

GAO

Report to the Honorable
Arthur Ravenel, Jr.
House of Representatives

July 1993

PRIORITY MAIL

Advertised 2-Day
Service Is Not
Guaranteed





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-253807

July 16, 1993

The Honorable Arthur Ravenel, Jr.
House of Representatives

Dear Mr. Ravenel:

This report responds to your February 16, 1993, request that we review the advertising claims made by the U.S. Postal Service about the delivery of Priority Mail. Specifically, we agreed to (1) find out whether the Postal Service has portrayed in its advertisements that the delivery of Priority Mail within 2 days is guaranteed; (2) find out what the recent delivery experience for customers of Priority Mail has been; and (3) identify what changes, if any, the Service is making to its advertisement and delivery of Priority Mail.

Results in Brief

Priority Mail advertisements on television and in other public media used by the Postal Service clearly portray to the public that Priority Mail will be delivered anywhere in the continental United States within 2 days. Although not stated in its advertisements, the Postal Service does not guarantee delivery within 2 days. The Service's second quarter fiscal year 1993 Priority Mail processing data, which are the most currently available quarterly data, show, however, that Priority Mail was processed and available for delivery within 2 days about 77 percent of the time, on average, nationwide. Postal Service data are not available to measure actual total delivery time for Priority Mail.

On the basis of recent studies by the Postal Inspection Service and a Priority Mail task force, the Postal Service has identified (1) problems with its advertising and promotion materials, including the portrayal of Priority Mail as a seemingly guaranteed 2-day service and (2) operational problems, including airline transportation limitations, which prevent Priority Mail delivery within 2 days between certain locations. The Postal Service is changing its advertising and taking steps to improve Priority Mail delivery service.

Background

As defined in the Service's Domestic Mail Manual, Priority Mail is First-Class Mail that weighs more than 11 ounces but not more than 70 pounds. Any other mail weighing 11 ounces or less may be mailed as

Priority Mail, at the option of the mailer. To be handled on an expedited basis, Priority Mail must meet certain marking requirements.

The minimum rate for Priority Mail not exceeding 2 pounds is \$2.90. The cost increases for each additional pound, up to the maximum of 70 pounds. One exception to the per pound charge is the Priority Mail flat rate envelope. A flat rate envelope costs \$2.90 to ship as many documents as it will hold, regardless of weight. Rates for Priority Mail exceeding 5 pounds also vary by the distance they are to be delivered.

Priority Mail is one of two expedited delivery services offered by the Postal Service. The other is Express Mail, which is the only class of mail with guaranteed delivery time. Unlike Priority Mail, postage on Express Mail is refunded if the mail is not delivered when promised.

The volume of Priority Mail has grown substantially during the past year. In the Service's second quarter of fiscal year 1993, which ended March 5, 1993, it handled 147,546,000 pieces of Priority Mail—10 percent more than the same period in fiscal year 1992. Revenue from Priority Mail for the second quarter of fiscal year 1993 totaled \$521,984,000—an increase of \$24,704,000, or 5 percent, over the same period in the prior year. Priority Mail revenue represented 5 percent of revenue for all classes of mail for the second quarter of 1993.

In recent years, the Postal Service has almost doubled its advertising and promotion expenditures, including increases in advertising for its Priority Mail services. Despite its apparent popularity, some customers have complained that Priority Mail advertising is misleading because the Service's advertising implies a 2-day delivery, which it often fails to provide.

Television Advertisements and Other Promotional Materials Portray Priority Mail as a 2-Day Delivery Service

Although delivery of Priority Mail within 2 days is not guaranteed, a February 1993 Inspection Service report stated that Priority Mail advertising campaigns "strongly promoted a seemingly guaranteed two-day service." The absence of a guarantee was not made clear in Priority Mail television advertisements and other promotional material that specified delivery in 2 days, although local post office window clerks were instructed to tell inquiring customers that 2-day service was not guaranteed.

The Inspection Service reported that "Most of the advertising material on display in the lobbies or near customer windows clearly defined Priority Mail as a two-day service." It cited the familiar phrase specifying that 2 pounds would be delivered in 2 days for \$2.90 ("2 plus 2 plus \$2.90"), which appeared in promotional literature. A Priority Mail rate card available in post offices advertises "two-day delivery within continental U.S." In addition, we noted that preprinted Priority Mail envelopes used by the Service boldly display "TWO DAY PRIORITY MAIL," while the envelopes include fine print at the bottom edge stating, "SOME RESTRICTIONS APPLY. CHECK YOUR LOCAL POST OFFICE FOR DETAILS."

