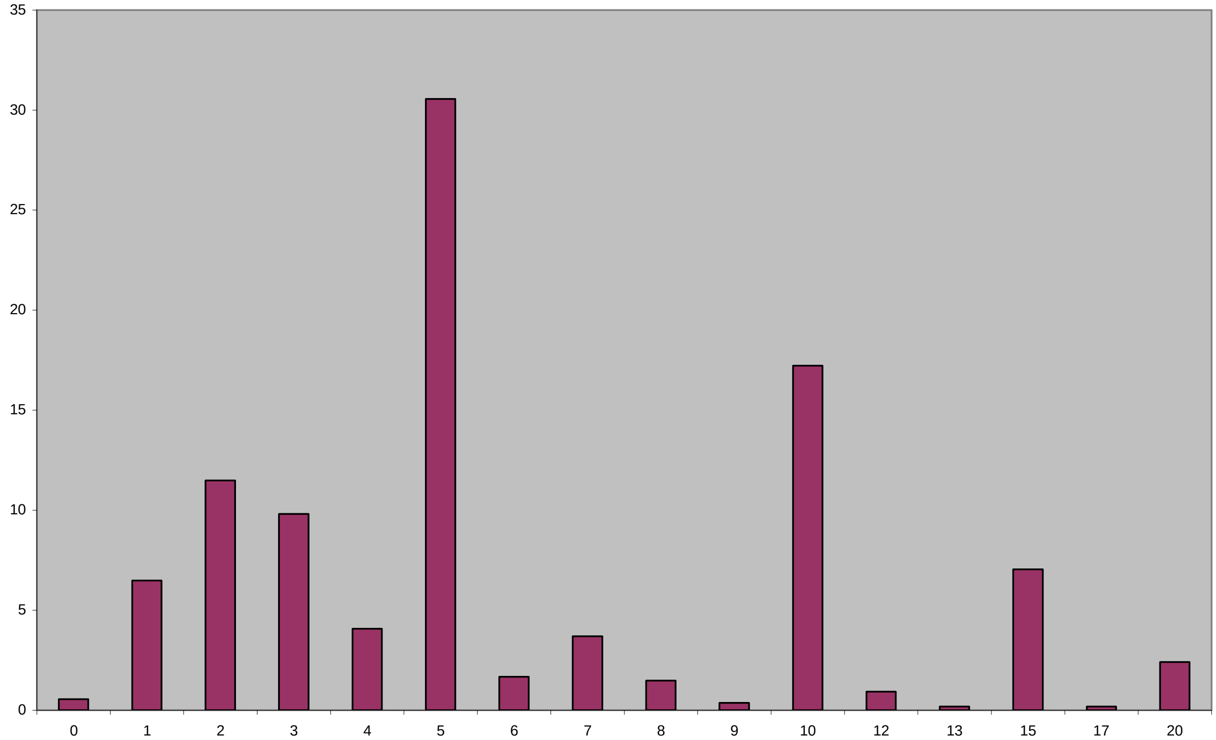
Very difficult	1
Somewhat difficult	2
Not very difficult	3
Not difficult at all	4
Depends	5
Don't know	6
Refused	7

Q19: Does your company rent a post office box at a post office?

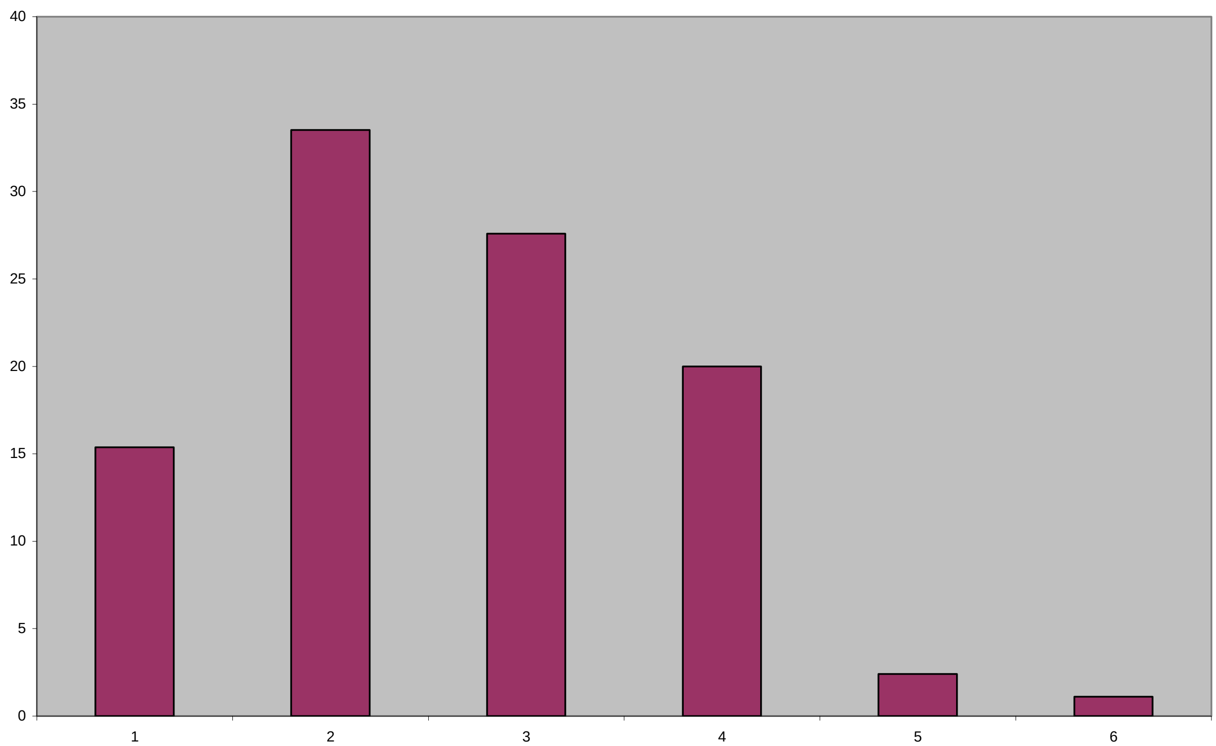


Yes	1
No	2
Don 't know	3
Refused	4

Q20: About how long does it take you to get to your local post office, in minutes?

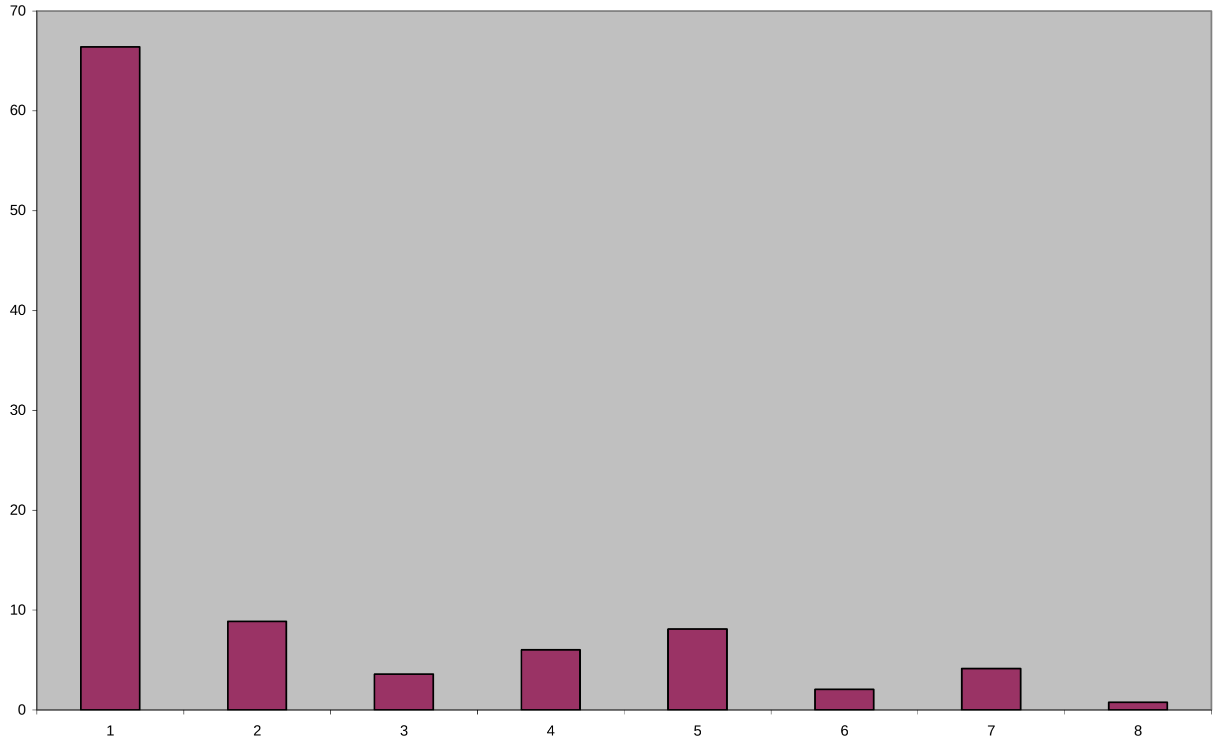


Q21: About how often does an employee of your company visit a post office on company business?



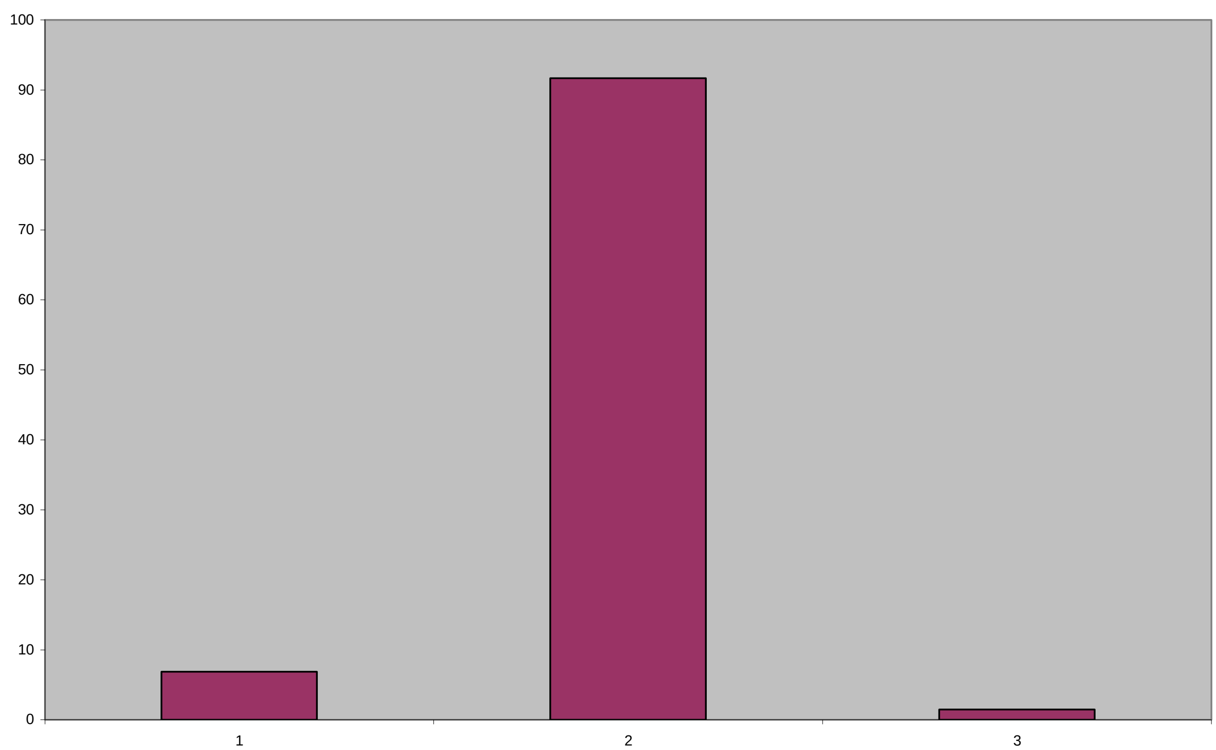
Daily	1
At least once a week	2
At least once a month	3
Less than once a month	4
Don't know	5
Refused	6

Q22: Please specify all reasons why company employees visit a post office on behalf of your company?



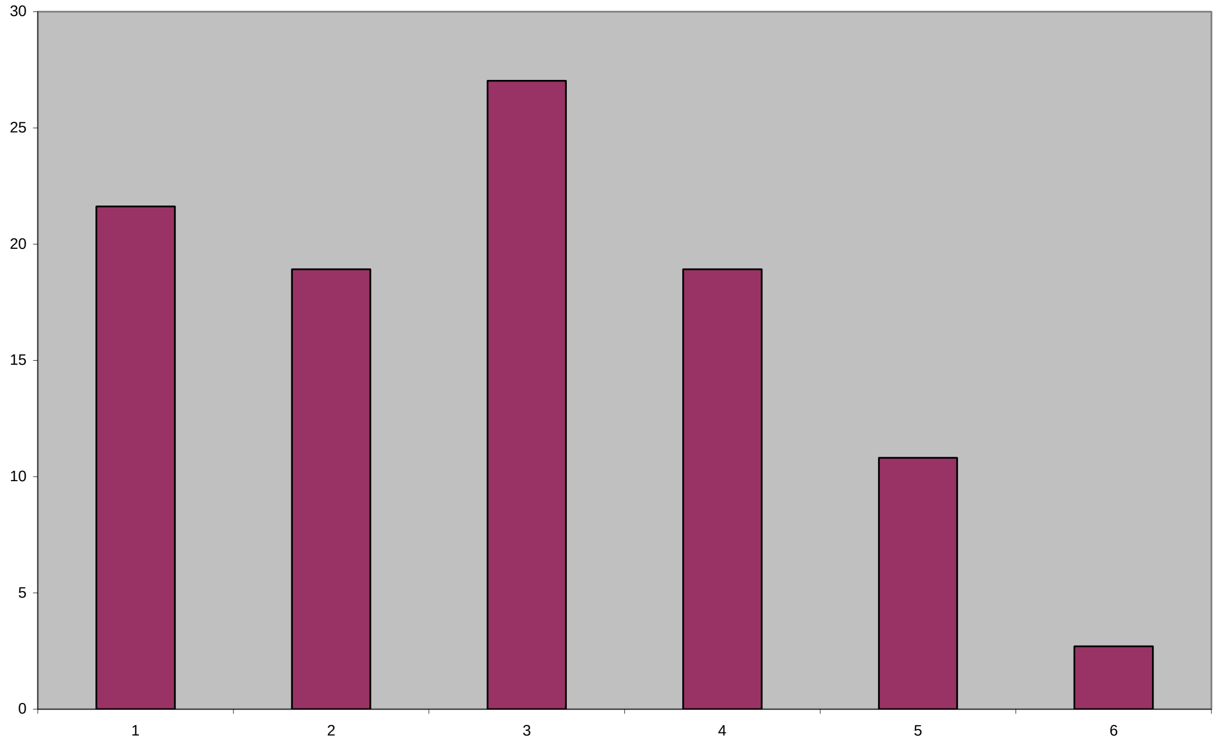
Buy stamps	1
Mail packages	2
Pick up packages	3
Pick up mail	4
Mail letters	5
Send or receive registered, certified, insured or COD mail	6
Don't know	7
Refused	8

Q23: Do you use a company like Mail Boxes, ETC.?



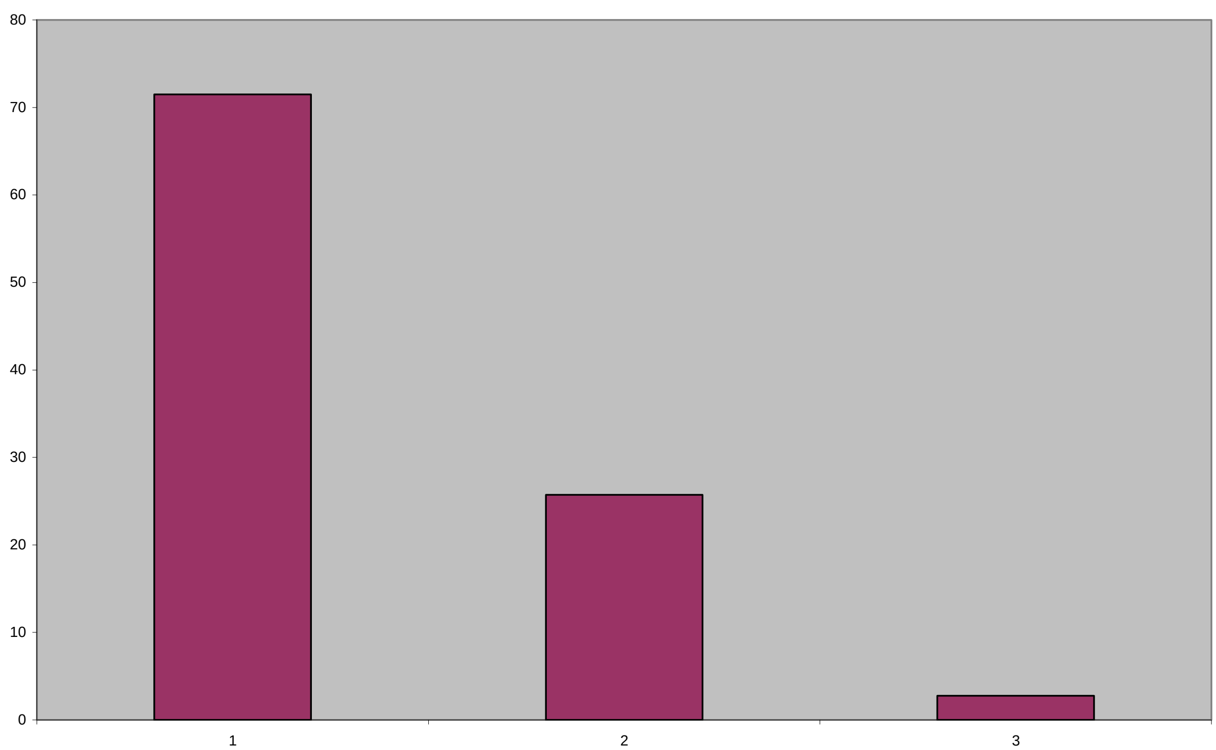
Yes	1
No	2
Don 't know	3
Refused	4

Q24: What services do you receive from them?



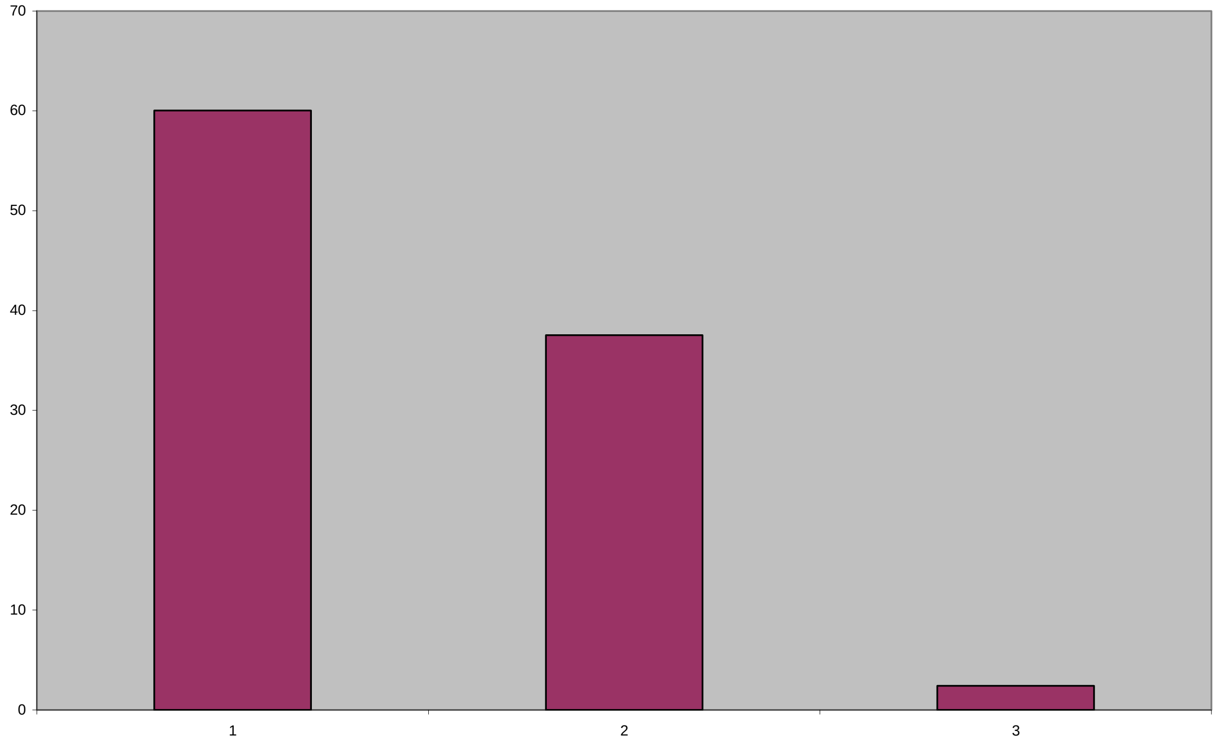
PO box	1
Receive mail	2
Send mail	3
Other mail related services	4
Other non-mail related services	5
Don't know	6

Q25: Does your company or organization have access to a broadband internet connection?



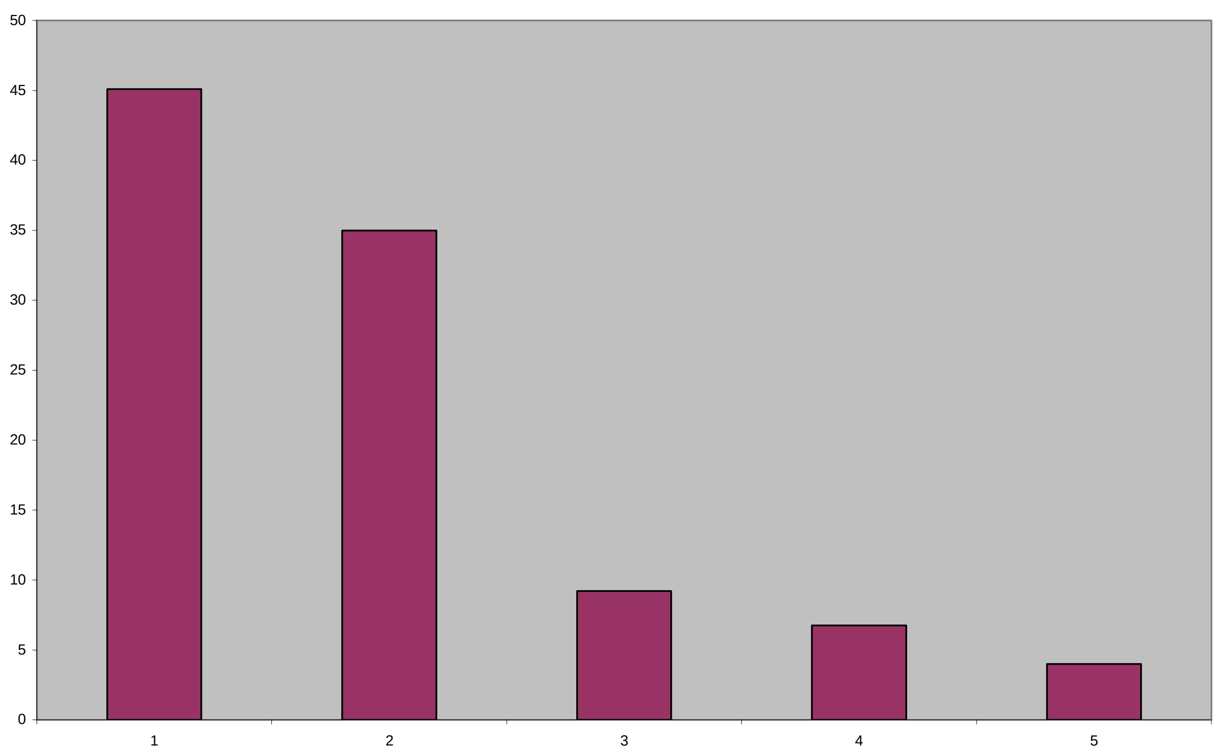
Yes	1
No	2
Don 't know	3
Refused	4

Q26: Do you send bills or invoices by mail?



