

**ORIGINAL**  
**Official Transcript of Proceedings**

*Before the*  
**UNITED STATES POSTAL RATE COMMISSION**

In the Matter of: **POSTAL RATE AND FEE CHANGE**

Docket No. **R2000-1**

**VOLUME 34**

DATE: **Friday, July 21, 2000**

PLACE: **Washington, D.C.**

PAGES: **16412 - 16602**

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OFFICE OF THE SECRETARY

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BEFORE THE  
POSTAL RATE COMMISSION

- - - - -X  
In the Matter of: :  
POSTAL RATE AND FEE CHANGE : Docket No. R2000-1  
- - - - -X

Third Floor Hearing Room  
Postal Rate Commission  
1333 H Street, N.W.  
Washington, D.C 20268

Volume XXXIV  
Friday, July 21, 2000

The above-entitled matter came on for hearing,  
pursuant to notice, at 9:35 a.m.

BEFORE:

HON. EDWARD J. GLEIMAN, CHAIRMAN  
HON. GEORGE A. OMAS, VICE CHAIRMAN  
HON. W.H. "TREY" LeBLANC, COMMISSIONER  
HON. DANA B. "DANNY" COVINGTON, COMMISSIONER  
HON. RUTH GOLDWAY, COMMISSIONER

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## C O N T E N T S

2

WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
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3

KEN C. ERICKSON

4

BY MR. SWENDIMAN	16423		16516	
BY MR. KOETTING		16482		16517

5

DAVID FRONK

6

BY MR. TIDWELL	16520			
BY MR. HALL		16552/16599		
BY MR. COSTICH		16574/16599		

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## P R O C E E D I N G S

[9:31 a.m.]

CHAIRMAN GLEIMAN: Good morning, today is our final day of hearings to receive direct testimony of participants other than the Postal Service in Docket R2000-1. In addition, today we will hear testimony sponsored by the Postal Service in response to Notice of Inquiry Number 3.

I wanted to mention a couple of items before we get started. The first is that those of you who were aware of it, the 20/20 crew that was filming in our hearing room a week or so ago has put together a piece that will appear on 20/20 tonight. I understand it will be the last segment. However, it is those editors again, there won't be any background footage of the Postal Rate Commission in action. I don't know what the specific nature of the piece is except that it is about the Postal Service and Postal Service issues, and I do know the 20/20 crew spent some time interviewing Deputy PMG Nolan.

So, for those of you who don't have anything better to do between 10:00 and 11:00 on Friday night, you may want to tune in. If I can stay awake, I will.

I notice that a number of participants have filed requests for procedural relief related to the general issues raised in Notice of Inquiry Number 3. In particular,

1 American Bankers Association, National Association of  
2 Presort Mailers have asked the Commission to essentially  
3 reject the Postal Service presentation in response to NOI 3  
4 and prohibit the Service from relying on it in its other  
5 filings.

6 Additionally, the Postal Service has filed a  
7 motion asking that the Office of Consumer Advocate, and  
8 presumably other participants, be prohibited from filing  
9 rebuttal to the testimony provided by the Postal Service in  
10 response to NOI 3.

11 And, finally, the Major Mailers Association  
12 included in its comments, in response to NOI 3, a suggestion  
13 that due process considerations should bar treatment of the  
14 Postal Service response to NOI Number 3 as amending the  
15 Service's request in this case.

16 I will set Thursday, July 27th, that is next  
17 Thursday, as the date for responses to all of these  
18 procedural contentions and will attempt to resolve the  
19 status of the responses to NOI Number 3 in a single  
20 Presiding Officer ruling shortly thereafter.

21 I have one other procedural matter to deal with  
22 this morning. Currently, we have set aside August 3rd and  
23 4th to receive evidence provided by the Postal Service in  
24 response to Order 1294. To date, we have received testimony  
25 from two witnesses, and under our schedule, the Postal

1 Service may provide additional testimony today.

2 Mr. Koetting, I request that the Postal Service  
3 determine the availability of any witnesses providing  
4 testimony in response to Order 1294 and file a statement on  
5 their availability with the Commission on Monday, the 24th.