In April 1993, the Postal Service stopped running Priority Mail advertisements on television, radio, and in the print media and is now in the process of changing its advertising campaign. According to Postal Service officials, the new campaign will be designed to ensure that customers do not misconstrue Priority Mail advertisements to mean that 2-day delivery service is guaranteed.

Priority Mail Is Not Always Delivered in 2 Days

Despite the promotion of 2-day service, the Postal Service frequently reports that Priority Mail is not always delivered in 2 days. To measure Priority Mail performance, the Postal Service uses its internal mail processing measurement system, the Origin-Destination Information System (ODIS). ODIS is a statistical sampling system for testing and reporting on the time the Service takes to process mail from the date mail is postmarked to the date it is available to mail carriers for delivery. The Postal Service uses ODIS to assess delivery performance, but ODIS does not measure the time it takes carriers to pick up mail from collection boxes and sort and deliver the mail. Therefore, Postal Service data are not available to measure actual total delivery time for Priority Mail¹ If data were available to measure total delivery time from pickup to final destination, the Service's Priority Mail delivery service performance could be even less timely than indicated.

ODIS data for the second quarter of 1993, the most currently available quarterly data, showed that Priority Mail was processed and available for delivery, on average nationwide, within 2 days 77 percent of the time. This number is 18 percentage points lower than the Service's national performance goal of a 2-day delivery 95 percent of the time for Priority

¹Although the Service also uses the External First-Class Measurement System (EXFC) to monitor First-Class Mail delivery service, that system does not measure Priority Mail performance.

Mail and 13 points lower than its short-term goal of achieving 90 percent delivery within 2 days by the end of fiscal year 1993. Although the percentage of Priority Mail processed and available for delivery within 2 days represents no change from the same period in 1992, it means that 23 percent, or about 34 million pieces, of the Priority Mail was processed and available for delivery in 3 or more days. The percentage of Priority Mail processed and available for delivery on time varied among test periods. For example, although the performance of Priority Mail in the second quarter of fiscal year 1993, which included the busy holiday period, was 77 percent on time, its performance in the prior three quarters was 85 percent, 87 percent, and 85 percent, respectively.

The Postal Service has found the 2-day Priority Mail standard for all locations in the continental United States harder to meet than the standards established for First-Class Mail.² As previously noted, 77 percent of Priority Mail was reported as delivered in the continental United States within the 2-day standard for the second quarter of fiscal year 1993 (Dec. 12, 1992, to Mar. 5, 1993). In contrast, the percentage of First-Class Mail processed and available for delivery on time was greater during the same period. The percentages of stamped and metered overnight First-Class Mail processed and available for delivery on time were 93 and 91 percent, respectively; the percentages for 2-day mail were 84 and 86 percent, respectively; and the percentages for 3-day mail were 83 and 87 percent, respectively. The Priority Mail 2-day standard is more difficult to meet because it applies to all areas involving long distances, which are considered to be 3-day areas for First-Class Mail.³

In its February 1993 report, the Inspection Service concluded that despite the 2-day standard, Priority Mail could not be delivered to all destinations within 2 days. The report cited comments by some key Postal Service transportation officials. The officials suggested that they believed Priority Mail could not be delivered everywhere within the continental United States in 2 days. The primary reason cited by the officials was transportation limitations associated with the Service's dependence on scheduled airlines. The report noted the reduction in the (1) number of airlines, (2) number of direct airline flights, and (3) amount of airline mail-carrying capacity (especially during busy seasons) as factors limiting the Postal Service in meeting the 2-day delivery standard.

²The Postal Service has established service standards that set goals of 1, 2, or 3 days for delivering First-Class Mail. The 1-, 2-, and 3-day goals depend on the delivery distance and other factors, such as mail volume and transportation arrangements.

³During the second quarter of fiscal year 1993, 78 percent of Priority Mail was metered.