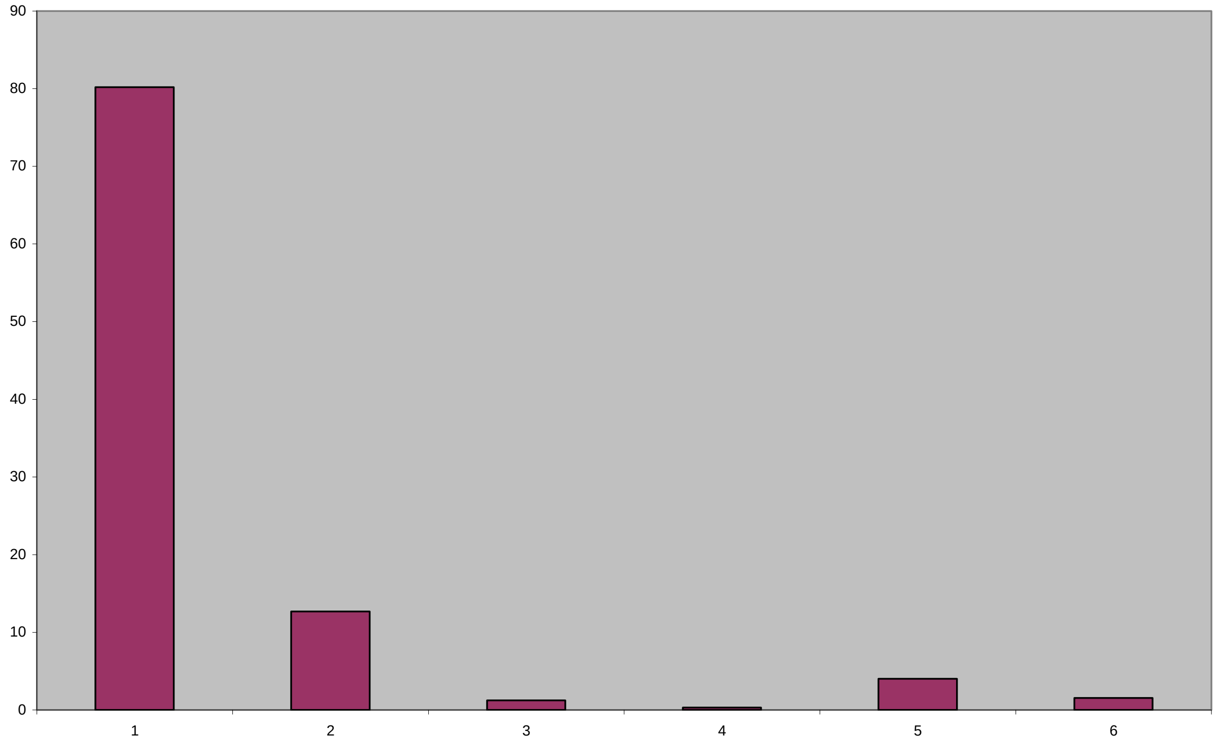
Yes 1
No 2
Don 't know 3
Refused 4

Q27: Approximately how many bills or invoices do you send per month?



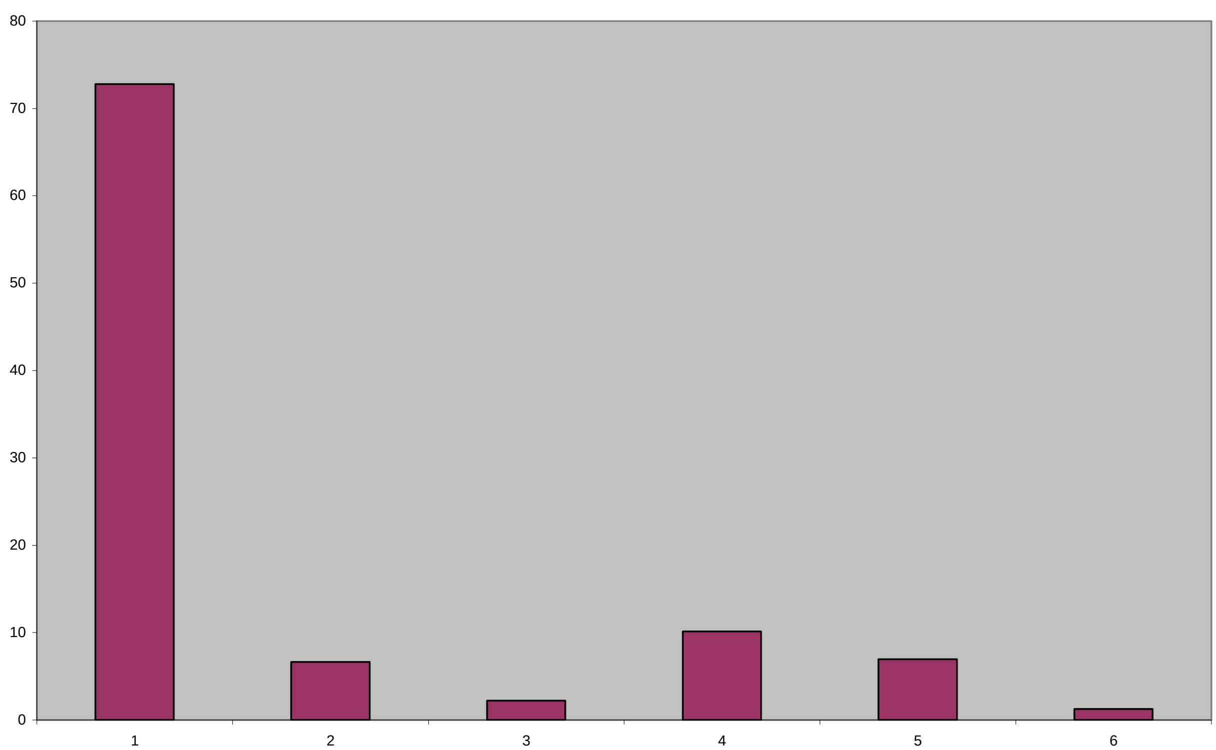
Less than 10 1
10 to 50 2
50 to 100 3
Over 100 4
Don't know 5
Refused 6

Q28: How do you mail them most often?



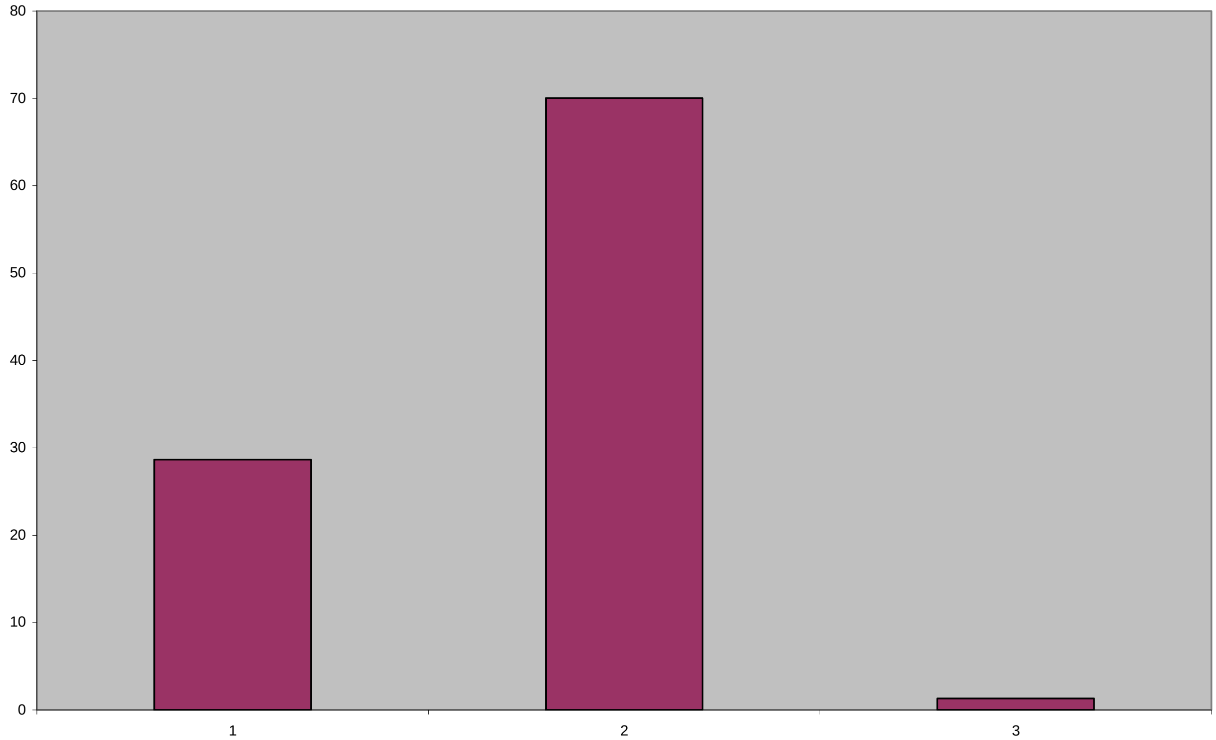
Stamps	1	Something else	5
Meter	2	Don't know	6
Permit	3	Refused	7
Mailing firm	4		

Q29: About what percent of the bills and invoices that our company or organization issues do you send via email or internet?



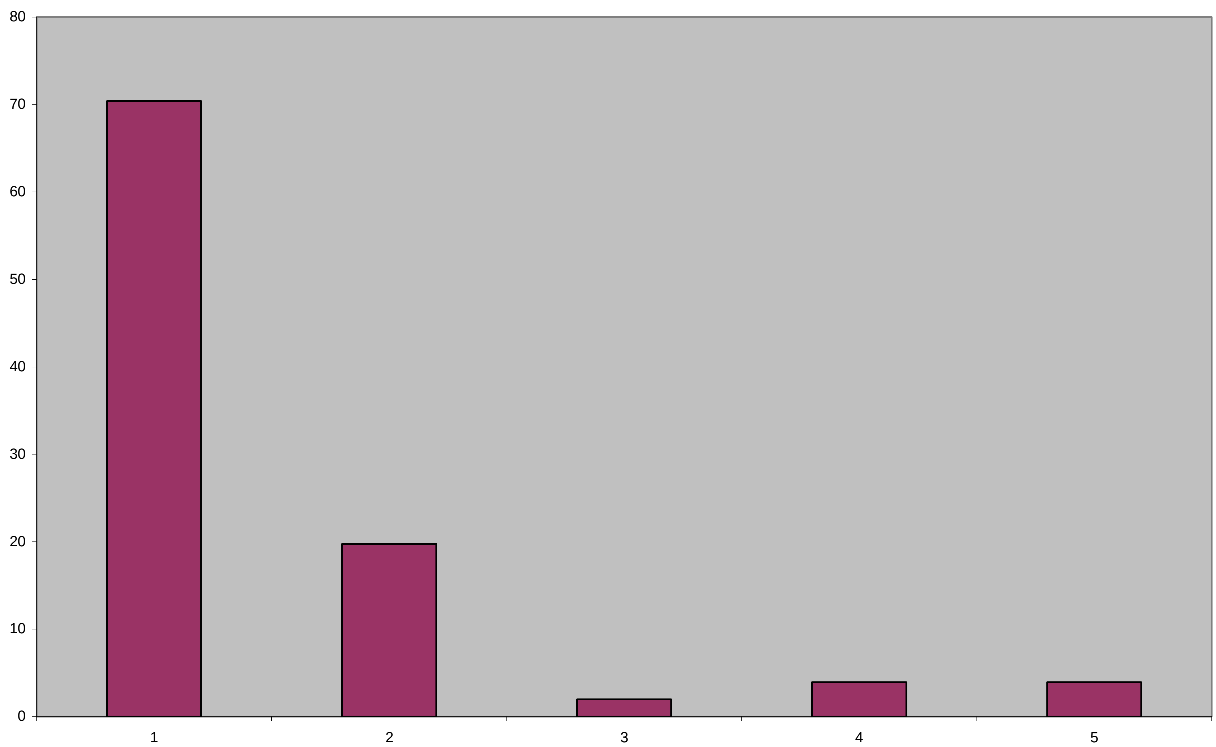
Less than 10%	1	More than 30%	4
10 to 20%	2	Don't know	5
20 to 30%	3	Refused	6

Q30: Do you send advertising or fundraising letters by mail?



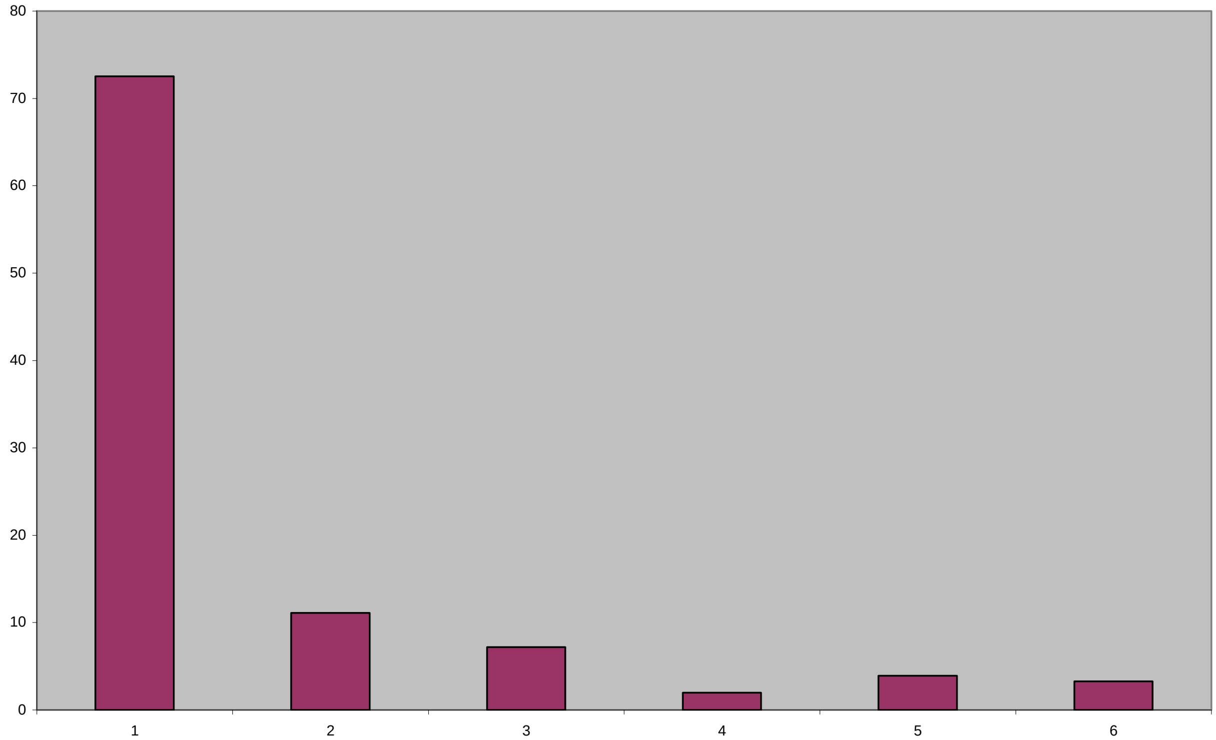
Yes 1
No 2
Don 't know 3
Refused 4

Q31: Approximately how many do you send per month?



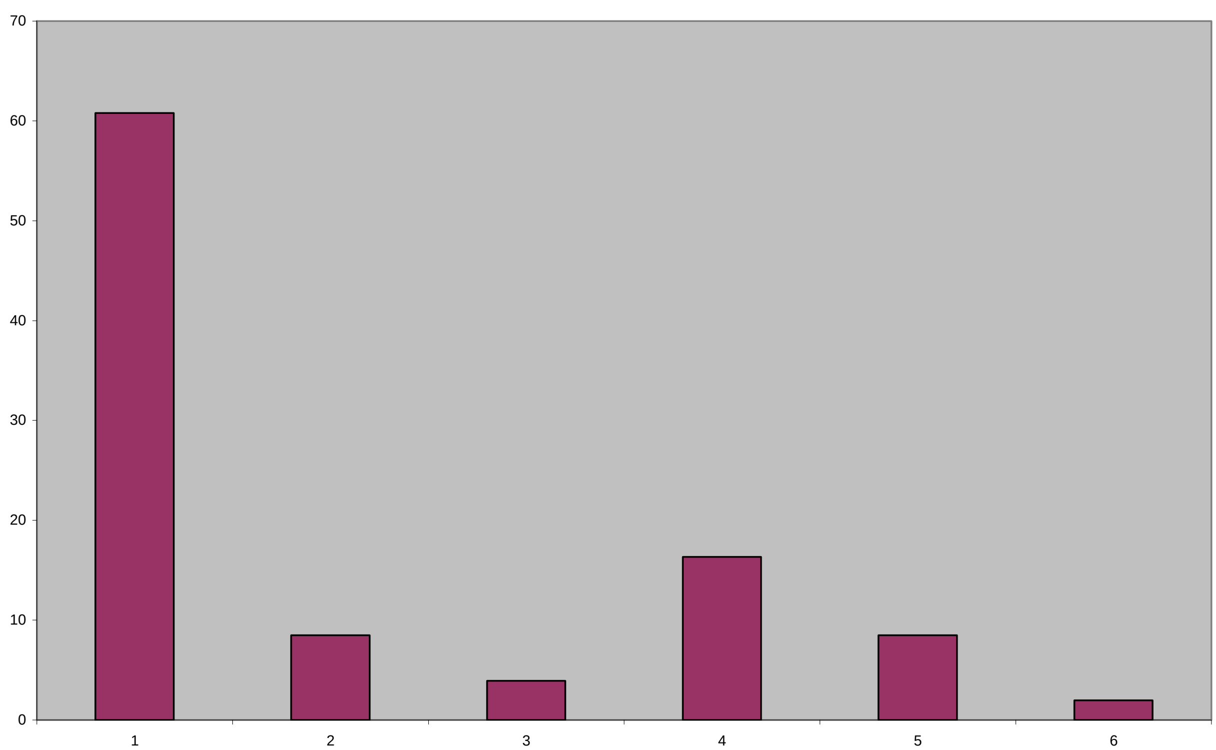
Less than 100 1
100 to 500 2
500 to 1,000 3
1,000 or over 4
Don't know 5
Refused 6

Q32: How do you mail them most often?



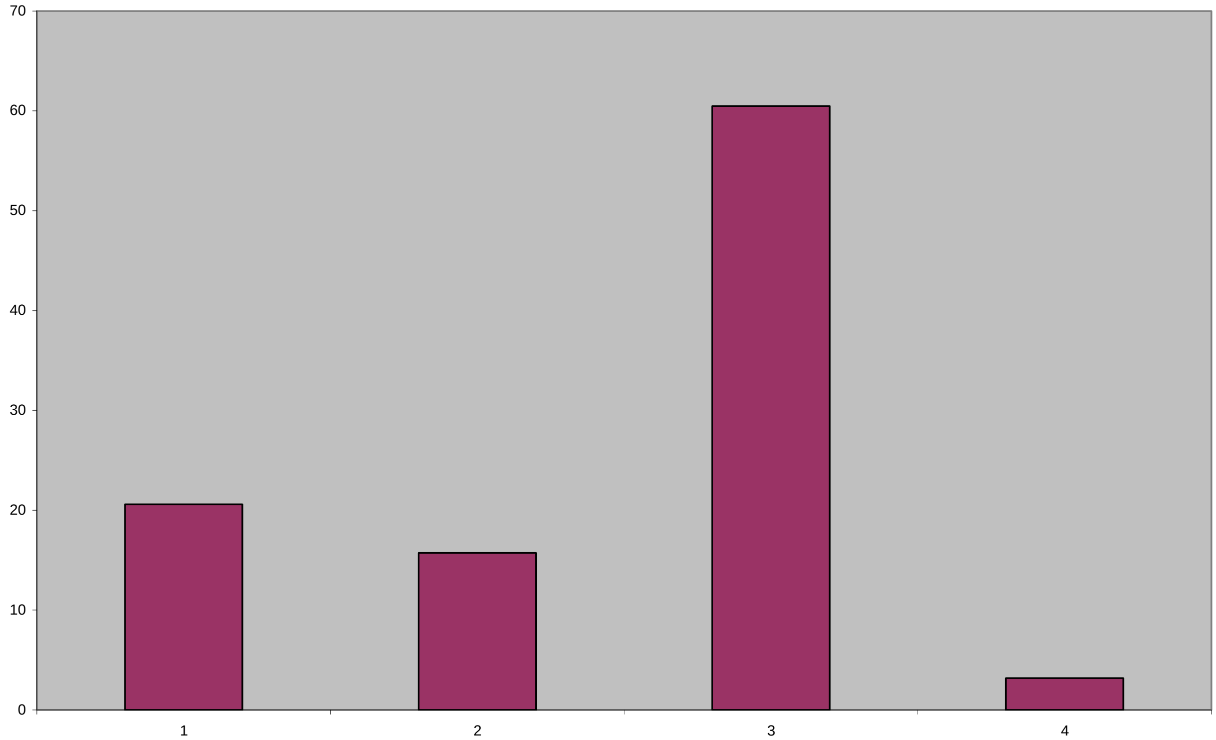
Stamps	1	Something else	5
Meter	2	Don't know	6
Permit	3	Refused	7
Mailing firm	4		

Q33: About what percentage of the advertising or fundraising letters that your organzation issues do you send via email or internet?



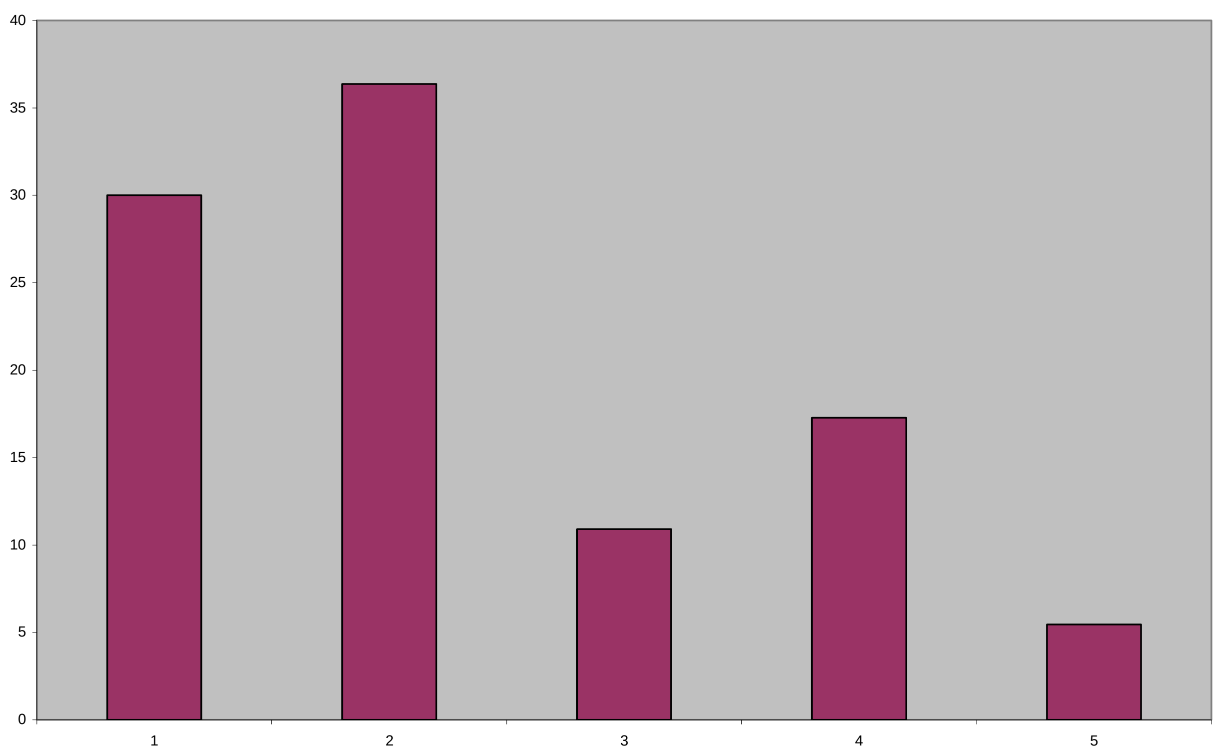
Less than 10%	1	More than 30%	4
10 to 20%	2	Don't know	5
20 to 30%	3	Refused	6

Q34: Over the past 3 years, would you say that your company's total mail volume was generally increasing, decreasing, or remained about the same?



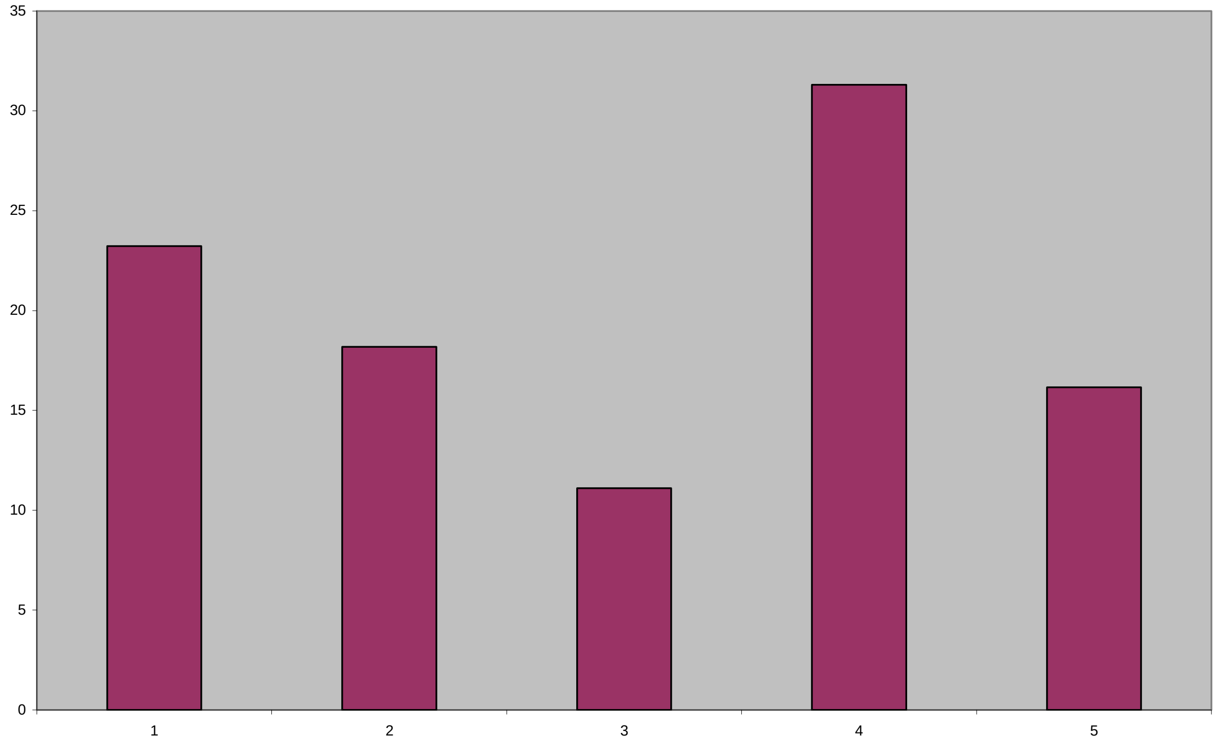
Increasing 1
Decreasing 2
Same 3
Don't know 4

Q35: By about what percentage has the volume increased?