6 MR. KOETTING: We will be happy to do that, Mr.  
7 Chairman.

8 CHAIRMAN GLEIMAN: On a related matter, in  
9 Presiding Officer Ruling Number 71, I directed the Postal  
10 Service to hold open technical conferences on the testimony  
11 and supporting data submitted in response to Order 1294.  
12 These conferences are to be held on July 26, 27 and 28. I  
13 request that the Postal Service publish a notice of the  
14 location of these conferences and the times when its  
15 witnesses will be available to clarify the materials  
16 submitted to the Commission. That notice should also be  
17 filed on or before -- well, it will be difficult to file it  
18 before, but certainly on Monday, July the 24th. The  
19 Commission would like to be able to post this information on  
20 its website as soon as possible, so if it could be filed  
21 early in the day, that would be preferable.

22 MR. KOETTING: Mr. Chairman, I believe we are  
23 hoping to file it this afternoon.

24 CHAIRMAN GLEIMAN: That be great.

25 MR. KOETTING: If not, Monday shouldn't be a

1 problem.

2 CHAIRMAN GLEIMAN: Well, if we can get it today,  
3 that would be great, and we would appreciate that, and I am  
4 sure others who are interested in attending those technical  
5 conferences would appreciate it also.

6 Also, and this may be an offer that is coming a  
7 little bit too late, if you are prepared to file the notice,  
8 it is not a requirement, but the Commission would certainly  
9 make the hearing room available if the Postal Service chose  
10 it for those technical conferences.

11 Are there any issues that anyone else would like  
12 to raise today, or questions about our activities associated  
13 with Order 1294 and Ruling 71?

14 [No response.]

15 CHAIRMAN GLEIMAN: If not, we have two witnesses  
16 scheduled to appear today, they are witnesses Erickson and  
17 Fronk.

18 Mr. Swendiman, would you introduce your witness,  
19 please?

20 MR. SWENDIMAN: Good morning, Mr. Chairman,  
21 Commissioners, Alan Swendiman appearing on behalf of  
22 Greeting Card Association and David Stover on behalf of  
23 Hallmark.

24 I would like to call to the witness stand, Dr. Ken  
25 C. Erickson.

1 Whereupon,

2 KEN C. ERICKSON,

3 a witness, having been called for examination and, having  
4 been first duly sworn, was examined and testified as  
5 follows:

6 DIRECT EXAMINATION

7 BY MR. SWENDIMAN:

8 Q Dr. Erickson, I would like to hand to you two  
9 copies of a document entitled "Direct Testimony of Ken C.  
10 Erickson on Behalf of Greeting Card Association." And I  
11 would ask you whether that was prepared by you or under your  
12 direction?

13 A Yes, it was.

14 Q Are there any corrections you wish to make at this  
15 time?

16 A There are two. One is on page 21 of the  
17 testimony, there is a typo. At line 21, change the sentence  
18 to read -- the sentence that reads "Benjamin Franklin's  
19 public interest in a low cost Postal Service cannot be  
20 separated," that should read "can be separated," from his  
21 publishing interests, for example, on page 21, deleting the  
22 word "not." Is that right? Because I changed "can" to "can  
23 not." Did I get that wrong, Alan?

24 Let me check that, make sure of that, because I am  
25 looking and referring to the changes that I am showing here.

1 [Pause.]

2 THE WITNESS: I'm sorry, that is line 21, my  
3 apology.

4 CHAIRMAN GLEIMAN: I am having some difficulty  
5 following what is happening now, folks.

6 THE WITNESS: I'm sorry, I made a mistake. I was  
7 referring to the wrong line. Here is the correct --

8 CHAIRMAN GLEIMAN: We are page 21, line --

9 THE WITNESS: Page 21, line 20. The word "cannot"  
10 should be the word "can."

11 CHAIRMAN GLEIMAN: So we should strike "cannot"  
12 and insert "can"?

13 THE WITNESS: That's correct. Sorry.

14 CHAIRMAN GLEIMAN: Okay. And the other correction  
15 or change?

16 THE WITNESS: Is on page 13, is an addition to the  
17 footnote at the bottom of page 13. Before the period, it  
18 should say "In the Consumer Revolution in Urban China,  
19 edited by Deborah S. Davis, Berkeley, University of  
20 California Press, 2000." It gives the full citation.