The Postal Service Is Working on Corrective Actions

In December 1992, a Postal Service task force was formed to look at ways to enhance Priority Mail service. Through its work and as a result of the Inspection Service's report and recommendations, the Postal Service is considering changes that will both clarify what service customers can expect from Priority Mail and improve operations to speed the delivery of Priority Mail.

To clarify what service customers can expect from Priority Mail, the Postal Service has under consideration a plan to publish a list of destinations that are exceptions to the 2-day standard, i.e., locations to and from which delivery time would probably exceed 2 days. Also, as we noted earlier, the Service has stopped running Priority Mail advertisements on television, radio, and in the print media and is in the process of changing its Priority Mail advertising campaign.

To improve operations, the Postal Service is taking a number of steps to eliminate or reduce internal problems that slow the delivery of Priority Mail. For example, concerning the lack of available airline capacity for transporting Priority Mail, the Postal Service is sorting Priority Mail earlier in the evening to have a greater selection of commercial airline flights, thereby increasing available capacity and on-time delivery. To assist with the sorting, the Postal Service is deploying 53 additional bulk small parcel sorters to general mail facilities throughout the United States. The last of these sorters should be in place by April 8, 1994.

The Postal Service is also trying to do a better job of identifying and sorting out Priority Mail at windows, docks, and collection boxes so that it can better meet processing deadlines. For example, Priority Mail is now being separated from other mail at the point of acceptance, i.e., local collection boxes and post offices. It is then placed in appropriately marked Priority Mail sacks for transportation to the appropriate mail processing facility. There, it is processed separately from all other classes of mail and dispatched. While it is being transported to its destination mail processing facility, processed at that facility, and transported to local post offices, it remains separate from all other mail so delivery can be expedited. In addition, the Postal Service is currently developing a system to more closely monitor the Priority Mail transportation performance of airlines and contractually hold them accountable for meeting performance expectations.

Through these and other corrective actions, the Postal Service expects to substantially improve the delivery performance of Priority Mail. In

March 1993, in testimony before the Subcommittee on Federal Services, Post Office, and Civil Service, Senate Committee on Governmental Affairs, the Postmaster General stated that the Postal Service is committed to delivering 90 percent of Priority Mail within 2 days by the end of September 1993.

Scope and Methodology

To accomplish our objectives, we gathered information about the Priority Mail program by interviewing Postal Service headquarters officials and examining documents, including a recent report of the Inspection Service, pertaining to Priority Mail policies and performance.⁴ We looked into what the Postal Service has done to evaluate whether the Priority Mail program provides the level of service its customers have been led to expect and what level of service the Postal Service reports. We analyzed quarterly ODS data from the second quarter of fiscal year 1992 through 1993 and Priority Mail volume and revenue data for the second quarters of fiscal years 1992 and 1993.

We did our work from April to June 1993 in accordance with generally accepted government auditing standards.

We discussed the results of our work with responsible Postal Service officials in Expedited Mail Services, Processing Policies and Distribution, and Rates and Classification and have incorporated their comments where appropriate. These officials generally agreed with the facts as presented in the report.

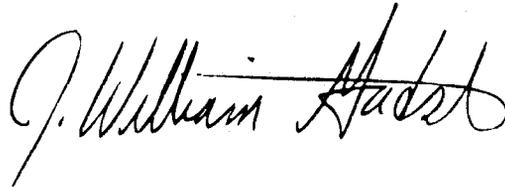
We are sending copies of this report to the Chairman, Subcommittee on Federal Services, Post Office, and Civil Service, Senate Committee on Governmental Affairs; the Chairman, House Committee on Post Office and Civil Service; the Chairman, Subcommittee on Information, Justice, Transportation, and Agriculture, House Committee on Government Operations; and the Postmaster General. Copies will be made available to other interested parties upon request.

The major contributors to this report were Michael E. Motley, Associate Director; James T. Campbell, Assistant Director; Lawrence R. Keller, Assignment Manager; and Charles F. Wicker, Senior Evaluator.

⁴Priority Mail, Postal Inspection Service, Case Number 020-1079963-AO(1) (Feb. 1993).

Please call me on (202) 512-8387 if you or your staff have any questions regarding this report.

Sincerely yours,

A handwritten signature in black ink, reading "J. William Gadsby". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. William Gadsby
Director, Government Business
Operations Issues

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