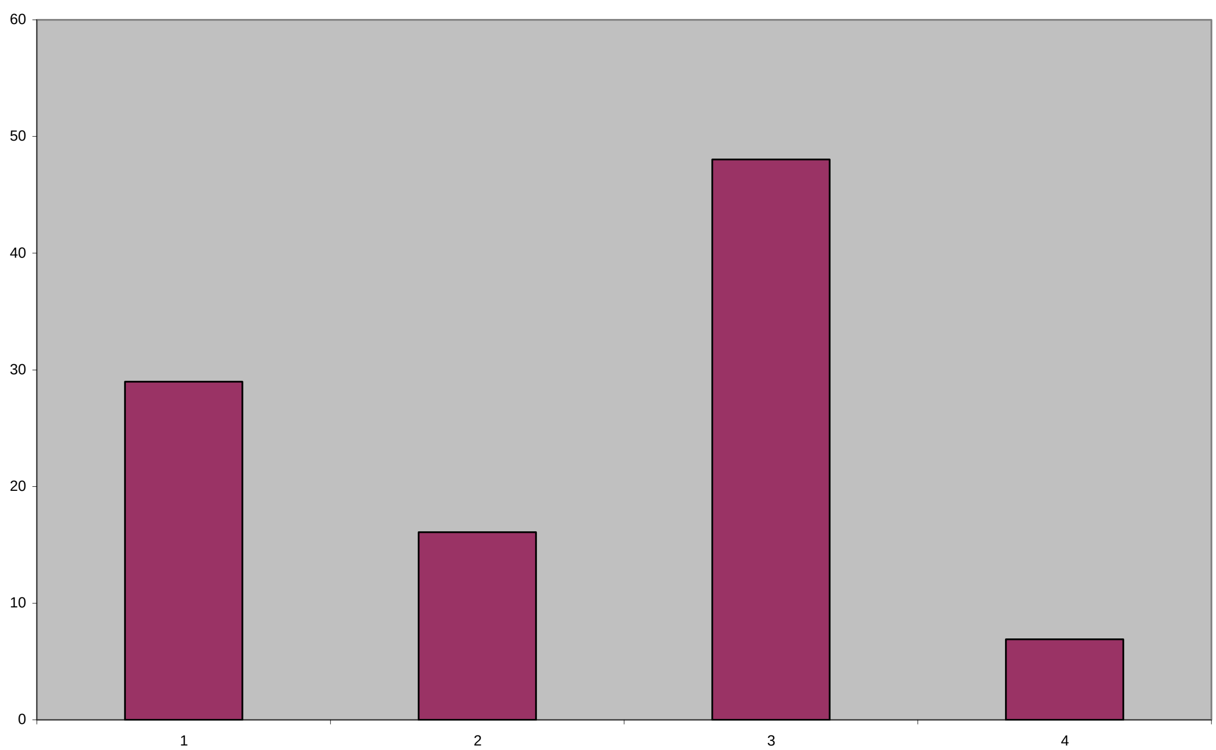
Less than 10%	1	More than 30%	4
10 to 20%	2	Don't know	5
20 to 30%	3	Refused	6

Q36: By about what percentage has the volume decreased?



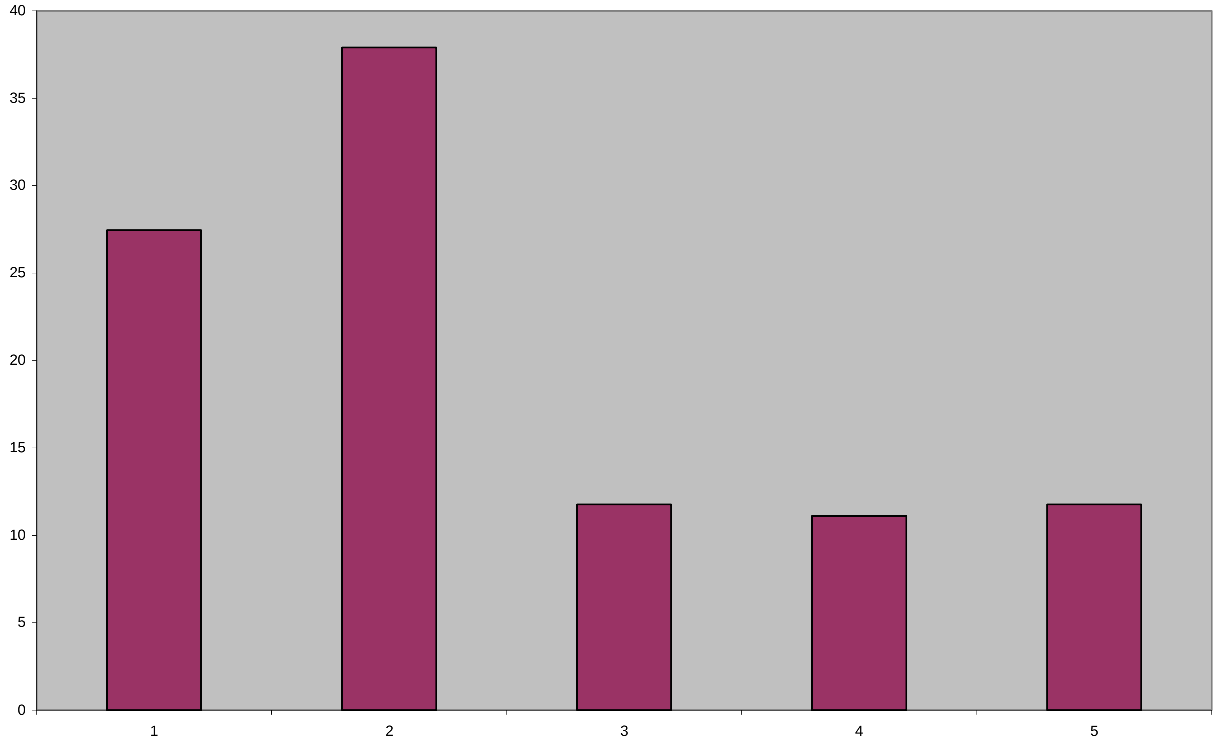
Less than 10%	1	More than 30%	4
10 to 20%	2	Don't know	5
20 to 30%	3	Refused	6

Q37: Looking ahead 5 years from now, do you expect your company's total mail volume to increase, decrease, or remain the same?



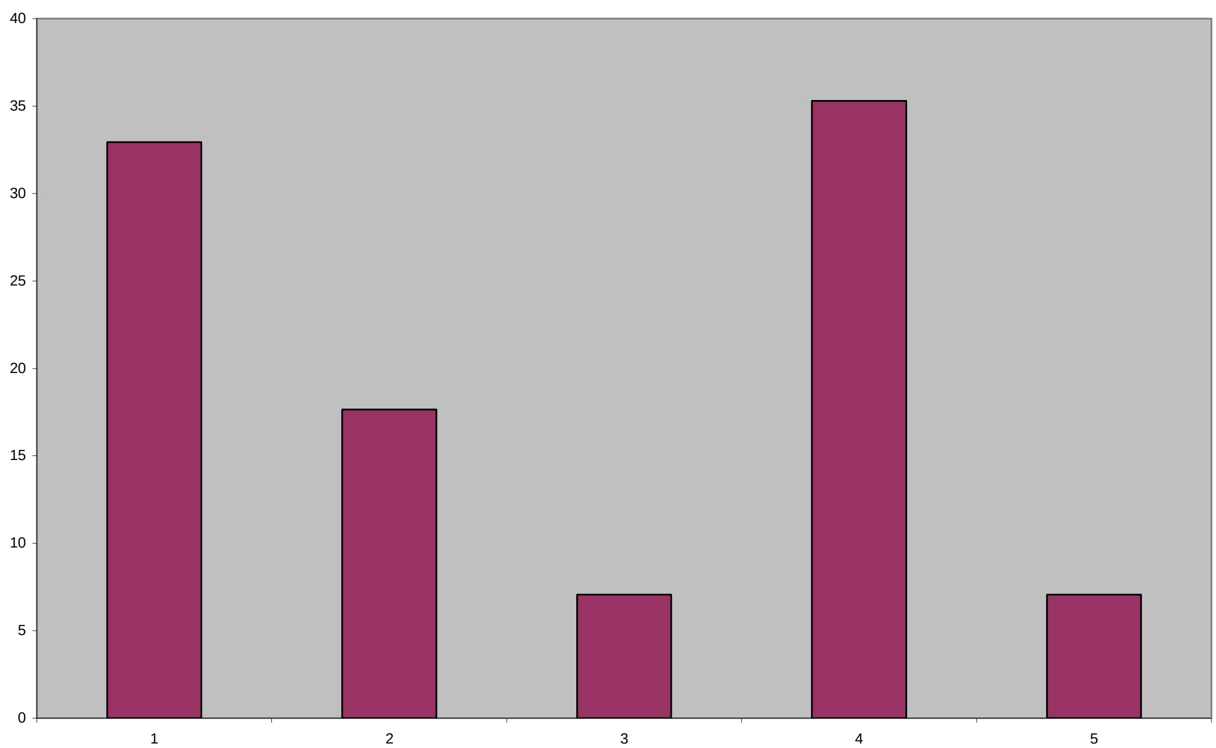
Increasing	1
Decreasing	2
Same	3
Don't know	4

Q38: By about what percentage will the volume increase?



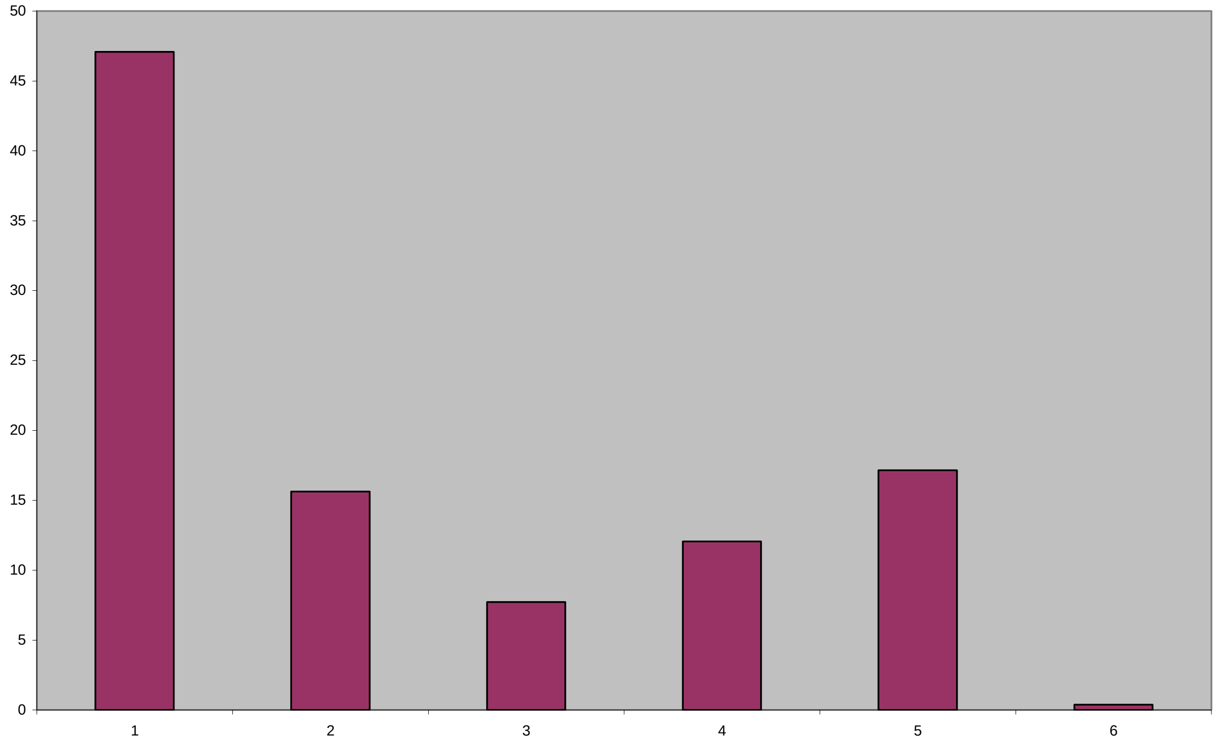
Less than 10%	1	More than 30%	4
10 to 20%	2	Don't know	5
20 to 30%	3	Refused	6

Q39: By about what percentage will the volume decrease?



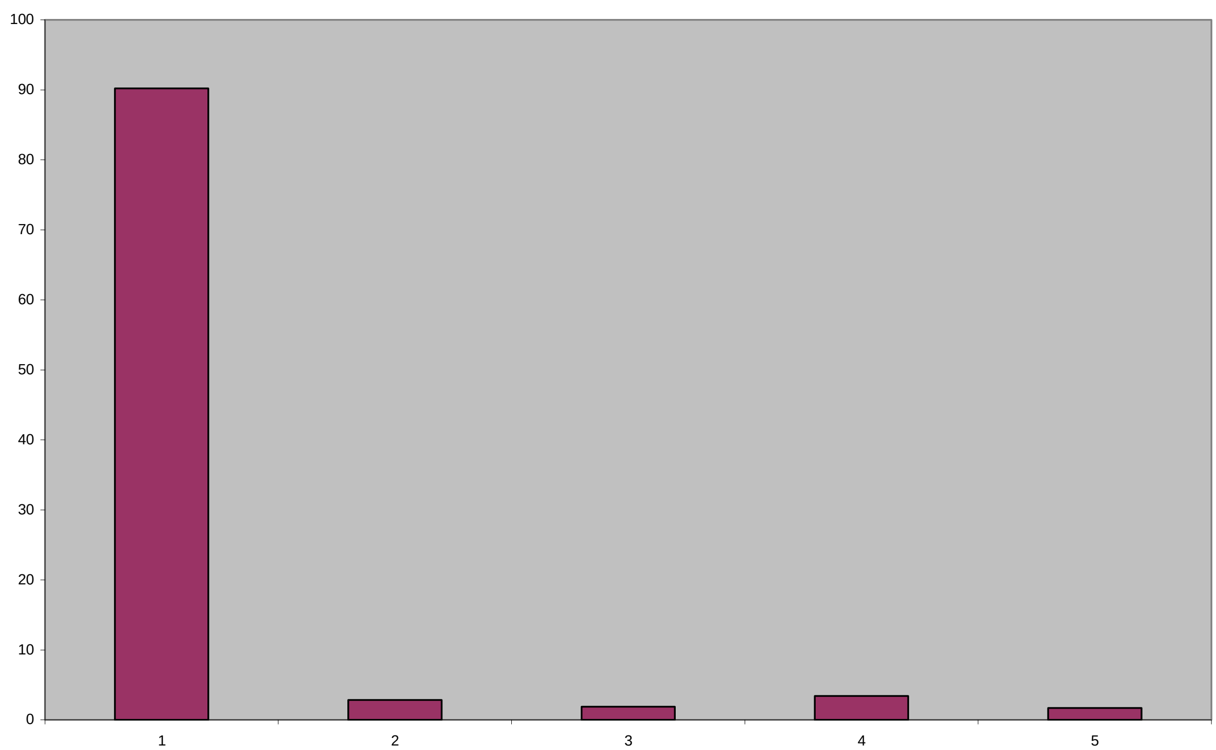
Less than 10%	1	More than 30%	4
10 to 20%	2	Don't know	5
20 to 30%	3	Refused	6

Q40: Looking ahead 5 years from now, how much do you expect your current mail volume to shift to the internet?



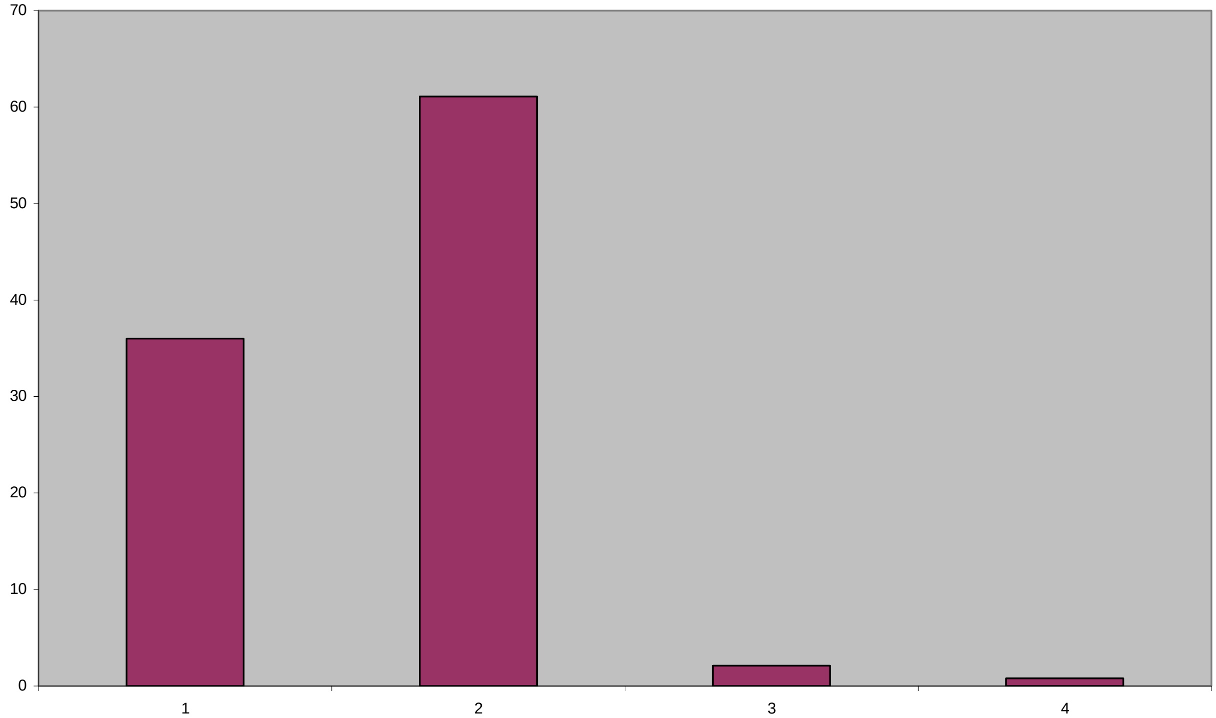
Less than 10%	1	More than 30%	4
10 to 20%	2	Don't know	5
20 to 30%	3	Refused	6

Q41: Do you regularly send letters or packages internationally?



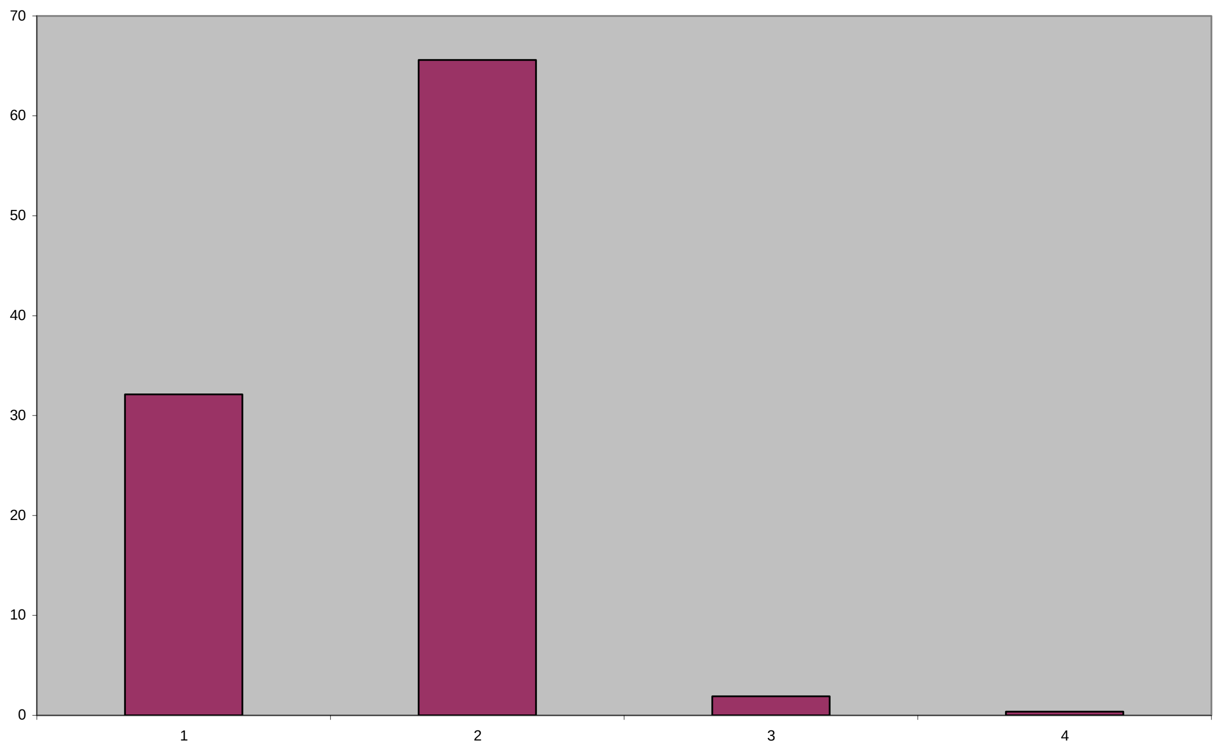
No	1
Yes, letters only	2
Yes, packages only	3
Yes, letters and packages	4
Don't know	5

Q43: For the following categories you receive, please answer yes or no if your company would be inconvenienced if it were delivered one day later. What about bills?



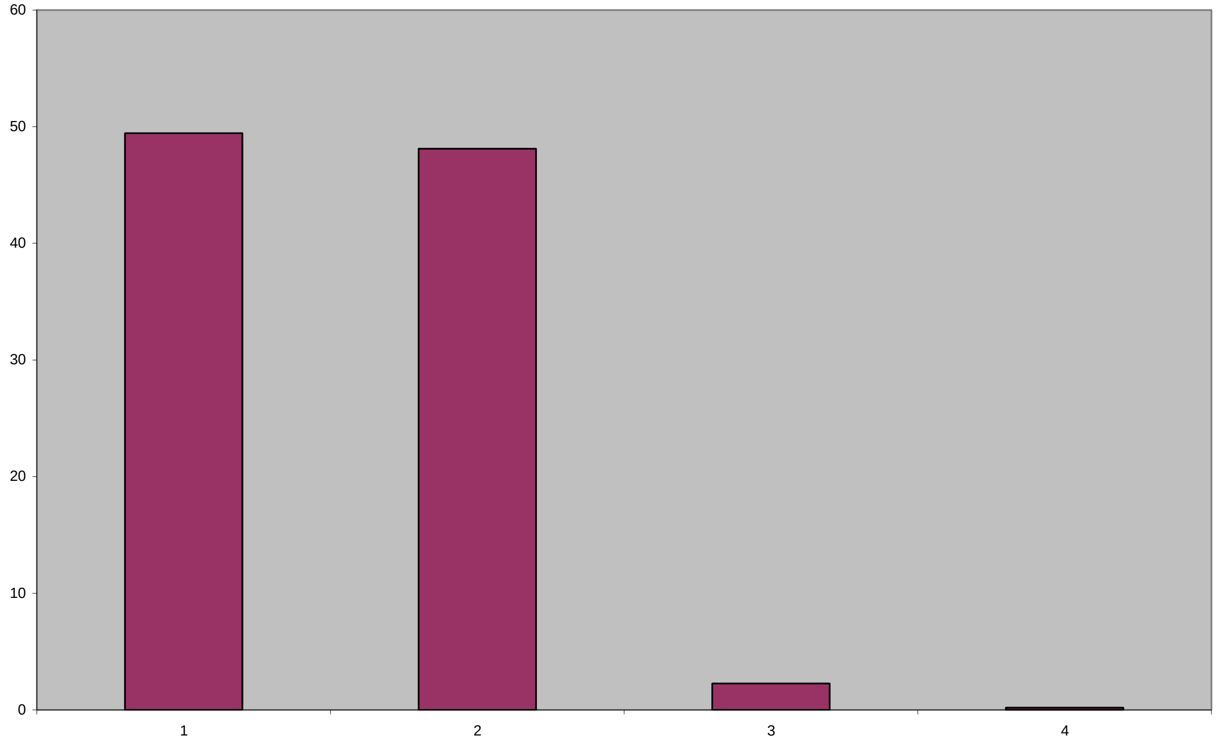
Yes 1
No 2
Don 't know 3
Refused 4

Q44: What about statements?