21 MR. SWENDIMAN: Mr. Chairman, the citation, the  
22 last line of the citation dropped off when printed.

23 CHAIRMAN GLEIMAN: That's fine. Have those  
24 corrections been made in the two copies? Well, I am going  
25 to let you proceed and then we will --

1 MR. SWENDIMAN: Mr. Chairman, one of them has, the  
2 one with regard to the citation which was just noted by Dr.  
3 Erickson a few moments ago, if you would permit me, I will  
4 handwrite that in.

5 CHAIRMAN GLEIMAN: I think that would be  
6 acceptable.

7 BY MR. SWENDIMAN:

8 Q Dr. Erickson, with those changes, do you adopt  
9 this testimony as your testimony today?

10 A Yes, I do.

11 CHAIRMAN GLEIMAN: We will give you a moment to  
12 write that in on the two copies, after which I would  
13 appreciate it if you would provide those copies to the court  
14 reporter. And after you finish making that correction, then  
15 you can move the testimony into evidence if you wish.

16 MR. SWENDIMAN: Mr. Chairman, I am handing the  
17 court reporter two copies of the direct testimony of Ken C.  
18 Erickson on behalf of the Greeting Card Association, and we  
19 would move the adoption of this testimony into the record  
20 and into evidence.

21 CHAIRMAN GLEIMAN: Is there any objection?

22 Hearing none, the corrected direct testimony of  
23 Witness Erickson will be transcribed into the record and  
24 received into evidence.

25 [Direct Testimony of Ken C.



1 Erickson, GCA-T-1, was received  
2 into evidence and transcribed into  
3 the record.]  
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*corrections  
pp. 13, 21*

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GCA-T-1

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001**

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**DIRECT TESTIMONY OF  
KEN C. ERICKSON  
ON BEHALF OF  
GREETING CARD ASSOCIATION**

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## **Appendix**

Exh. GSA-1 Ken Cleland Erickson's Curriculum Vitae

## Executive Summary

1  
2 My testimony is an anthropological analysis of the value of greeting cards  
3 that are sent through the mail in the United States. As an anthropologist, I  
4 review the anthropological perspective on culture and how greeting cards are a  
5 part of American culture. I summarize basic anthropological views of value and  
6 economics and describe how anthropologists study exchange systems and  
7 cultures that are not part of cash economies. This point of view is especially  
8 relevant to the value of greeting cards to recipients who receive them in the mail  
9 because these recipients do not pay for the greeting cards, so some measure  
10 other than or in addition to price is necessary to assess their value. An  
11 assessment of the cultural value of greeting cards to recipients is important  
12 because of the statutory requirement governing the setting of postal rates, the  
13 ECSI requirement, which dictates that the cultural value of the mail to recipients  
14 be considered. I briefly review the history of greeting cards in relation to the Post  
15 as an institution, and then review anthropological perspectives on cultural value.

16 A means of discovering cultural value of any good in a market economy is  
17 described: the itinerary approach. This approach is illustrated by following the  
18 itinerary of a greeting card from production through consumption. Then, original  
19 research conducted two years ago about the cultural salience of greeting cards  
20 is reviewed and linked to the continued American tradition of sending greeting  
21 cards through the mail. That portion of the testimony reviews how decreases in  
22 greeting cards sent would not effect all recipients of greeting cards equally, but  
23 would affect women, minorities, and low-income persons more than other  
24 Americans.

25 In my conclusions, I point out how the value of greeting cards, particularly  
26 the value to recipients, may be assessed anthropologically via objective and

- 1 trustworthy means. Assessing the cultural value of greeting cards to recipients is
- 2 an important adjunct to other methods of assessing the value of elements in the
- 3 mail stream.

1                                   **Statement of Qualifications of Ken C. Erickson**

2           I hold a doctorate in cultural anthropology from the University of Kansas. I  
3   serve as Associate Professor of Anthropology in the Department of Sociology  
4   and Anthropology at the University of Missouri-Kansas City and Director of the  
5   Center for Ethnographic Research in the College of Arts and Sciences at the  
6   University. My anthropological research and publications have focused on  
7   consumer product design in print and electronic communications, on multi-ethnic  
8   meatpacking plants in the Midwest, on immigrant/established resident relations  
9   in the United States, on Vietnamese immigrant household organization, on  
10   multilingualism, anthropological linguistics, and bilingual education. I have  
11   conducted anthropological research on AIDS/HIV prevention programs, and on  
12   bilingual access to health care.