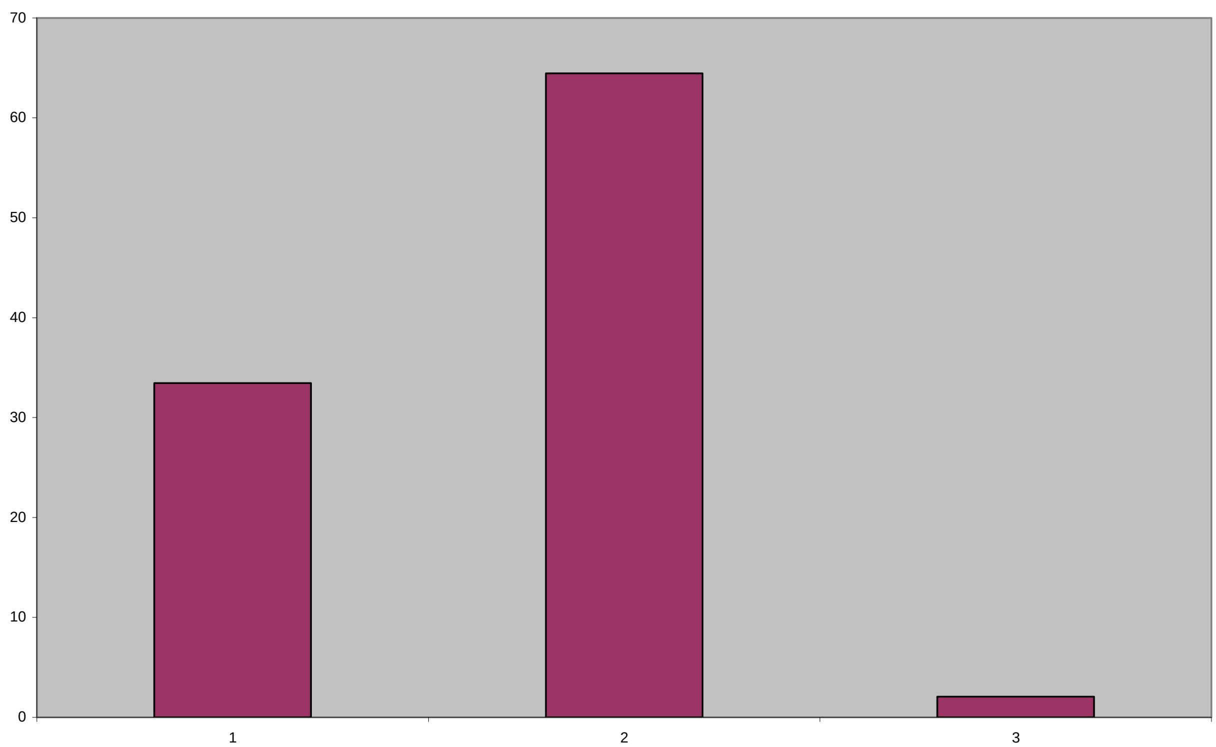
Yes 1
No 2
Don 't know 3
Refused 4

Q45: What about payments?



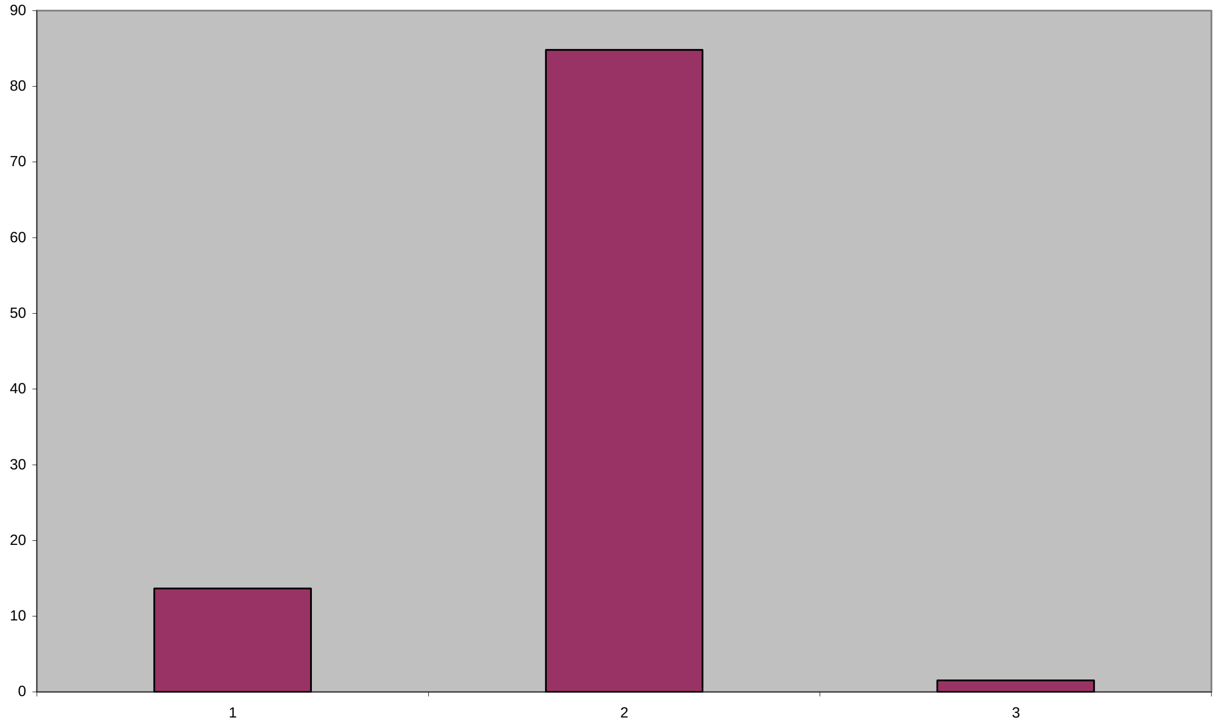
Yes 1
No 2
Don 't know 3
Refused 4

Q46: What about letters?



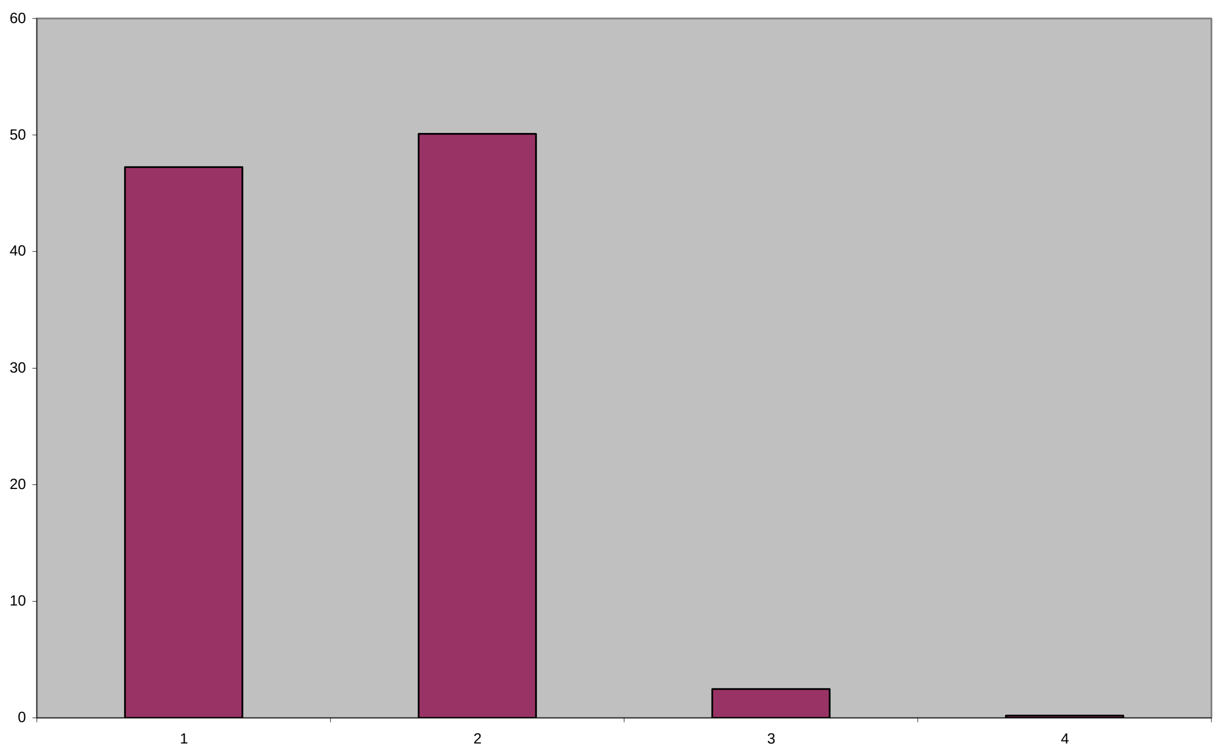
Yes 1
No 2
Don 't know 3
Refused 4

Q47: What about advertisements?



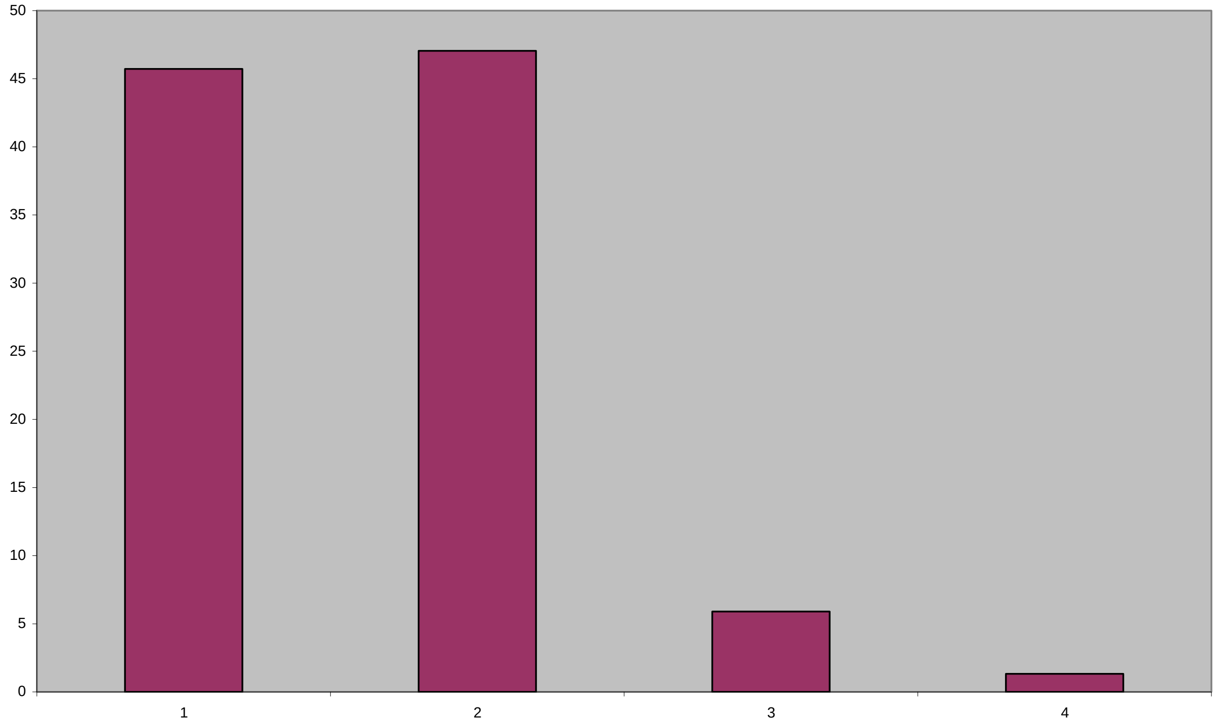
Yes 1
No 2
Don 't know 3
Refused 4

Q48: What about packages?



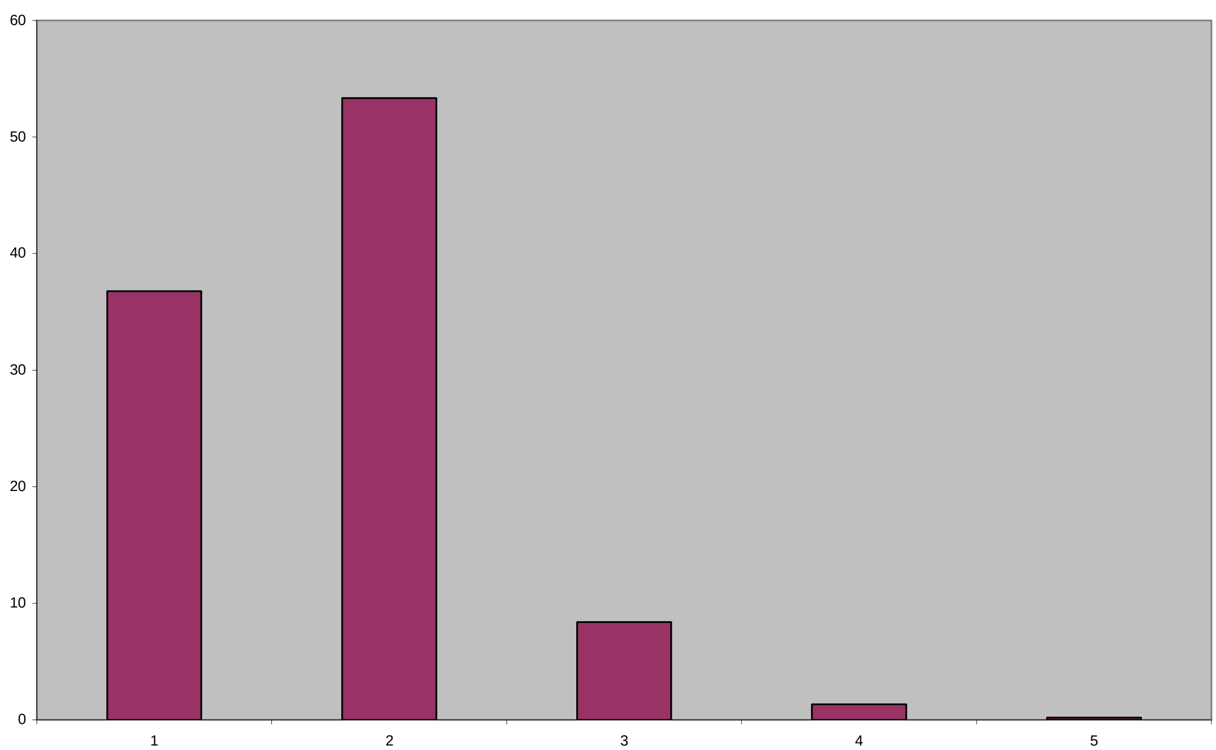
Yes 1
No 2
Don 't know 3
Refused 4

Q49: For the following categories of mail you send, please answer yes or no if your company would be inconvenienced if it were delivered one day later. What about bills?



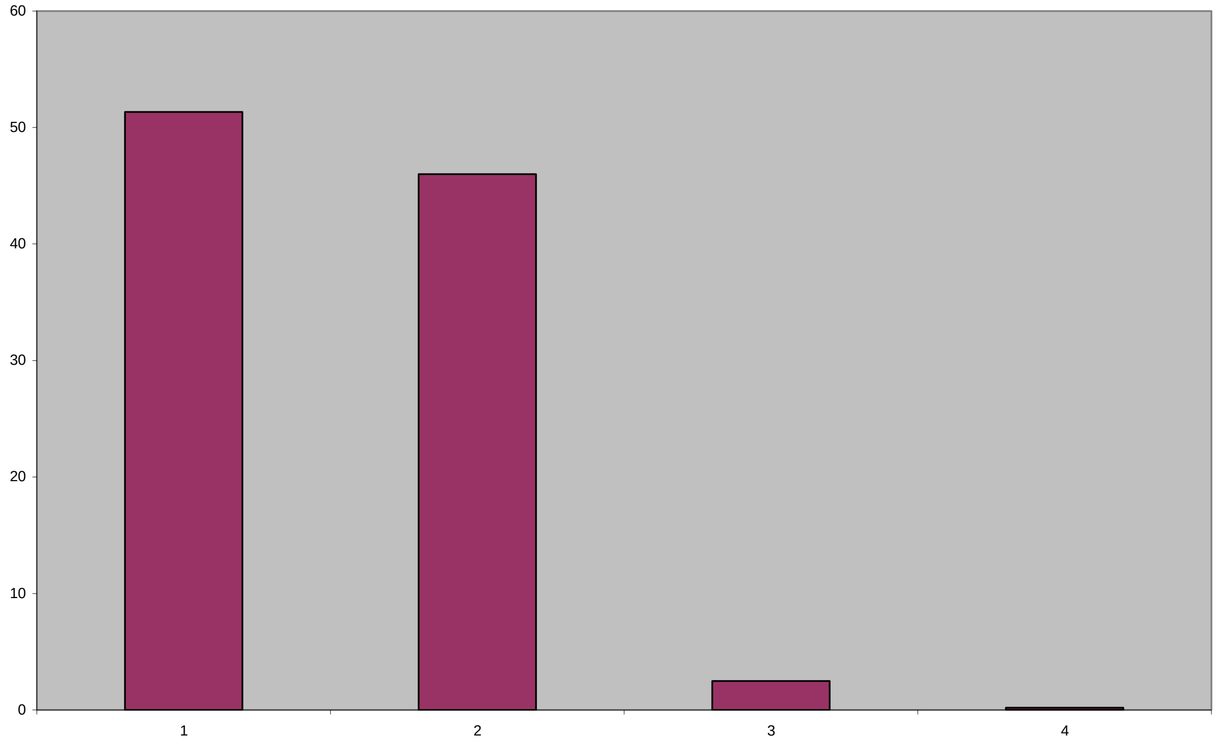
Yes 1
No 2
Don 't know 3
Refused 4

Q50: What about statements?



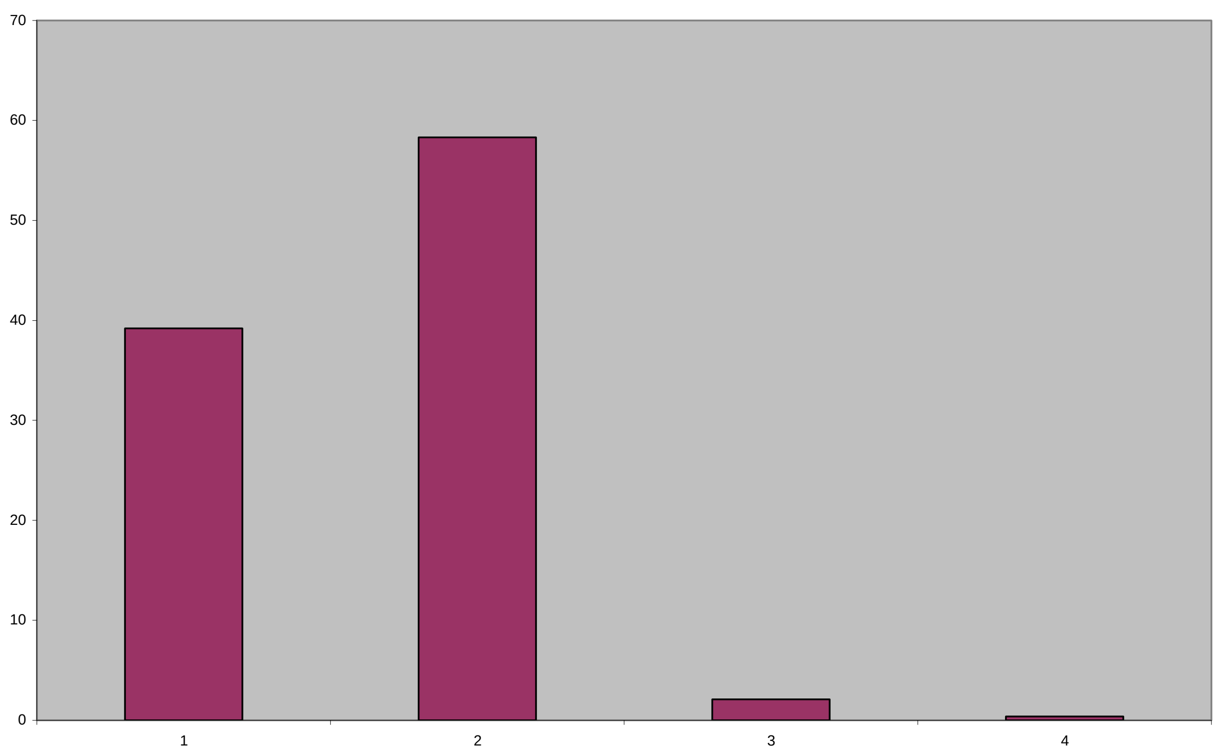
Yes 1
No 2
Don 't know 3
Refused 4

Q51: What about payments?



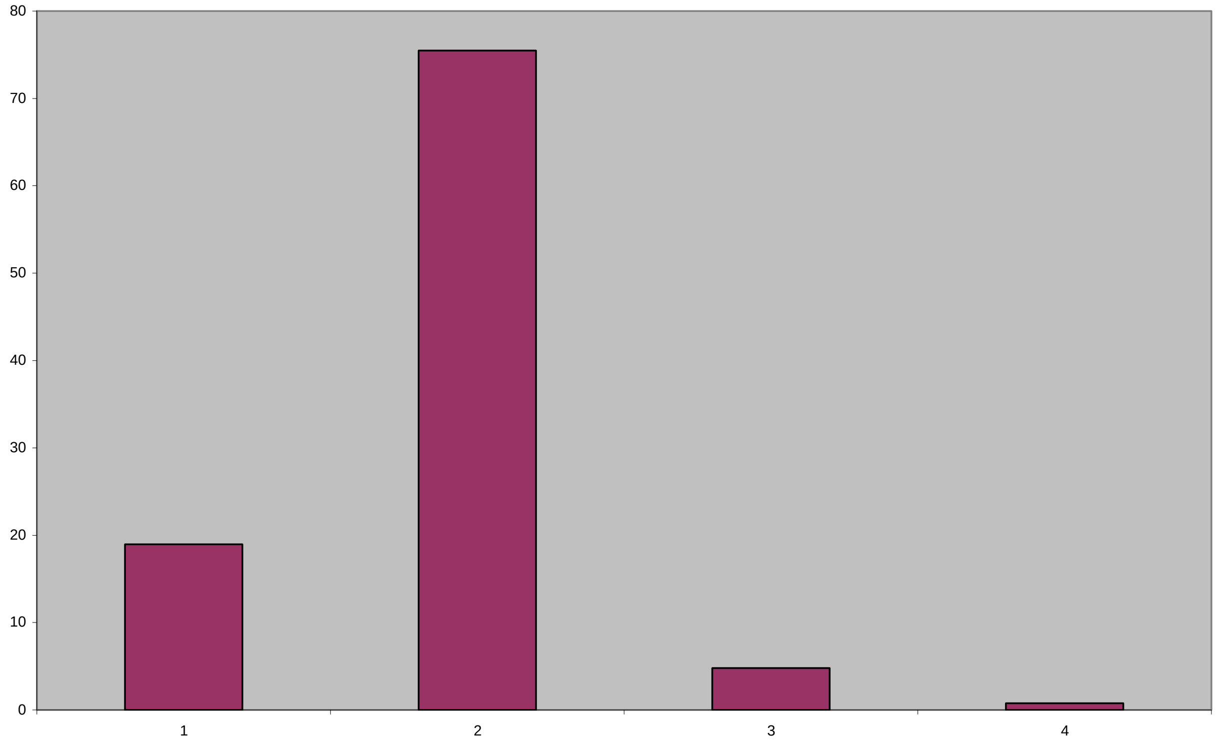
Yes 1
No 2
Don 't know 3
Refused 4

Q52: What about letters?



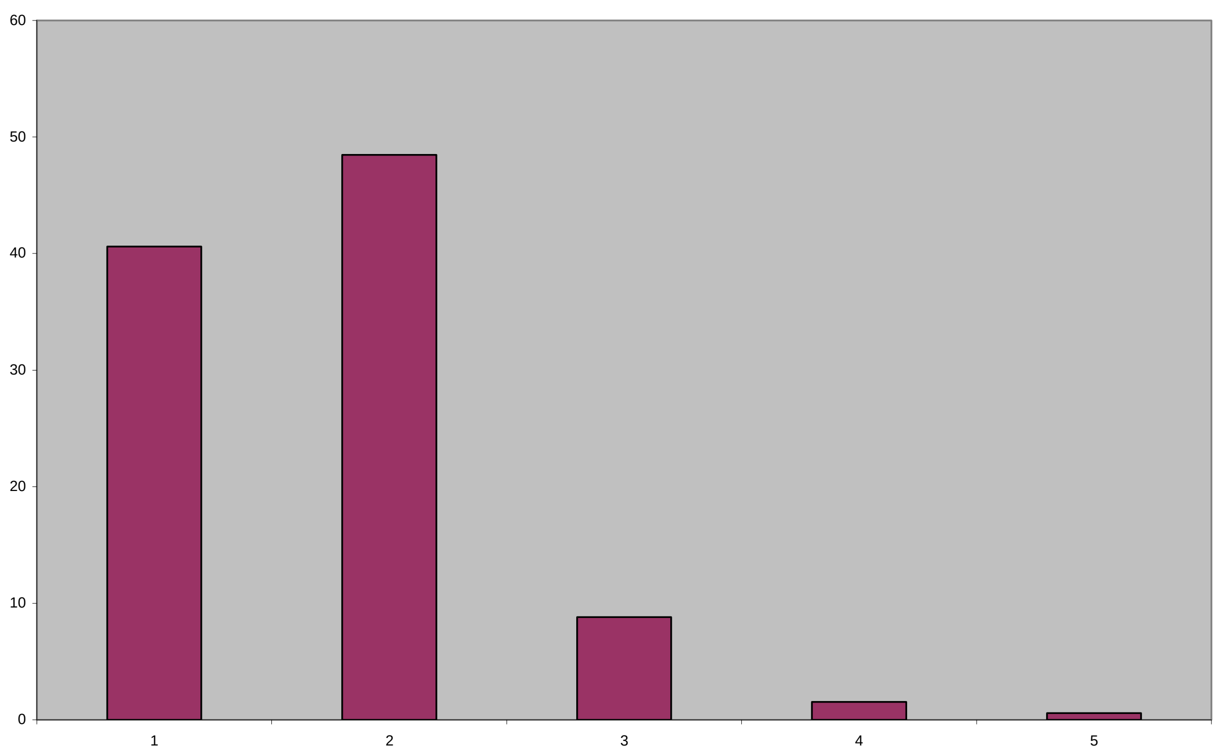
Yes 1
No 2
Don 't know 3
Refused 4

Q53: What about advertisements?



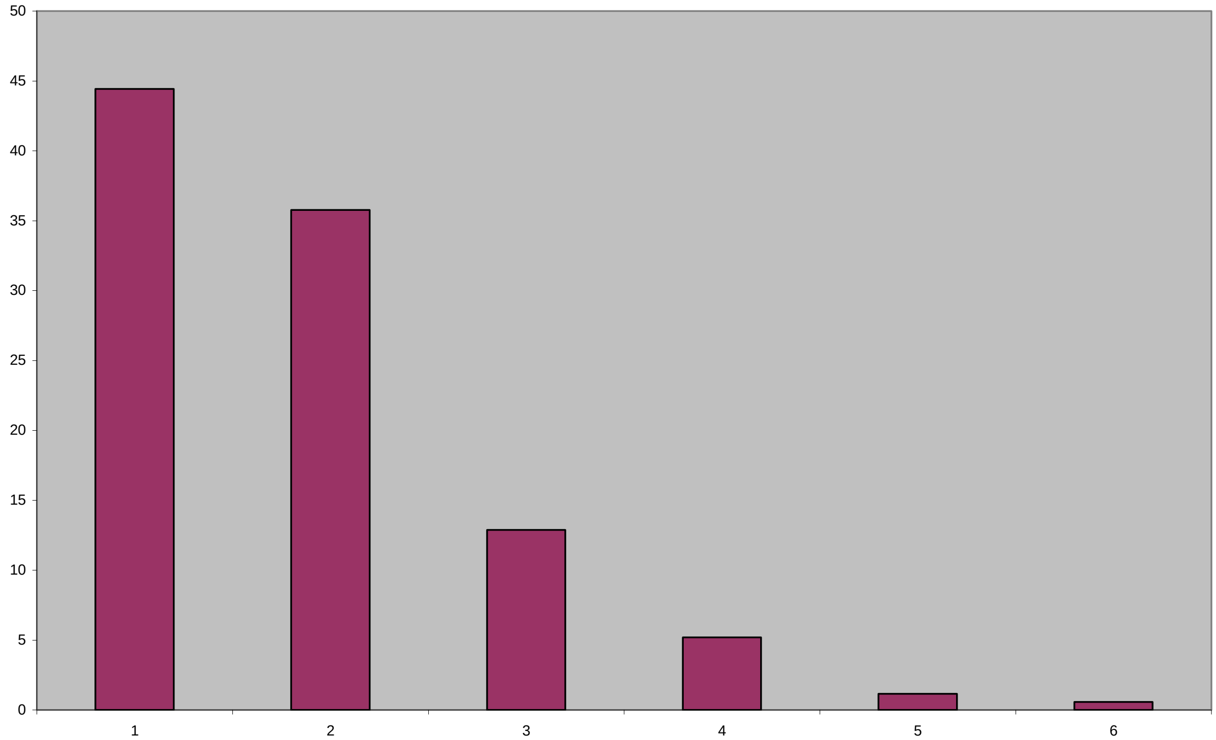
Yes 1
No 2
Don 't know 3
Refused 4

Q54: What about packages?



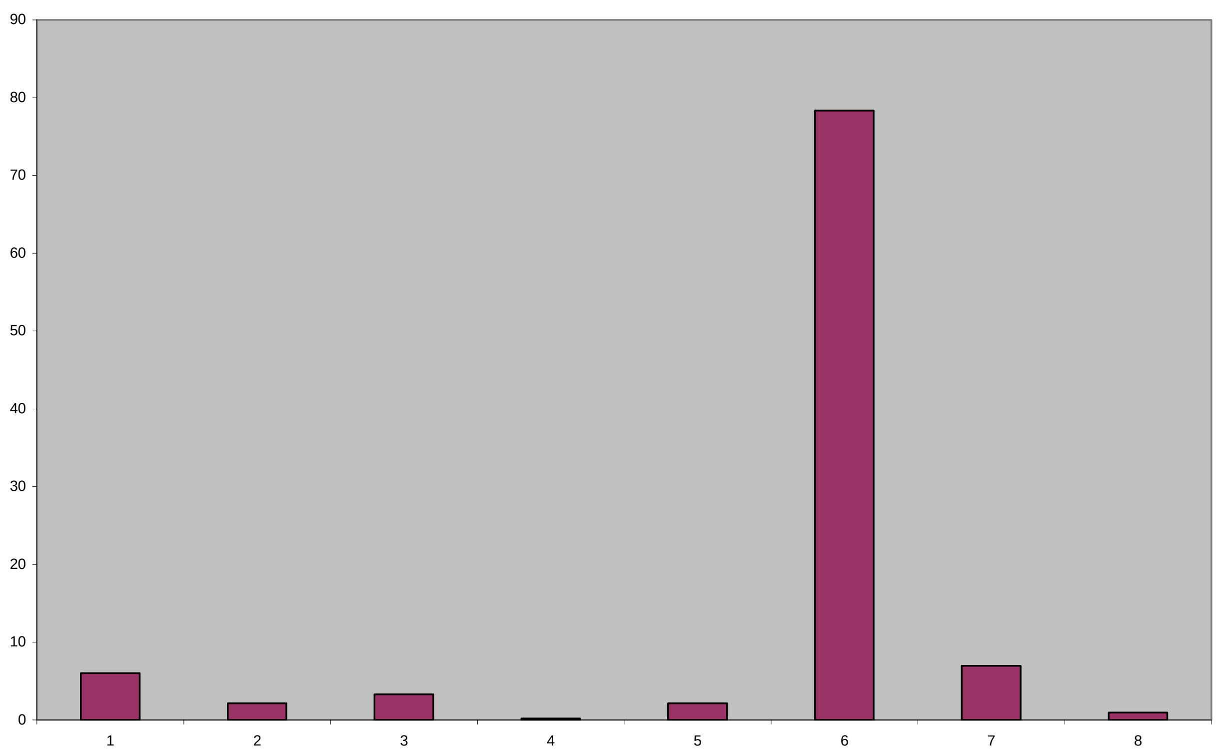
Yes 1
No 2
Don 't know 3
Refused 4

Q55: How much would you be affected if the postal service delivered all your mail to your place of business only 5 days a week instead of 6?



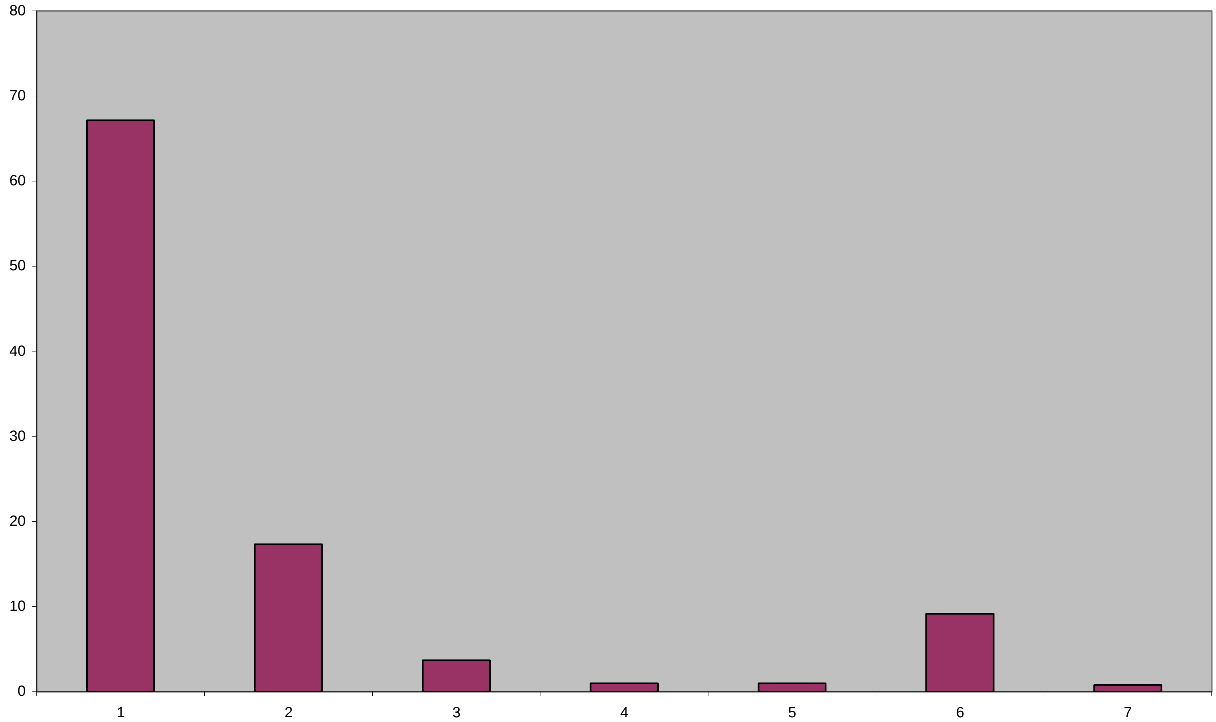
Not at all	1
Not much	2
Significantly	3
Very Significantly	4
Don't know	5
Refused	6

Q56: f the postal service reduced delivery to 5 days a week, eliminating which day of the week would work best for your business?



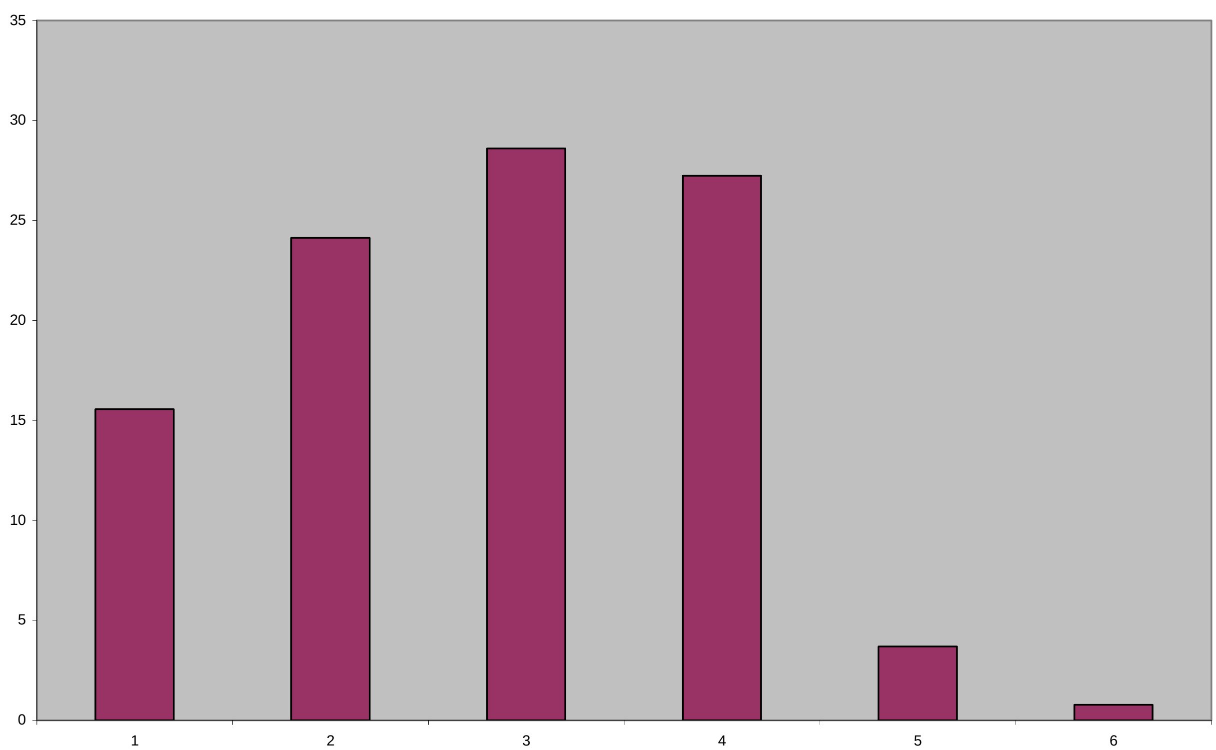
Monday	1	Friday	5
Tuesday	2	Saturday	6
Wednesday	3	Don't know	7
Thursday	4	Refused	8

Q57: If the postal service had to choose between reducing delivery to 5 days an week, or increasing postage rates, how much overall rate increase would your company be willing to pay to maintain 6 day a week delivery?



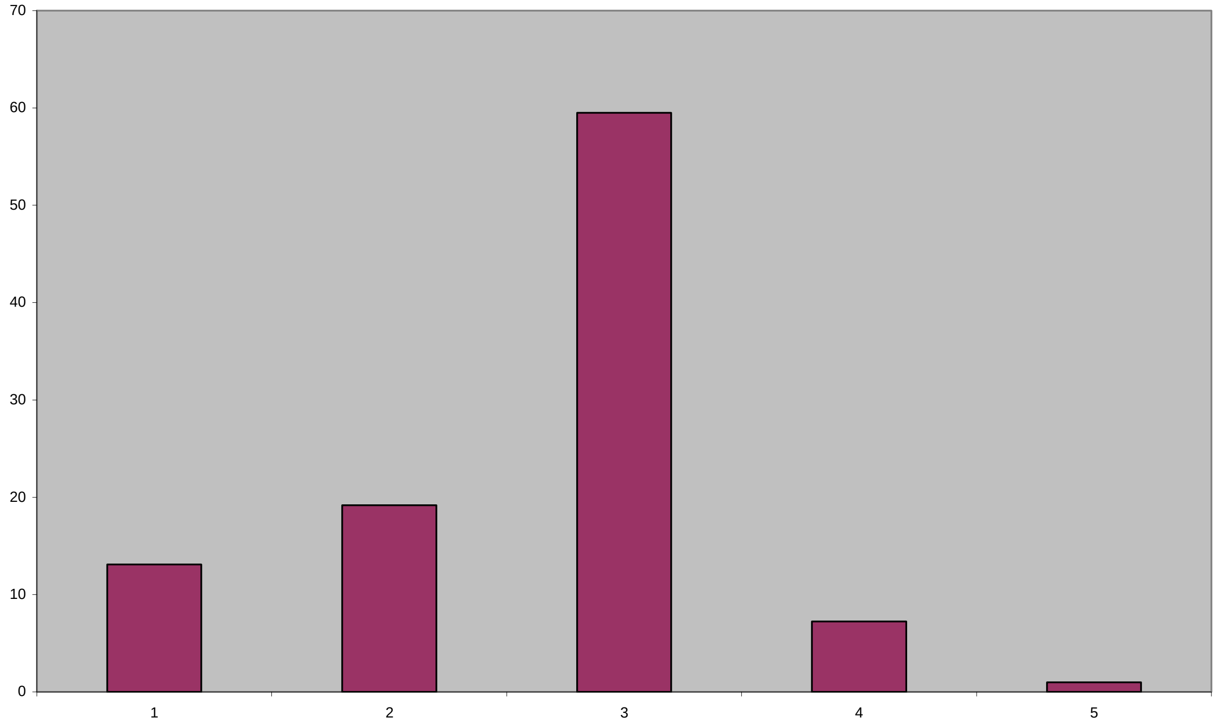
Nothing	1	More than 7.5%	5
2.5%	2	Don't know	8
5%	3	Refused	9
7.5%	4		

Q58: How much would you be affected if the postal service delivered all your mail to your place of business only 3 days a week?



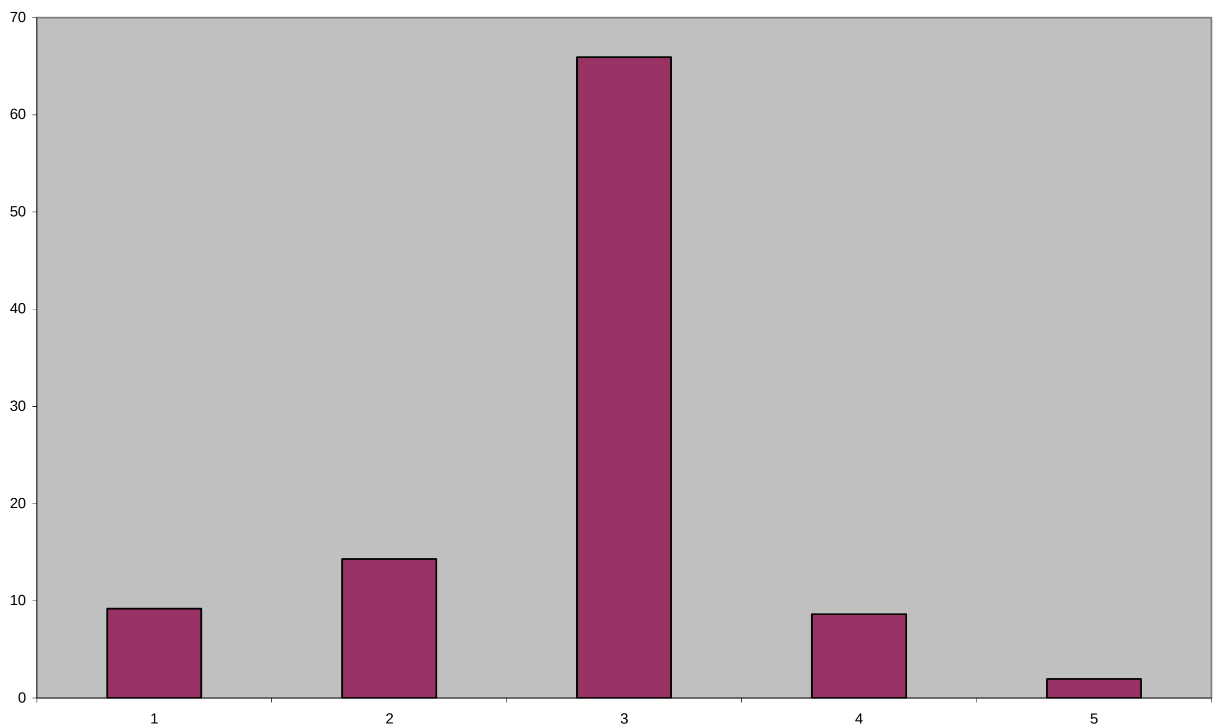
Not at all	1
Not much	2
Significantly	3
Very Significantly	4
Don't know	5
Refused	6

Q59: If the postal service chose to convert to 3 days of residential delivery a week instead of the current 6 days, how would your company or organization respond to this change in terms of total mail volume?



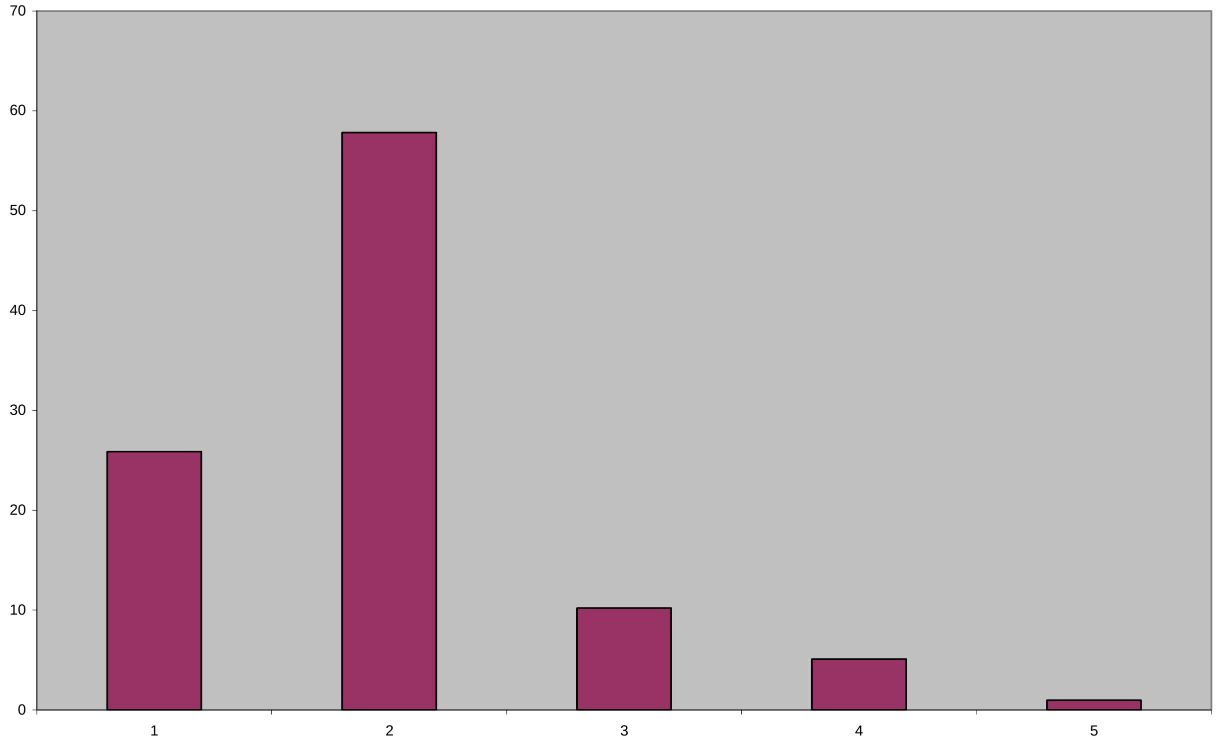
Increase	1
Decrease	2
Stay the same	3
Don't know	4
Refused	5

Q61: How would your company respond to a 3 day delivery reduction in terms of total mail volume if it were accompanied by a 10% postage rate decrease?



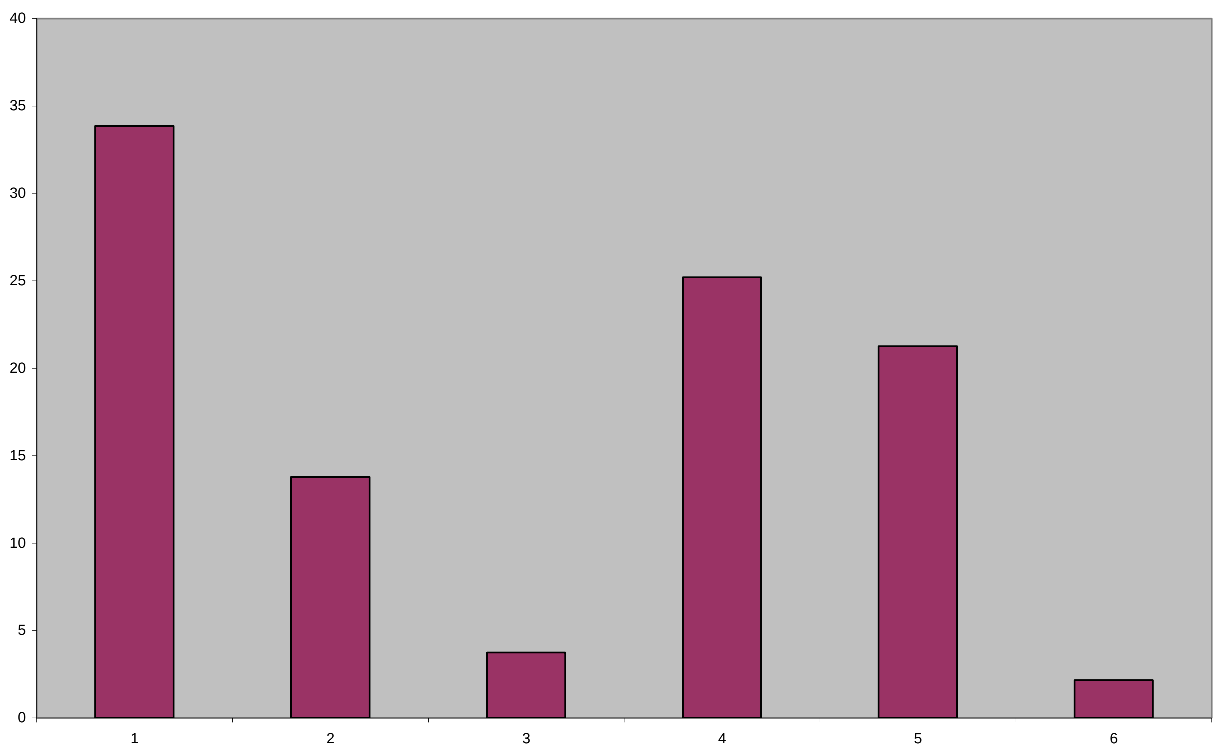
Increase	1
Decrease	2
Stay the same	3
Don't know	4
Refused	5

Q62: Which does your company value more: speed of delivery or predictability of the date of delivery?