13           I have served on the executive committee of the National Association for  
14   the Practice of Anthropology and presently represent the community of applied  
15   anthropologists on the nominations committee of my professional organization,  
16   the American Anthropological Association. I am a Fellow of the Association and  
17   a member of the Society for Applied Anthropology.

18           This summer, working with my colleagues Dr. Tanya Price and Dr. Göran  
19   Dahl, I am the principal investigator of an international study of personal  
20   networking and communication. That study is being conducted among Latinos  
21   and African-Americans in Los Angeles and Atlanta and among established-  
22   resident and newcomer Swedes in Lund and Stockholm. Much of my prior  
23   research has focused on communication and language, including research for the  
24   preparation of testimony to the Postal Rate Commission in Docket No. R97-1. My  
25   Curriculum Vitae is attached Exh. GCA-1.

1                                   **I.       Purpose and Scope of Testimony**

2           My testimony is given on behalf of the Greeting Card Association. In my  
3 testimony, I discuss from the perspective of cultural anthropology the  
4 significance of greeting cards in American culture. This inquiry is relevant to the  
5 questions before the Commission because of the statutory requirement that  
6 postal rates reflect the educational, *cultural*, scientific, and informational value of  
7 mail to the recipient. I review anthropological views of culture and describe how  
8 anthropologists link it to studies of value and economic systems.

9           Greeting cards are shown to have a long history—a history that is  
10 intimately tied to the Post Office as a social institution in societies like our own.  
11 Greeting cards have always had cultural value, as does any traditional good in  
12 any market-based society. One way of documenting this cultural value is  
13 described: the itinerary method. The itinerary of a greeting card is traced from  
14 production through use, and two kinds of cultural value that surround greeting  
15 cards are discussed: social value and symbolic value. The particular cultural  
16 salience of greeting cards for Americans is next presented, drawing on original  
17 research conducted two years ago for the Greeting Card Association. The  
18 *testimony concludes by describing the importance of studies of greeting cards as*  
19 *they are received, displayed, and used by Americans in their everyday lives.*  
20 Such research is an objective and trustworthy method of assessing the cultural  
21 value of First Class matter such as greeting cards.



## II. How Anthropologists View Culture

Anthropology, broadly conceived, is the study of our species in both historical and contemporary times. Within the American academic tradition, there are four sub-fields of anthropology—physical, cultural, linguistic, and archaeological—and each of these sub-fields has both academic and applied components. Cultural anthropology studies human cultures to understand the differences and similarities among and between groups. It also studies the features of particular cultures to understand how cultures change and persist. Studies of exchange systems and studies of consumers and markets in contemporary societies like our own are part of the focus of contemporary anthropology.<sup>1</sup>

Anthropologists view culture as a key theoretical tool for understanding human differences and similarities. One of the most widely used anthropology textbooks puts it this way:

When anthropologists speak of a human culture, they usually mean the total socially acquired life-style of a group of people including patterned, repetitive ways of thinking, feeling, and acting.<sup>2</sup>

One pattern that all human cultures share is an ability to create meaning and assign value. The two are related, from an anthropological standpoint, because cultural value does not inhere in things themselves, but is derived from the interaction of things and sociocultural systems. In other words, meaning comes out of the presence of a set of symbols that are put to work in social

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<sup>1</sup> Glassie, Henry. *Material Culture*. Bloomington: Indiana University Press (1999 ); Miller, Daniel *Acknowledging Consumption: A Review of New Studies*. Routledge: London (1995).

<sup>2</sup> Harris, Marvin. *Culture, Nature: An Introduction to General Anthropology*. New York: Harper and Row (1985) p. 114.

1 interaction. This is an anthropological view of meaning that is at the core of most  
 2 anthropological (and many linguistic) studies of human symbolic systems. In the  
 3 case of greeting cards, ways in which anthropologists might approach cultural  
 4 value - and the way an objective assessment of statutorily recognized  
 5 educational, cultural, scientific, and information, or "ECSI" value to recipients of  
 6 mail can begin to be formed - can be understood by focusing an anthropological  
 7 lens on economic systems.