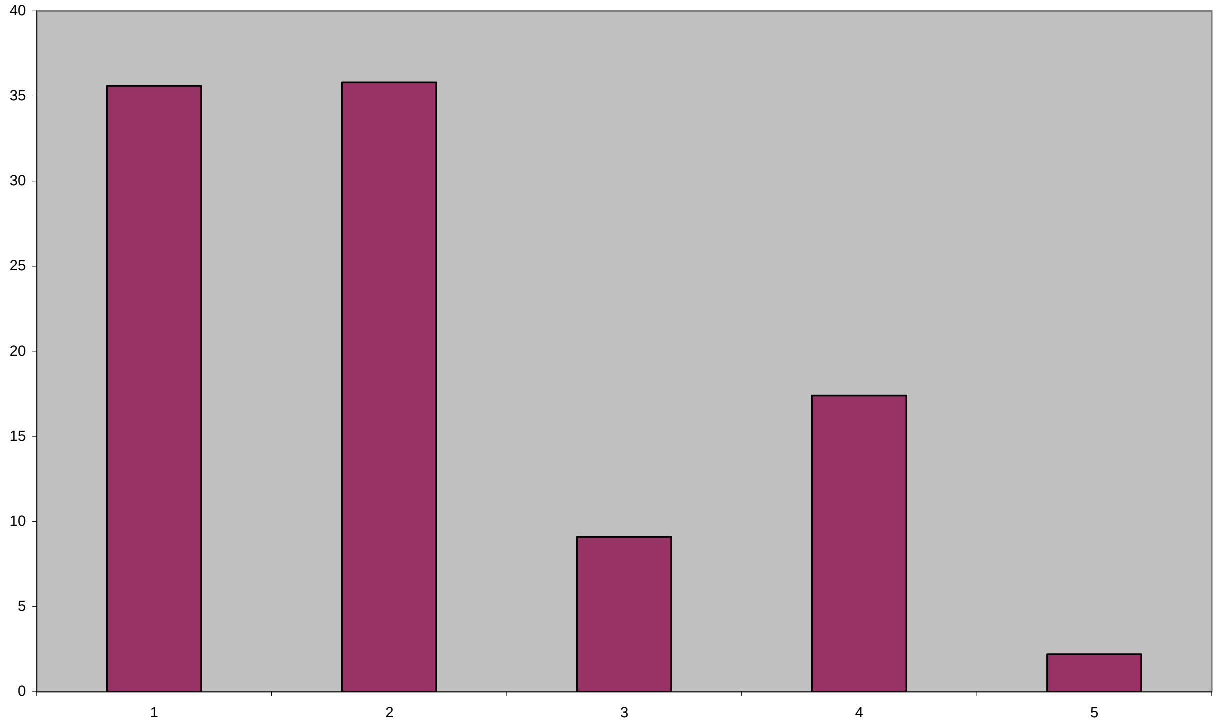
Speed	1
Predictability	2
Depends	3
Don't know	4
Refused	5

Q63: Who do you think should be responsible for monitoring and reporting USPS service performance?



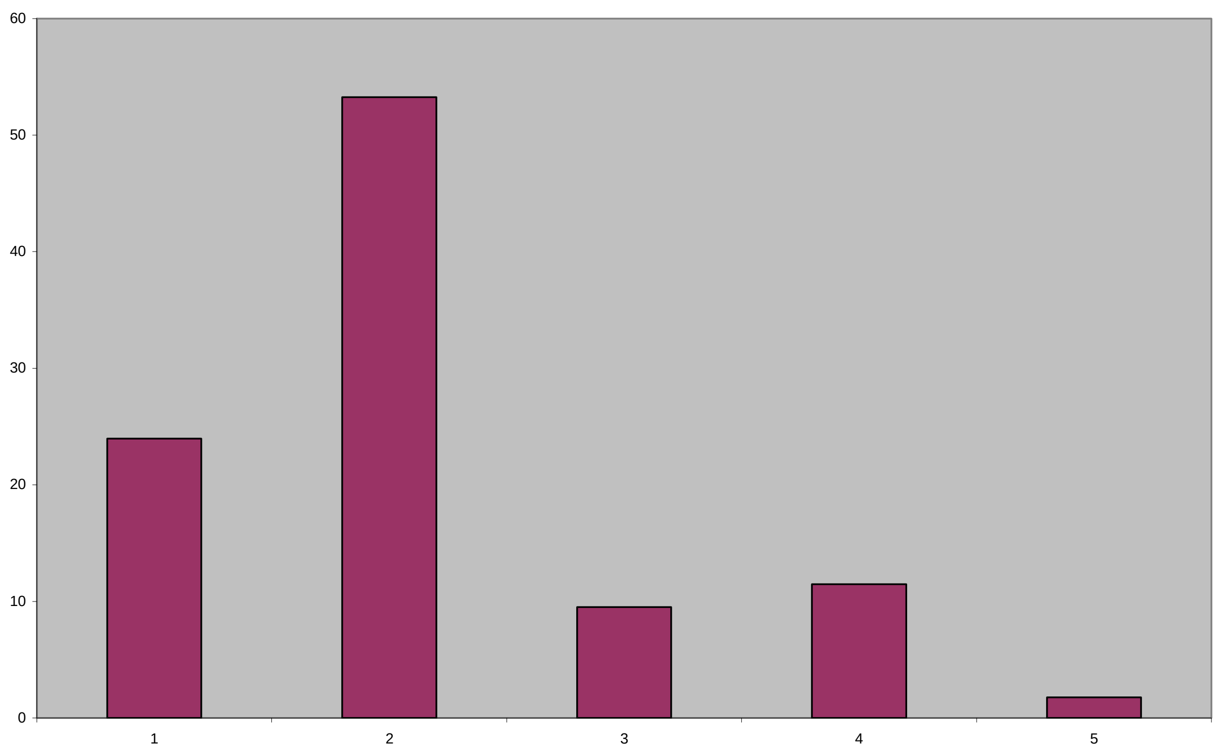
US Postal service itself	1
Postal Regulatory Commission	2
Another government agency	3
An independent accounting firm	4
Don't know	5
Refused	6

Q64: Do you think that mail service in the country would improve or deteriorate if the law was changed to allow other companies to compete with the postal service in the delivery of mail?



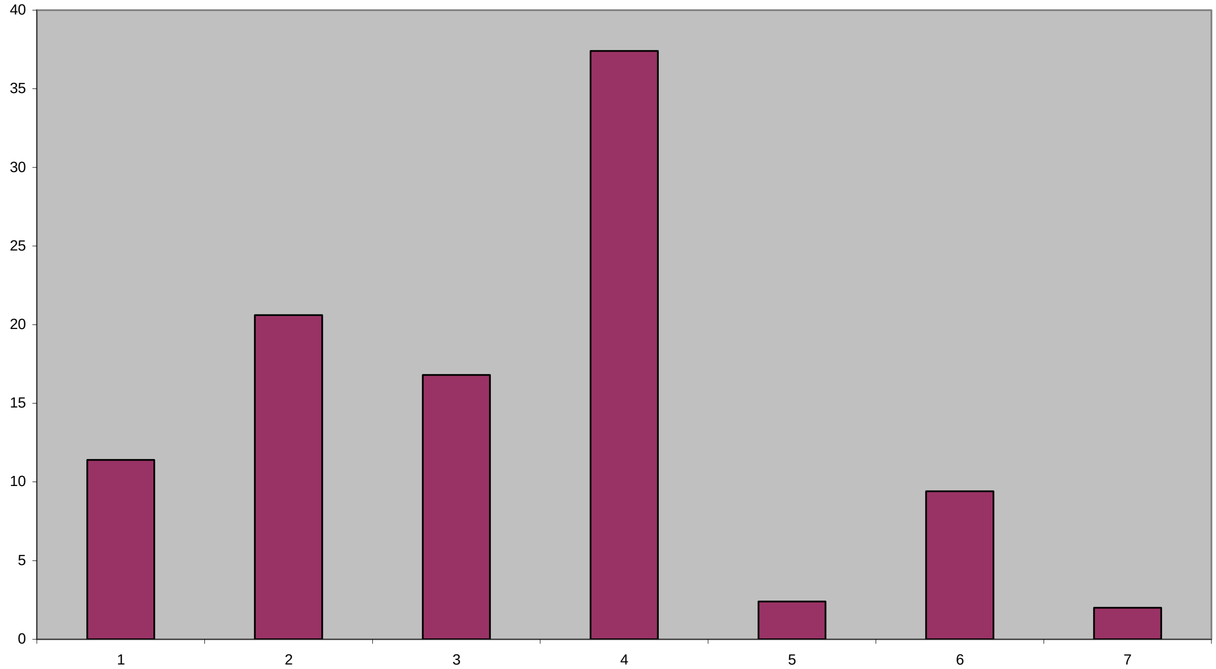
Improve 1
Deteriorate 2
Depends 3
Don't know 4
Refused 5

Q65: Do you think that postage rates would be higher or lower if there was competition?



Higher 1
Lower 2
Depends 3
Don't know 4
Refused 5

Q66: If the postal service could save 10 to 15% of its total costs by reducing delivery to 3 days a week and closing the 10,000 smallest post offices, how likely would you be to support these service reductions if it resulted in a 10% rate reduction?



Very likely	1
Somewhat likely	2
Not very likely	3
Not at all likely	4
Depends	5
Don't know	6
Refused	7

School of Public Policy

Study on Universal Postal Service and the Postal Monopoly

Appendix G

Section 3

Social, Economic, and Technological Trends

Christine Pommerening

Contents

1 Introduction

In addition to using opinion surveys, public hearings, and stakeholder input, a reasoned projection of the needs of society for universal postal service and the monopolies should include an analysis of broader social, economic, and technological trends. In many cases, the opinions of individual mailers may not provide the best guide to future needs. Individual mailers may be only dimly aware of new technologies on the horizon and their implications. Immersed in day-to-day business, mailers may lack a sufficient historical perspective to project trends into the future reliably. Ten years ago, for example, few people would have been able to describe how the Internet would affect their business activities or daily lives.

This section outlines trajectories of social, economic, and technological trends that may impact the needs and expectations of individuals and organizations regarding universal postal service. There are two main dimensions to this: postal service, and universal service.

First, postal service is interpreted, for the purpose of this section, as a means of communication, specifically a means to collect and deliver information to the public. [1] To use USPS terminology, the mail is a system used for correspondence, transactions, advertising, periodicals circulation (and package delivery).[2] The factors that impact the need for delivery of this service are *technological changes*. Mail-based communication in that sense is competing with a range of other means, from oral transmission to telephone to electronic data interchange.[3] Furthermore, the postal service as a network has always been competing with other networked information and communications technologies (ICT), starting with telegraph, wired telephone, electronic mail, and now wireless telephone and Internet. These alternative means can have similar functions as the mail i.e., to

[1] The exact scale, scope, and value of the universal service obligation and letter and mailbox monopolies are discussed elsewhere in this report.

[2] The different functions are reflected in the five mail markets defined by the USPS in its Household Diary Study (see USPS (2007) The Household Diary Study. Mail Use and Attitudes 2007. Washington, DC: USPS; p.5).

[3] Communication is defined here as an exchange of information and creation of shared meaning between one or more senders and one or more receivers.

conduct personal correspondence, business transactions, advertising, and disseminate the content of magazines and newspapers.[4]

Second, universal service is a feature derived from the fact that the USPS, as an independent establishment of the executive branch of the U.S. government, aims at serving "everyone, everywhere" – to use USPS terminology again.[5] The exact scale, scope, and value of the universal service obligation and letter and mailbox monopolies associated with this status are discussed elsewhere in this report. For the purpose of this section, it suffices to assume that universal service implies a nationwide reach of its service in terms of population and geography. The factors that impact the need for delivery of this service are *socio-economic changes* in where and how people live and work. For example, highly urbanized areas have different needs than rural populations, and a manufacturing economy is structured differently from a service economy.

Given these characteristics of universal postal service, this section will look primarily at social, economic, and technological trends in commercial communication systems such as the Internet.[6]

This concentration implies the exclusion of several other possible lines of analysis.

First, this section does not look at other public and private sectors that have similar networks and coverage – the Social Security Administration, the Internal Revenue Service, large banking and financial institutions, broadcasting networks, private shipping and express companies and so forth. Individually and collectively, they could provide some of the universal postal services. These industries are also instructive concerning regulatory and deregulatory trends in U.S. economy and policy, including privatization (and very recently also nationalization, in the case of troubled financial sector institutions.)

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[4] In addition to the communication function for personal correspondence, business transactions, and advertising, the postal service has a distribution function, namely the dissemination of print publications (periodicals), and shipping of goods (packages). Except for the latter, there are technological alternatives for these functions. These different functions are also reflected in the five different mail markets as defined by the USPS.

[5] The scope is implied in the USPS Annual Report glossary: "Universal Service: The Postal Service's mandate and commitment to the nation to provide mail delivery service at uniform and reasonable rates to everyone, everywhere" (see USPS (2007) Annual Report. Washington, DC: USPS, p59.)

[6] There are other public and private sectors that have similar networks and coverage – the Social Security Administration, the Internal Revenue Service, large banking and financial institutions, broadcasting networks, private shipping and express companies and so forth. Individually and collectively, they could provide some of the universal postal services. For a discussion of these alternatives see Appendix E on international trends.

Second, this section does not examine demographic trends per se, such as immigration and aging. They are only considered in connection with technology use. Neither does it trace economic phenomena such as booms and recessions, since they generally have little impact on overall shifts in ICT use, even though short-term spending can be affected significantly.

Finally, this section does not deal with the social, economic, and technological trends within the USPS. As a one of the largest organizations in the U.S. with 685,000 career employees, a revenue of 75 billion, and both the largest email system and vehicle fleet in the U.S., the USPS is certainly a microcosm – and often leader – of societal change, economic development, and technology adoption[7]. However, the macro trends reported here aim at providing a perspective on factors affecting individuals and organizations outside the postal service.

2 Methodology

This section uses academic literature as well as secondary statistical data. Most of them were compiled using reports by federal agencies, ensuring a certain degree of comparability and reliability. However, some of those data, especially more recent ones, and those on new technologies, were not collected by those agencies themselves. They use other sources, in particular industry associations and consulting firms. Their validity has not been confirmed independently by the author.

Analyzing statistics over long periods of time poses its own challenges. It can be impeded by a lack of data in selected comparison years, and changes in the relative value of a unit (e.g., number of access lines, or expenditure in dollars). To address this, most tables are normalized by number of households, or gross domestic product.

New technologies and systems in particular are notoriously difficult to measure, especially in the early years of their existence. This is owed in part to classification problems

[7] See USPS (2008) Postal Facts. Available at http://www.usps.com/communications/newsroom/postalfacts.htm . Last accessed August 28, 2008.

when integrating them into traditional survey and census instruments, and in part to some innovating companies' tendency in overestimating initial numbers to create more interest.

It should be noted that this section has been prepared independently of the primary survey research conducted by GMU to determine public needs and expectations. Some findings may thus overlap with that analysis.

3 Development and Diffusion of New Technologies

The development and diffusion of new technologies is often described using the term innovation. In a classical study by Everett Rogers, four groups of people are distinguished.[8] *Innovators* adopt almost any new idea or technology, and make up 2.5% of the population, followed by *early adopters* who count for 13.5%, an *early majority* and a *late majority* are estimated at 34% each, and finally *laggards* at 16%. Consequently, most innovations have a slow start, diffuse more rapid as adoption increases, then level off until only a small percentage of potential adopters remains.

People can fall into different categories for different innovations, depending on its relative advantage, compatibility, complexity, trial-ability, and observability. For example, a trucker is more likely to adapt a new geographic information system (GIS) than the latest Internet file-sharing application. Likewise, the same innovation can have different rates of adoption in different social groups, depending on previous practice, perceived needs, innovativeness, and social norms.[9]

Societies as a whole have different approaches to technologies, too. The interaction between technological innovation and the social, economic, and political change can be traced back to the earliest inventions. Deborah Spar has traced this for communication technologies, arguing that advances occur in successive phases of innovation, commer-

[8] Rogers, E. M. (2003). Diffusion of Innovations (5th ed.). New York: Free Press. (See also: Rogers, E. M. (1986). Communication Technology: The new media in society. New York: Free Press.)

[9] Ibid; p.170

cialization, creative anarchy, and rules.[10] Discoveries by researchers and explorers acquire commercial value, she claims, which attracts both investors and pirates. The increasing value of innovations to the former subsidizes efforts to suppress the latter. Out of this conflict emerges a legal structure to support a new industry, and the widespread adoption of technology.

4 Adoption of Internet-based Technologies[11]

The use of communications technologies and media, including mail, varies with socio-economic characteristics such as age, race, sex, income, and educational attainment. Generally, new technologies tend to be adopted first by users who are younger, professional, or male, before spreading into other population groups, with some groups' adoption rates and times lagging behind significantly. By the mid-2000s, Internet-based communication had become a well-established practice – 74% of all adults had access to the Internet.[12] However, there are distinct patterns in terms of which applications are used for what purpose, as presented in the following two charts:.[13]

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[10] See Spar, D. L. (2001). *Ruling the Waves. Cycles of Discovery, Chaos, and Wealth from Buccaneers to Bill Gates.* New Haven: Harcourt. Spar uses a broad view of communication technology, from oceangoing ships to the Interrnet. See also Flichy, P. (1995). *Dynamics of Modern Communication: the shaping and impact of new communication technologies.* London; Thousand Oaks: Sage Publications.

[11] The term Internet is used here synonymously with World Wide Web which denotes the hypertext-enabled, most "visible" and popular application of the network of networks that constitutes the Internet. The Internet as a communications system has developed out of ARPANET, a defense and research network beginning in the 1960s. At that point, a small community of users directly contributed to the development of the system. Over time, the system expanded to include users who are more like consumers, meaning passive participants in what tin the 1990s became the World Wide Web with its predominantly non-technical and commercial applications. Its underlying protocols, IPv4 and IPv6, provide name and address space for billions of unique network nodes – be they large servers, individual computers, wireless phones, GPS receivers, and even 'smart' appliances.

[12] Source: Pew Internet & American Life Project Survey, September 2007. Available at http://www.pewinternet.org/ Last accessed August 15, 2008.

[13] Source: U.S. Census Bureau (2008) The Statistical Abstract 2008. Table 1130. Typical Daily Internet Activities of Adult Internet Users: 2006. Available at http://www.census.gov/compendia/statab/cats/information_communications.html. Last accessed September 20, 2008.

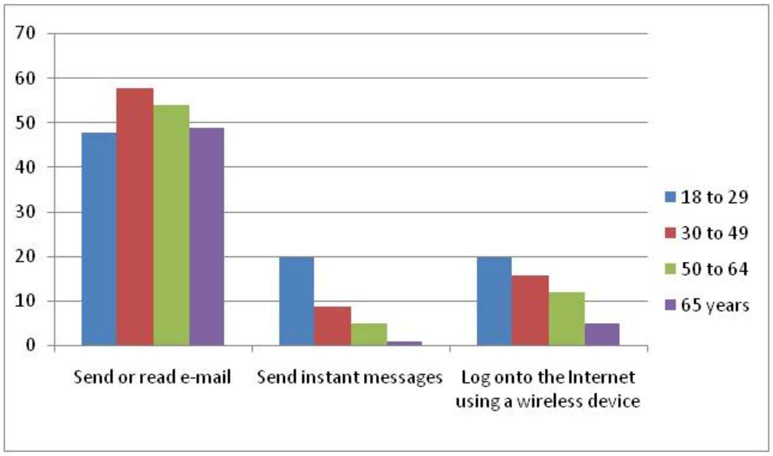

Fig.G3-1. Internet Activities by Age in 2006

The first observation is that more than 50% of all adults over 18 years send or read emails daily, with fairly even distribution between the age groups. Younger users are in fact on the low end of this activity. This is explained by the next statistic, which shows a striking difference in instant messaging, which 20% of people under 30 use daily, while only 1% of people older than 65 use it. Evidently, there is a migration to a new application by a user group likely to be early adopters. An increase in the use of these technologies by more age groups is to be expected in the coming years. The category of mobile Internet use, however, shows a less pronounced gap between the age groups. This indicates that Internet use is becoming device-independent, meaning that it matters less how one connects (with several options now available from dial-up to broadband to wireless, and many cell phones becoming web-enabled), but how one uses the Internet.

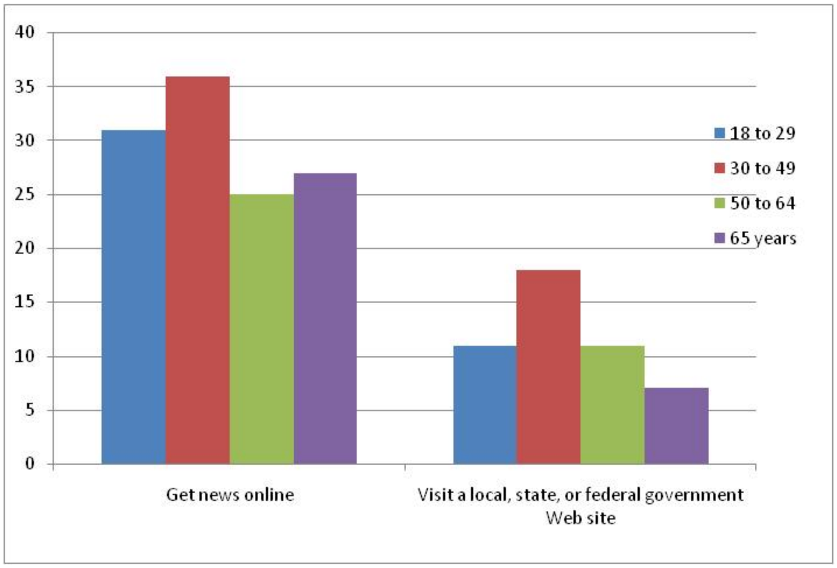

Fig. G3-2. Internet Use by Age in 2006

The two categories here reflect different uses of the web: checking the news has become rather common across age groups, with people under 50 more regular users than those over 50. This trend is likely to continue – an overall rise in online news consumption, accompanied by a rise in the gap between age groups. Visiting government websites is much less frequent, and the distribution less even. Predictions for this particular category are thus difficult.

While intergenerational differences in the use of a particular technology may become less pronounced over time, the initial difference is still significant. A survey by the Pew Internet and American Life projects finds that long-time Internet users first went online for the same primary reason (to communicate with colleagues/friends) they are still using the Internet today, and are now switching to broadband and wireless channels.[14] When asked what their favorite application was at the time they first went online, most said email. This is not much different from what can be observed today, even as the size and demographics of Internet users has changed.

[14] Wells, Tracy (2008) A Portrait of Early Internet Adopters: Why People First Went Online - and Why They Stayed. Washington, DC: Pew Internet & American Life Project, February 6, 2008

The fact that patterns and preferences of in using communication technologies are formed early and remain fairly stable over time will make another growing trend in Internet use likely more significant: online banking.[15]

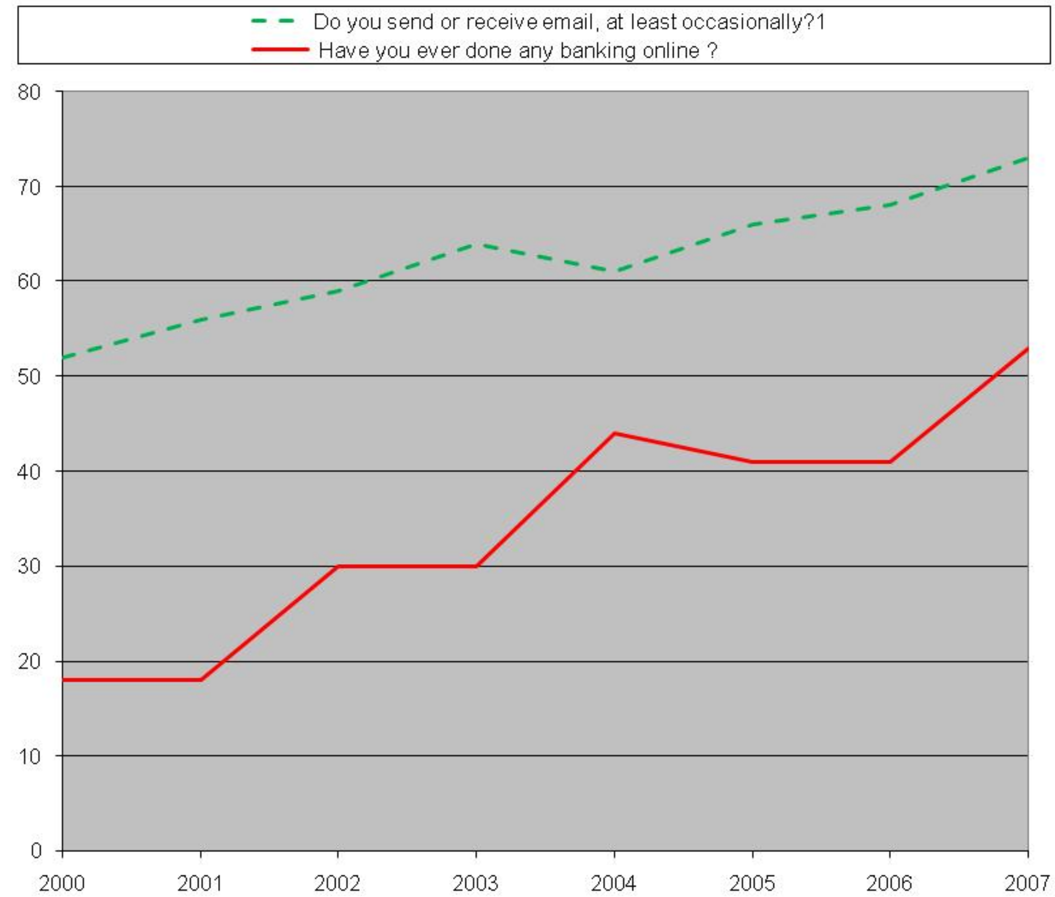

Fig. G3-3. Email and Online Banking 200-2007

Note: Flat lines indicate missing data for a particular year.

Between 2000 and 2007, more and more people have tried transactions over the Internet, in addition to correspondence. This is a significant trend in that not only availability of the technology, but trust in its reliability and security has to be present.

[15] Consumer Choice Survey (September 2007) Princeton Survey Research Associates International for the Pew Internet & American Life Project. Available at http://www.pewinternet.org/ Last accessed August 15, 2008.

5 Saturation and Substitution Effects

In historical perspective, the saturation times of new ICT vary significantly.

Consider telephone and radio adoption. By 1920, 35% of households had telephones. Then it took until 1946 to reach 50%, and until 1957 to reach 75%, and another 13 years until 1970 to reach 90%.[16] In contrast, radios were in 25% of households by 1926, but it took less than 5 years until 1930 to exceed 50% of households, and by the early 1940, more than 90% had a radio. More recently, 26% of households had Internet access in 1998. From then, it took only until 2001 to reach 50% and until 2007 to get up to 75%.

The reasons for these differences are instructive for all types of communication systems. It can be argued that Internet access initially piggybacked on telephone lines, and thus network expansion was not a factor impeding saturation. Radio transmission and reception required much less physical infrastructure investments than landlines, too. The important lesson for the purpose of this study is that new networked systems can be built faster, if not necessarily cheaper, than previous ones.

As the case of cell phone subscriptions shows, high saturation rate is achieved through a combination of high initial growth rates, combined with less dramatic but steady increases of already high volumes. From 1984 until about 1990, the growth rates were staggering: each, year, the number of subscribers at least doubled – but from a very low level of less than 100,000. Starting in 1996, the growth slowed significantly – by then, 44 million subscribers had already signed up. The market still grows by around 10% per year though, thus increasing the total to 249 million in 2007.

[16] Field, Alexander J. (2006) " Telephone industry – telephones, access lines, wire, employees, and plant: 1876–2000." Table Dg34-45 in *Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition*, edited by Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright. New York: Cambridge University Press, 2006

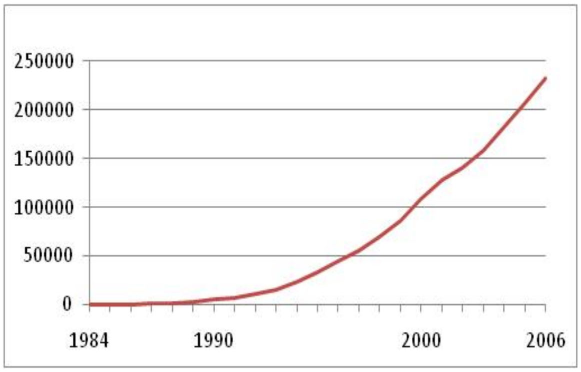

Fig. G3-4. Cell phone subscriptions 1984-2006 (in 1,000)

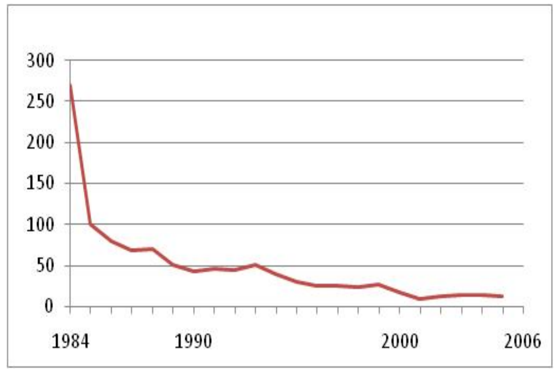

Fig. G3-5. Growth in cell phone subscriptions 1984-2006 (in%)

Finally, long-term comparisons between different ICT show that substitution effects develop over years and decades, rather than manifest in abrupt replacements. In fact, the initial result is a net increase through the use of parallel means. For example, cell phone use increased by 8.5%to a total of 249 million subscribers from 2006 to 2007. At the same time, the number of local (wired) access lines has declined, but only by 5.4% to under 200 million.[17] Also, broadcast radio and TV are not losing ground at all, but have held steady over decades to being used in over 95% of households. However, when compared over the past twenty years, it seems clear that overall, older ICT are slowly but surely losing ground, while new ones increasingly replace them. The following chart illustrates these trends: [18]

[17] See FCC (2008) Local Telephone Competition: Status as of December 31, 2007. Washington, DC: Industry Analysis and Technology Division Wireline Competition Bureau. September 2008.

[18] Source: U.S. Census Bureau (2008) The Statistical Abstract 2008. Table 1099. Utilization of Selected Media: 1970 to 2006. Available at http://www.census.gov/compendia/statab/cats/information_communications.html. Last accessed September 20, 2008.

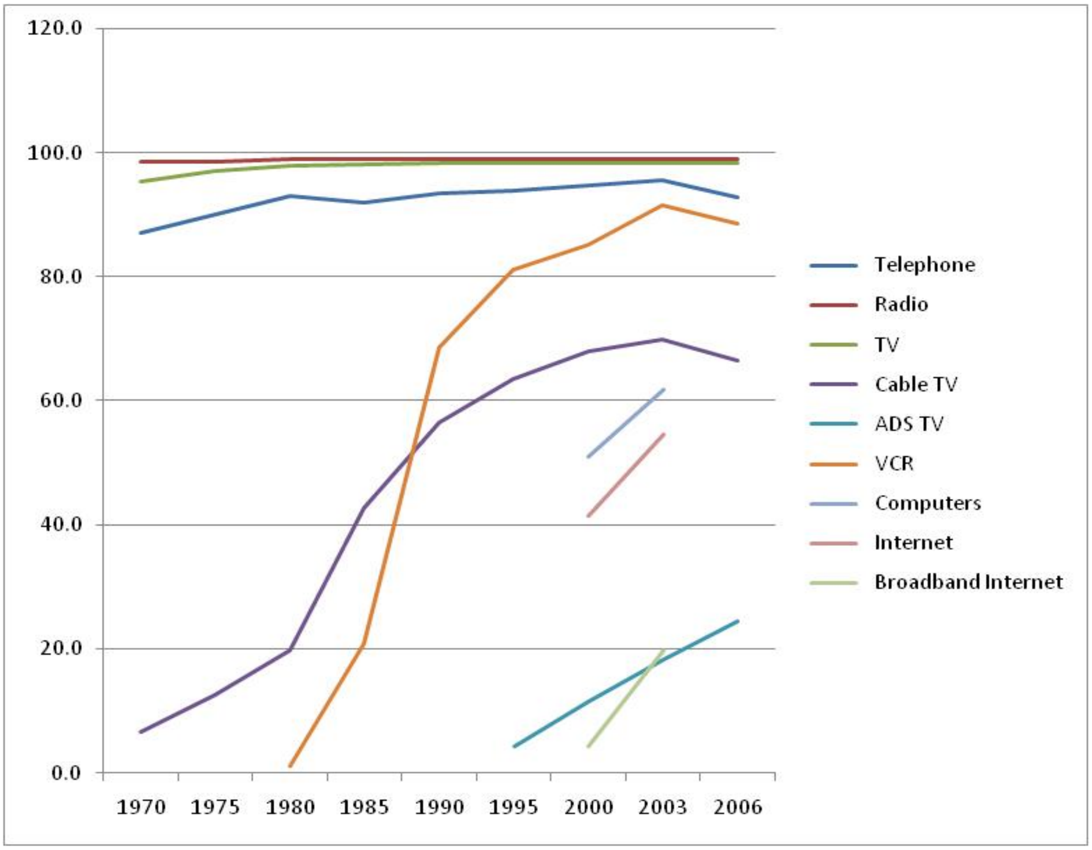

Fig. G3-6. Media saturation in U.S. households, 1970-2006

Note: ADS refers to Alternative Delivery System, at this point mainly satellite TV.

The availability of a certain delivery mechanism in a household does not per se reveal how much they are actually used for communication. The following chart compares message volumes over time, from phone calls to telegrams to mail pieces. While the mail volume trends are still evolving, it appears that telegrams and mail pieces follow a bell shaped curved, whereas phone conversation have continued to grow exponentially. Telegrams reached their peak in the 1930 after a steep incline. However, this was not sustained, and telegrams have virtually disappeared today. Mail volumes have increased much more steadily over a very long time, but seem to be at or near a plateau at this point.

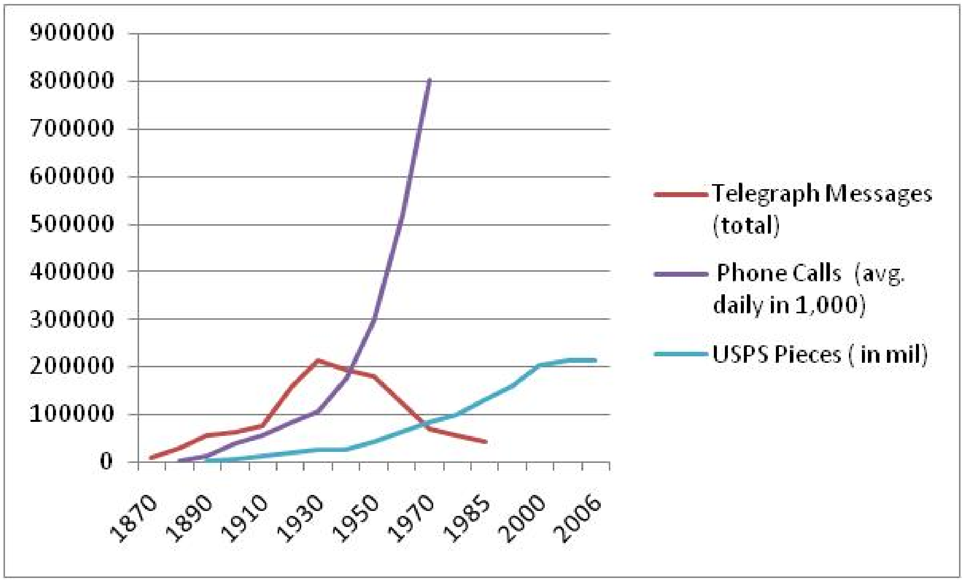

Fig. G3-7. Message volumes selected media 1870-2006

Another aspect that influences saturation and substitution rates is convergence between ICT. Most physical infrastructure networks have the capacity to deliver more than one type of content: Letter carriers can carry parcels, radio towers were used to start television broadcasting, phone lines can carry voice as well as data signals. This technological convergence goes hand in hand with economic shifts in the industry – sometimes as diversification, and sometimes as concentration of providers. Comparisons of these trends by medium or technology tell only part of the story since the regulatory framework determines access to markets, possibility of mergers, and often rate structures.[19] Thus, the following chart on the number of station, systems, offices and hosts in the first ten years of the selected medium shall only serve to give an impression of patterns of development in a sector in terms of its network nodes.[20] [21]

[19] For an introduction to these trends from a policy perspective see e.g., McQuail, Dennis, and Karen Siune, eds. *Media Policy : Convergence, Concentration, and Commerce*. Euromedia Research Group. London/ Thousand Oaks/ New Delhi: Sage Publications, 1998.

[20] Moreover, this chart compares apples and oranges – functionally and economically, radio stations are quite different from cable systems, but more similar to each other than post offices. Internet hosts are entirely virtual, and a better measure would be the number of Internet Service Providers (ISP).

[21] Sources:

Field, Alexander J. " Radio and television – stations, sets produced, and households with sets: 1921–2000." Table Dg117-130 in Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition, edited by Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright. New York: Cambridge University Press, 2006.

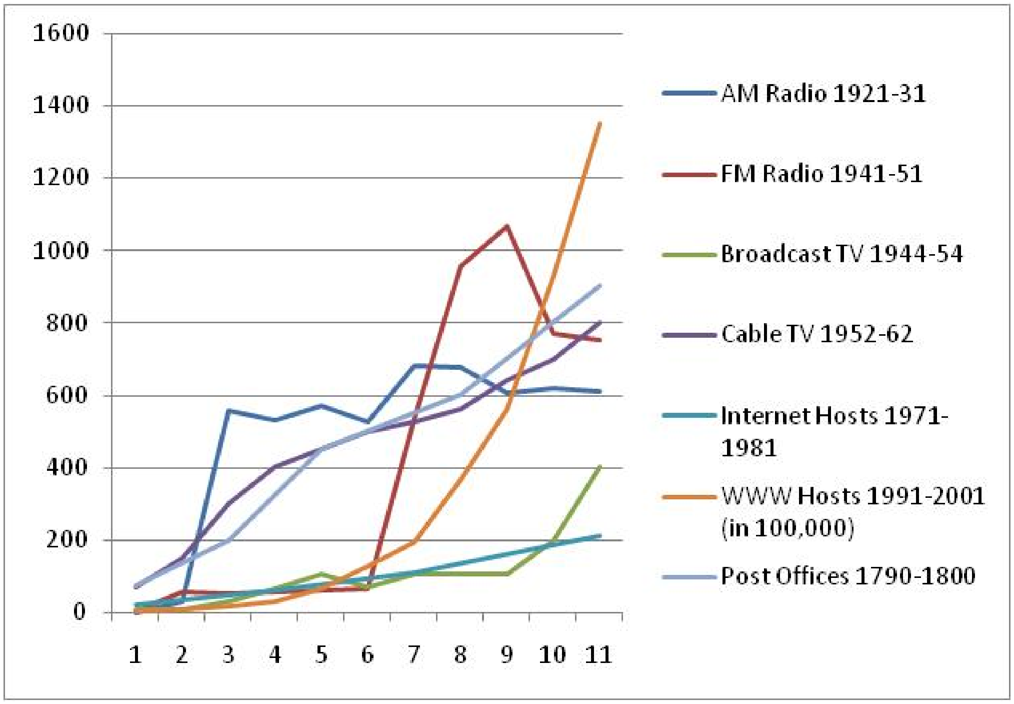

Fig. G3-8. Network nodes for selected media in first then years of existence

6 Revenues and Expenditures

A major factor in discerning the relevance and contribution of a communications technology or sector is its economic viability. Revenues in this sector typically consist of some sort of end user fee or rate on the one hand, and of income from advertising.[22] The willingness to pay for the use of a particular service influences both supply and demand. Since the middle of last century, the total amount of money paid for advertising has grown exponentially. In 1960, all media combined accounted for less than 10 billion dollars, while in 2007 it amounted to 280 billion. Until 2000, all media increased their share, albeit at different rates. The highest overall increase is due to the direct mail industry,

Unknown, " Internet hosts and Web sites, by type: 1969–2002 ." Table Dg110-116 in Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition, edited by Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright.

USPS "Publication 100 - The United States Postal Service - An American History 1775 – 2006." Washington, May 2007.

[22] For networked infrastructures, subsidies used to be a most important source for financing their operations. They will not be considered here. Both revenue streams, from users and advertisers, are influenced by larger economic trends, in particular recessions and booms

which now accounts for over 60 billion dollars – 20% more than the next closest medium, broadcast TV, takes in. After 2000, however, a key change can be observed, and attributed to the advent of the Internet. In three of the media – broadcast TV, radio, and newspapers, advertising revenue has stopped increasing. Newspapers have in fact lost nearly 10% of their advertising revenue, while the Internet now claims about 10 billion dollars. It remains to be seen how much of the advertising budgets will be spent on the Internet in the future, and if any of this is in addition to, or substituting to spending on traditional media. If the cost/revenue per contact ration is any indication, the Internet should attract more advertisers than direct mail, with a ratio of 1 to 18 versus 1 to 2.[23]

Table G3-1. Cost and revenue per contact for direct orders

	Cost per contact in US$ (direct orders)	Revenue per contact in US$ (direct orders)
Flat mail	0.46	0.85
Catalog	0.57	2.41
Email	0.01	0.18
Telephone	1.27	3.98

[23] Source: http://www.usps.com/directmail/_pdf/MediaChoicesTodayWhatsGettingThrough.pdf

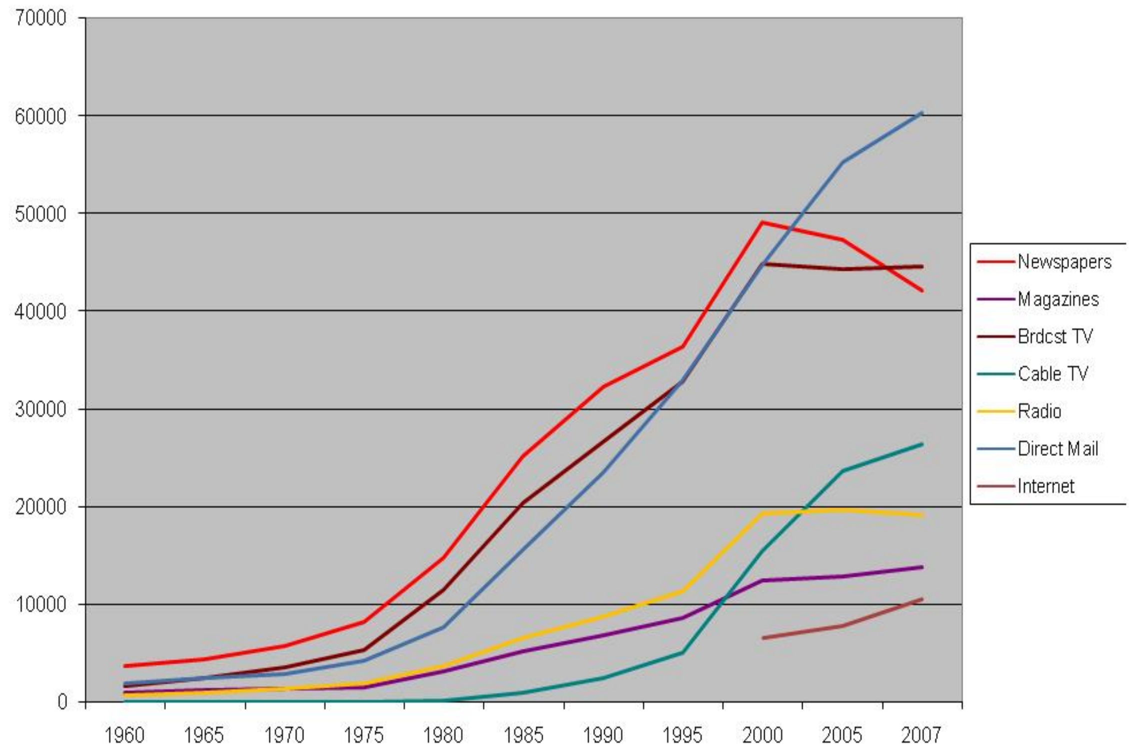

Fig. G3-9. Advertising expenditures by medium 1960-2007 (in million US$)[24]

The other side of the revenue coin is the cost of a particular service to the public. The following compilation of average monthly rates and costs shows that expenditures for postal services are the lowest, followed by local phone service, cable TV, and cell phones. People spend very little on postage – around $5 with little variation over the past 15 years. This is strictly a pay-as-you-go fee – the service is available whether or not one uses it. In contrast, the other four services are only available if a monthly subscription fee is paid, which includes a certain amount of costs per use (phone calls in two cases, selected cable channels in the other.) Interestingly, the potential substitutes local phone and cell phone seem to increase at similar rates. One reason may be the abovementioned concentration of providers – traditional local (and long-distance) phone companies were al-

[24] Raff, Daniel M. G. , " Advertising expenditures, by medium: 1867–1998 ." Table De482-515 in Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition, edited by Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright. New York: Cambridge University Press, 2006.

lowed to enter the cell phone market, and vice versa. At the same time, the two newest technologies exhibit different rate developments. Cell phone bills are now much lower from when the service was first introduced in the late 1980s. Cable TV costs, however, have been increasing sharply over the years.

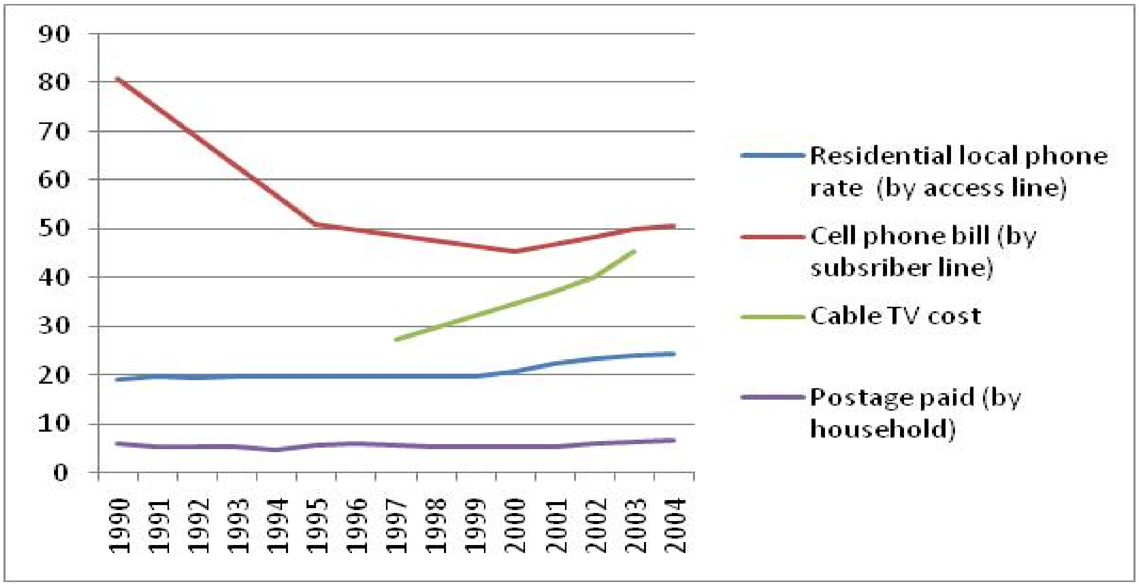

Fig. G3-10. Cost of media on average per month (in US$) 1990-2004.[25]

The issue of costs also raises the question whether the availability of a certain means of communication varies by income. The two tables below give answers for two different media, postal service and high-speed Internet service. The first table shows the correlation between mail-based communication and household income. The contrast here is even more stark. Households with a median income of $27,000 receive less than 12 pieces of mail per week, while those with a median income of $88,000 receive over 45 pieces.

The second table tracks the percentage of zip codes with different median household incomes (an indicator of wealth of a certain community) that have at least one high-speed subscriber (for services such as DSL and cable, which is necessary for an increasing number of Internet applications, as well as some radio and broadcasting services.) In

[25] Sources: Hong, Seung-Hyun and Frank A. Wolak. Relative Prices and Electronic Substitution: Changes in Household-level Demand for Postal Delivery Services from 1986 to 2004. Available at http://faculty.haas.berkeley.edu/borenste/WolakPostal070501.pdf April 30, 2007.

U.S. Census Bureau (2008) The Statistical Abstract 2008 Table 1119. Telephone Systems--Summary: 1984 to 2004. Available at http://www.census.gov/compendia/statab/cats/information_communications.html. Last accessed September 20, 2008

2001, when high-speed access was relatively new, and costly, there are significant differences depending on whether one lives in a rich or poor community. While 96% of zip codes with a median income of over $53,000 had subscribers, only 59% of areas with median incomes of less than $21,000 had such service. It is those areas, too, that seem to take the longest to catch up to the rest of the country, even as the technology itself is now accessible almost everywhere. Clearly, availability itself does not necessarily result in use. It is remarkable, however, that the initial gaps in all other zip codes have been virtually closed by now.

Table G3-2. High speed access lines subscribership by household income (in percent) 2001-2007[26]

Median Household Income	2001	2002	2003	2004	2005	2006	2007
$53,494 to $291,938	96	98	99	99	99	99	99
$43,617 to $53,478	91	94	96	97	98	99	99
$38,396 to $43,614	84	89	94	96	98	99	99
$34,744 to $38,395	80	85	92	94	97	99	99
$32,122 to $34,743	77	83	90	93	97	98	99
$29,893 to $32,121	73	80	90	93	97	98	99
$27,542 to $29,892	74	80	89	93	97	98	99
$24,855 to $27,541	70	77	87	91	96	98	99
$21,645 to $24,855	67	77	87	91	96	98	99
$0 to $21,644	59	69	78	81	88	91	92

Table G3-3. Characteristics of Higher- and Lower-Mail-Volume Households 2007[27]

Median Annual HH Income	Mail received per HH per week
$88,058	45 or more
$73,736	36-44
$66,695	30-35
$56,522	24-29
$48,145	18-23
$36,424	12-17
$26,465	Less than 12

Besides income and other demographic factors, clearly is also a geographic dimension to the availability of communication technologies and services.

[26] Source: FCC (2008). High-Speed Services for Internet Access: Status as of June 30, 2007. Industry Analysis and Technology Division Wireline Competition Bureau. March 2008

[27] Source: USPS (2007) The Household Diary Study. Mail Use and Attitudes 2007. Washington, DC: USPS; p.14.

7 Population and Geographic Distribution

The U.S., like other industrialized societies, has seen a steady shift in population and migration patterns. The most pronounced is the increasing urbanization and concentration of the population in metropolitan areas.[28]

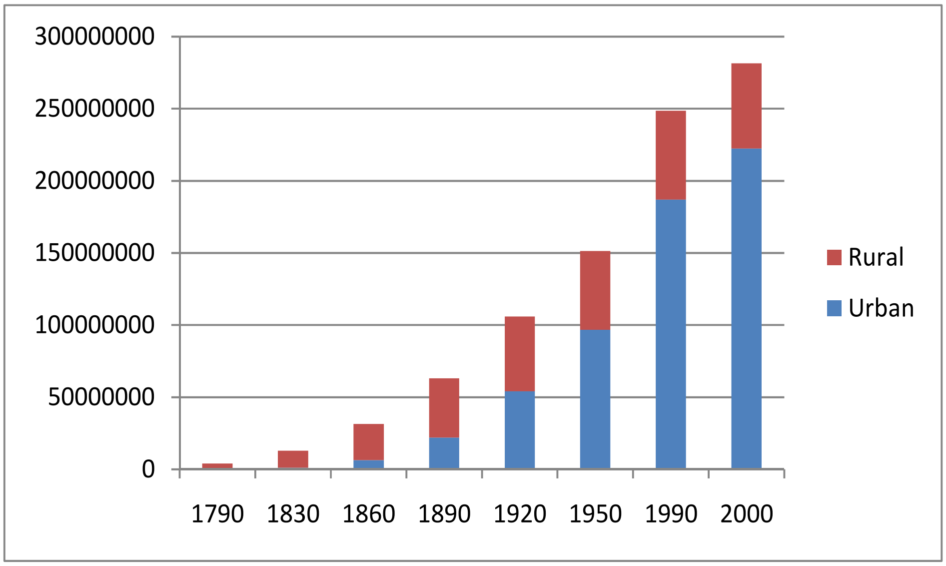

Fig. G3-11. Urban and rural population 1790 to 2000

This increase is to due two main components: natural change and immigration. Between 2000 and 2005, the U.S. has experienced an overall population increase of 5.3%, with 3.1% in natural change and 2.3% in immigration.[29] These rates, just slightly higher, are mirrored in metropolitan areas. Non-metropolitan areas, however, saw only a 1.1% increase through natural change, and only 0.7% increase through immigration.

[28] The definitions of urban, rural, metropolitan and non-metropolitan areas vary depending on source and purpose. The Office of Management and Budget (OMB) defines metropolitan areas as central counties with one or more urbanized areas with 50,000 people or more, and outlying counties that are economically tied to the core counties, as measured by the share of employed population that commutes to core counties to work. Non-metropolitan counties are outside the boundaries of metro areas. By this definition, then, rural includes places and people living outside the primary daily commuting zone of cities of 50,000 people or more. The U.S. Census Bureau defines rural areas as comprising open country and settlements with fewer than 2,500 residents. Most counties, whether metropolitan or nonmetropolitan, contain a combination of urban and rural populations.

[29] The third component of change, net domestic migration, is less than 1% overall, and in both metro and non-metro areas.

Table G3-4. Population Change Components 2000-2005

	Total	Natural Change	Immigration	Net Domestic
U.S.	5.3	3.1	2.3	0
Metro	6	3.5	2.6	-0.1
Non-metro	2.2	1.1	0.7	0.5

When looking more closely at the sizes of places where people live, the highest growth can be observed in medium-sized towns and cities, usually referred to as suburbs. Especially since the end of World War II and the subsequent economic and population growth, places with 10,000 to 100,000 inhabitants have attracted the lion share of people. All other size categories have grown in population, too – with the notable exception of the ones under 1,000 inhabitants. Their total population has remained almost constant for the last 100 years since 1910.

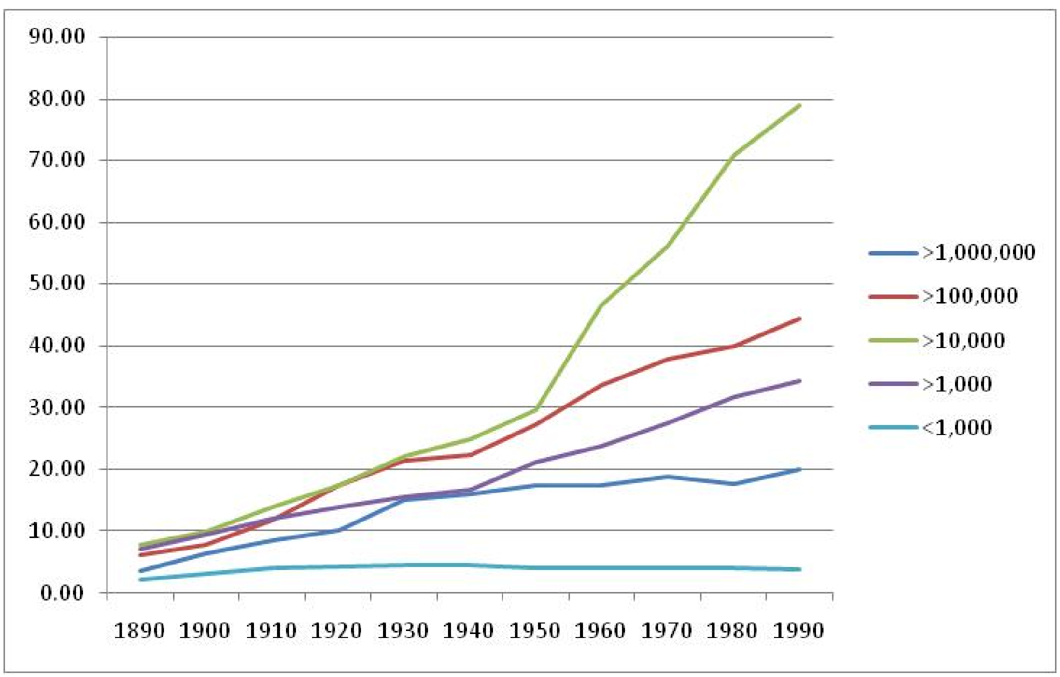

Fig. G3-12. Population by size of place 1890-1990

With the number of people living in cities increasing, the question arises of how this impacts service provision to those still living outside the most densely populated areas. One indicator, used already elsewhere in this section, is the access to high-speed access lines that enable end users to connect to the Internet, measured as the percentage of zip codes with at least one high-speed subscriber. In 2001, very sparsely populated areas (15 or fewer persons per square mile) had a relatively low rate of subscribership with below 50%, compared to the more than 95% for areas with upwards of 268 people per square mile. By 2007, however, access to high-speed Internet was universally given throughout the country, except for about 10% of zip codes with populations under 6 people per square mile. For comparison: the District of Columbia has a density of 9,400 people per square mile, and nearby Loudon County, VA has a density of 326.

Table G3-5. High-speed access lines subscribership by population density 2001-2007[30]

Persons per Square Mile	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
> 3,147	98	99	99	99	99	99	100
947-3,147	97	98	98	99	99	100	100
268-947	96	98	98	99	99	99	100
118-268	92	95	97	98	99	99	99
67-118	88	93	96	98	99	99	99
41-67	81	88	94	96	98	99	99
25-41	73	81	90	94	98	98	99
15-25	59	70	83	89	96	97	98
6-15	51	61	77	84	94	97	98
< 6	37	50	69	73	84	89	91

For individuals, the ability to obtain a certain service obviously depends on providers delivering it in the first place. The following maps by the Federal Communications Commission illustrate the distribution of competing local and high-speed access carriers across the country. The first chart shows the availability of traditional wired access lines provided by competitive local exchange carriers (CLEC).[31] Sections in green have zero delivery, while sections in blue have more than seven providers to choose from. Not surprisingly, the zero delivery areas are in the most remote parts of the country, while the heaviest concentrations are along the population centers.

[30] Source: FCC (2008). High-Speed Services for Internet Access: Status as of June 30, 2007. Industry Analysis and Technology Division Wireline Competition Bureau. March 2008

[31] Source: FCC (2008) Local Telephone Competition: Status as of December 31, 2007. Washington, DC: Industry Analysis and Technology Division Wireline Competition Bureau. September 2008.

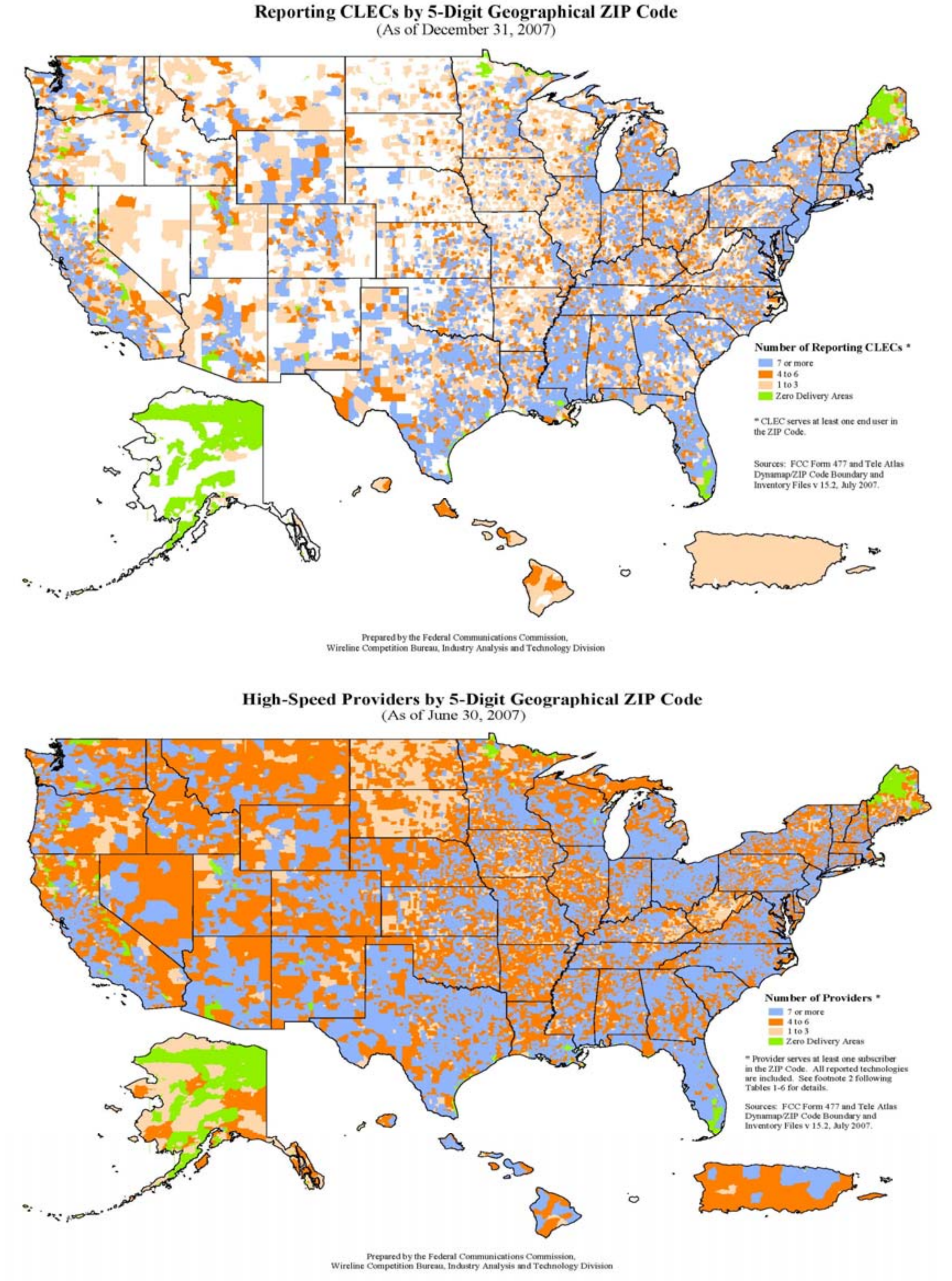

Fig. G3-13. Map of local and high speed access line provider options 2007

It should be noted that these CLEC hold a total of 29 million access lines, while incumbent local exchange carriers (LEC) hold an additional 130 million. Thus, low CLEC areas does not mean a gap in phone service.

In comparison, the second map illustrates the availability of high-speed services[32] The distribution here follows the pattern of traditional phone lines, for obvious reasons: One, the relative ease of utilizing existing physical networks; two, the overlap between providers of traditional and new services.

The lesson here is that new technologies are not first and foremost reaching previously underserved populations as much as they are increasing options for all others.

8 Outlook

The need for universal postal service is influenced by the availability and use of alternative information and communication technologies (ICT) for collecting, processing, and delivering items of correspondence, transaction, advertising, periodicals, and parcels.[33] Such availability and use is, in turn, related to trends in society, economy, and technology at large.

Trend 1: The amount of information and communication is increasing

Information and communication technologies have enabled a steep increase in the creation and dissemination of information across the board, meaning that almost all means of communication are used more, albeit it with changing distributions of that volume within and across different media. This holds true in relation to mail as well: households with greater access to electronic communication also receive high volumes of mail and other forms of communication.[34]

Trend 2: New ICT are not adopted evenly, and do not rapidly replace others

Most technological innovations have a slow start, diffuse more rapidly as adoption increases, then level off until a small percentage of potential adopters remain. At the same

[32] Source: FCC (2008). High-Speed Services for Internet Access: Status as of June 30, 2007. Industry Analysis and Technology Division Wireline Competition Bureau. March 2008

[33] These categories are used by the USPS to distinguish the different market segments of mail. The first three fulfill a communication function for personal correspondence, business transactions, and advertising, the postal service has a distribution function, namely the dissemination of print publications (periodicals), and shipping of goods (packages). Except for the latter, there are technological alternatives for these functions.

[34] See USPS (2007) The Household Diary Study. Mail Use and Attitudes 2007. Washington, DC: USPS; p.14.

time, people develop preference of technology use early on, and those patterns are likely to remain relatively stable as generations move through the different stages of aging. The fact that email use has become a daily activity in every age group, and that text messaging is now added as a complementary use by under 25 year-olds indicates that personal correspondence, and more and more transactions, will be shifting online.

Trend 4: The availability of alternatives eventually entails substitution effects

This holds true for both substituting e same holds true for users, the high-volume mail households are increasingly using their electronic alternatives: Between 2005 and 2007, households that received 30 or more pieces of mail each week increased the share of bills paid via Internet from 15 percent to 21 percent. Even for households that received less than 30 pieces of mail each week, the share rose from 10 percent to 16 percent.

Trend 3: Nationwide availability of technology still leaves initial gaps in service

Evidence from telecommunications shows that there are certain, and usually the same geographic areas of the country that are underserved. While these areas are sparsely populated, and thus result in a small percentage of people affected, there is a greater number of people that have lower than average ICT use because of their socio-economic status.

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Study on Universal Postal Service and the Postal Monopoly

Appendix G

Section 4

Nonpostal, Governmental, and Community Services

Christine Pommerening

Contents

1 Introduction

This section briefly discusses several programs and activities of the USPS that were not considered as elements in the calculation of the cost of the USO and the valuation of the monopolies, because they fall outside the definitions laid out in Appendix B and C. Nonpostal services arguably support basic mail delivery. Government and community services represent some of the many *public* service contributions of the Postal Service and its employees, but are not specifically related to the provision of universal *postal* service. However, this appendix presents an assessment of public needs and expectations regarding universal service, and parts of the public might consider these programs as costs or benefits associated with the current levels of universal service obligations and monopolies.

2 Nonpostal Services

As the operator of a large logistics and retail network with 37,000 offices, the USPS has the ability to offer services in addition to the collection, processing, and delivery of mail.[1] A 2006 statement by the USPS defines these 13 nonpostal services as services that either support the basic mail delivery function or utilizes assets developed for providing mail services:[2]

Supporting use of the mail:	*Utilizing mail service assets*
1. Photocopy Service 2. ReadyPost 3. Imagitas / MoverSource 4. Hybrid Mailing	1. Officially Licensed Retail Products (OLRP) 2. Dinero Seguro / Sure Money 3. FedEx Dropboxes 4. Meter Manufacturers Marketing Program 5. Affiliates 6. Phone Cards 7. Collaborative Logistics 8. Electronic Postmark (EPM) 9. Licensing Programs

[1] The extent to which the USPS is permitted to use this ability, within or without the scope of authority of the PRC, is not being discussed here. For arguments concerning this point, see the filings under PRC Docket No. RM2004 -1.

[2] Response of the United States Postal Service to Order No. 1449, Docekt No. RM2004-1, June 1, 2006.

A more recent statement identifies the following services, along with revenues generated:[3]

1. Passport Photos

As a comparatively high-priced convenience for applicants, USPS offers passport photo services. Revenue in FY07 for passport photos was $64.8 million.

2. Photocopy

Coin-operated photocopiers are operated under local contracts with commercial firms. Revenue share in FY07 was $1,766,894.

3. Notary Public

A very small number of post offices in states that allow postal employees to be notaries public provide this service. Since employees may not receive compensation for notarial services for any person during the hours of the employee's services to the government according to 39 C.F.R. §222.6(e), no revenues are generated.

4. Stored Value Cards

USPS began offering phone cards, gift cards, and prepaid cards in 1996, continuing until October 2006, and plans to offer them again in the future. Revenue estimates are not available.

5. Official Licensed Retail Products (OLRP)

Revenue in FY07 for OLRP sales was $30.7 million.

3 Government Services

As an independent establishment of the executive branch of the United States government, the USPS may be mandated or expected to perform certain services that arguably go beyond postal services. According to the 2006 statement, the scope of these

[3] Statement of Tina M. Lance on Behalf of United States Postal Service, Docket No.MC2008-1, March 19, 2008.

government services is rather limited. There are three "Inter-Agency Agreement Programs:"[4]

1. Sale of semipostal stamps to fund causes as mandated by Congress

In FY 2007, USPS sold one type of such fundraising stamps, the 55 cent Breast Cancer Research stamp. Since 1998, this program has raised $57 million, which is disbursed to NIH and DOD. (Other temporary stamps have raised smaller amounts.) USPS is not reimbursed for selling these particular stamps; however, additional costs to the USPS should be negligible.

2. Processing of U.S. passport applications

In FY 2007, USPS processed 65% of all passport applications in the country. USPS receives fees for this service that amounts to revenues of $359 million ($295million application fees plus $65 million for passport photos.)[5] The application service and fee is governed by a Memorandum of Understanding with the U.S. State Department. It should be noted that FY 2007 saw a 64% increase in applications due to changed passport requirements. Thus, revenues are lower in a typical year.

3. Registration for the Selective Service System

In FY 2007, USPS processed 4.9% or 124,000 of all selective service registrations, which are obligatory for men from the ages of 18 to 25. It is unclear whether the USPS currently receives a reimbursement for these registrations, however, costs should be negligible. In FY 2000/2001, when USPS processed about 12% of all registrations, it received $175,000 from the SSS.

4. Other Services

In 2008, the USPS has cooperated with the U.S. Department of Health and Human Services (HHS) under the Cities Readiness Initiative to test the ability of letter carriers to quickly deliver large quantities of antibiotics from the strategic national stockpile to residential addresses in case of an anthrax attack. The carriers who volunteer for the pilot

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[4] Ibid.

[5] USPS. "2007 Comprehensive Statement on Postal Operations." Washington, DC: USPS, 2007. p.16.

program are not paid or given any other incentives.[6] It is unclear whether USPS would be reimbursed if a large-scale deployment of this program ever took place, and whether USPS employees would continue as volunteers or be mandated to perform this duty.

This preparedness and response function is tied into USPS being a major part of the postal and shipping sector, which has been designated by the Department of Homeland Security (DHS) as one of now 18 critical infrastructures.[7] Like the other owners and operators in those sectors, most of them private companies, USPS is part of a voluntary planning framework, the National Infrastructure Protection Program that coordinates risk management in public-private partnerships. The costs of these measures to all stakeholders are significant, and not directly reimbursable.

There may be other services of a governmental kind that the USPS provides to federal, state, local or tribal agencies, with or without reimbursement. If those are mandated, the Unfunded Mandates Reform Act of 1995 [P.L. 104-4, March 22, 1995] may apply. It defines a federal intergovernmental mandate as “any provision in legislation, statute, or regulation that would impose an enforceable duty upon State, local, or tribal governments, except a condition of Federal assistance; or a duty arising from participation in a voluntary Federal program.”

The threshold established in UMRA for requiring Congressional consideration of intergovernmental mandates is if the net cost of complying with the mandate is likely to exceed $68 million annually (for 2008.). It appears that most mandates do not meet this threshold. For example, a May 2008 bill to make cigarettes and certain other tobacco products nonmailable (H.R. 5912) could impose an unfunded mandate to the USPS.

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[6] "H.H.S. Announces New Steps in Anthrax Preparedness." HHS Press Office, http://www.hhs.gov/news/press/2008pres/10/20081001a.htm

[7] Critical infrastructures are those assets, systems, and networks, whether physical or virtual, so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, national economic security, public health or safety, or any combination thereof. See Bush, G.W. Critical Infrastructure Identification, Prioritization and Protection (HSPD-7). Washington, DC: The White House, 2003.

However, the Congressional Budget Office (CBO) as the agency charged with making such estimates, found the following:[8]

"First, the bill would prohibit the mailing of tobacco products in the United States through the Postal Service. Information from industry experts indicates that most companies that ship tobacco products, including two tribal governments, rarely use the Postal Service to distribute their products. Therefore, CBO estimates that the cost of the mandate would be small. Second, the bill would expand the authority of the Postmaster General to issue subpoenas… CBO expects that the Postmaster General would use that authority sparingly and that the costs to private and public entities to comply with such subpoenas would be small."

Notably, CBO further contends that based on information from USPS, its current efforts relating to illegal tobacco sales would enforce the bill's provisions as part of those ongoing activities, and thus H.R. 5912 would not significantly affect Postal Service spending on such activities.

4 Community Services

With a workforce of 785,000 career and noncareer employees in 37,000 post offices, the USPS is an omnipresent nationwide institution. USPS employees are involved in a great number of activities that contribute to their communities and the society at large. Given the voluntary and often local and ad-hoc nature of these activities, it impossible to list, let alone calculate the value of, these services. However, some examples can be highlighted:

Since 1992, postal employees participating in an annual Postal Service/National Association of Letter Carriers "Stamp Out Hunger" Food Drive collect tens of million pounds of food to be distributed to needy families, making it the largest one-day effort of its kind.[9]

[8] CBO. "Cost Estimate on H.R. 5912 - a Bill to Amend Title 39, United States Code, to Make Cigarettes and Certain Other Tobacco Products Nonmailable, and for Other Purposes. As Ordered Reported by the House Committee on Oversight and Government Reform on May 1, 2008." Washington, DC: CBO, 2008.

[9] USPS. "United States Postal Service Annual Report 2005." Washington, DC: USPS, 2005. p.2.

Since 1985, USPS has cooperated with the National Center for Missing & Exploited Children in the "Have You Seen Me?" program through mailing campaigns that feature cards and circulars with photos of missing children, resulting in the recovery of 146 missing children since its inception.[10]

The provision of these volunteer services is tied to the presence of the USPS in communities around the country. As such, they are an indirect effect of a USPS operating under letter and mailbox monopolies and universal service obligations. A more complete and accurate determination of the cost and benefit of the governmental and community function of a universal service provider to the society at large is beyond the Congressional mandate for this study, but deserves further attention.

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