### 8 **III. Anthropological Perspectives on Value and Economics**

9 As an applied cultural anthropologist, I can offer some basic insights  
 10 about how anthropology views economic systems in general. The  
 11 anthropological perspective on economics may shed some light on the cultural  
 12 value of greeting cards that come in the mail.

13 Here, again, is a textbook view of the anthropological approach:

14 All cultures have an economy, a set of institutions that combine  
 15 technology, labor, and natural resources to produce and distribute goods  
 16 and services. To the extent that economizing takes place—that is,  
 17 minimizing costs and maximizing benefits—it always takes place in a  
 18 definite cultural context, and it is always embedded in institutional  
 19 relationships such as kinship or politics.<sup>3</sup>

20 It is an anthropological truism that for most of human history, and  
 21 perhaps, for most humans in recent times, arguments about price elasticity of  
 22 goods are meaningless. This is because the appearance of money economies is  
 23 a recent phenomenon. The arrival of money is tied to the development of  
 24 complex forms of social organization, to state societies such as those that  
 25 produce Postal Services and Postal Rate Commissions. For most people and  
 26 for most of human history, reciprocal exchange in which value cannot be

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<sup>3</sup> Harris (Ibid). p. 247.

1 measured by price has been the mainstay of human economic systems. Most  
2 people for most of human history have not used price to assess value.

3 While our present-day society may lean heavily on price-based studies of  
4 value to determine important questions such as those raised in these  
5 proceedings, anthropologists have often been forced by their non-market subject  
6 matter to develop other means of evaluating non-money based exchange.  
7 These methods are useful in both complex and simple societies. These tools are  
8 derived from exploratory research tools in the social sciences, particularly  
9 ethnography.

10 These methods are designed to capture what people do and say in real  
11 life, in a lived human context. But a part of that context exists outside the  
12 present moment in the memories and retellings (or re-writings) of past human  
13 events. Anthropologists have to take into account the fact that cultures do not  
14 appear over night and neither do rituals, symbols, or greeting cards. So history,  
15 for an anthropologist, is seen as part of the present context through which  
16 people make sense out of their lives. Making sense of the cultural value of  
17 greeting cards requires at least a passing understanding of their history.  
18 Importantly, the history of greeting cards is closely tied to the history of national  
19 postal systems.

#### 20 **IV. Greeting Cards and the Post**

21 Greeting cards have been around for a long time. There is some  
22 suggestion that they have been in use even before mass production printing.  
23 Greeting cards with more precisely documented historical and cultural

1 provenience appear in Great Britain by the middle of the last century.<sup>4</sup> Their  
 2 spread is tied to emerging technological and political changes, changes that  
 3 crossed national borders just as they do today and that, just as they do today,  
 4 link the mailed greeting card—a material embodiment of interpersonal social  
 5 life—to national interests and to the technical and strategic interests of the  
 6 marketplace.

7       The development of printing technology and marketing strategies by  
 8 printers came along at just about the same time as the British penny post and  
 9 the signing of the first international postal accords. The first global postal  
 10 convention, signed in Austria in 1869, approved for the first time the international  
 11 use of the 123mm by 83mm open-faced postal card that we know today.  
 12 Greeting cards had been mass-produced for domestic use in England as early  
 13 as 1843.<sup>5</sup> But after the postal convention, greeting cards really took off. In  
 14 1895, Gleeson White wrote that “a complete set of all designs published in  
 15 England alone would include at least 200,000 examples.”<sup>6</sup> Greeting cards arose  
 16 right along with modernity and are part of what makes a contemporary nation a  
 17 part of the community of nations.

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<sup>4</sup> The historical importance of greeting cards was discussed in my testimony before the Postal Rate Commission in Docket No. R97-1. Historians like Kombolin, Yuri Pozdravitelnaia Otkrytka v Rossii: Konets XIX Veka-nachalo XX Veka. The Greeting Card in Russia: End of the 19th Century—Beginning of the 20th Century. (Russian and English) Kiiesa Malen, trans. Sankt-Petersburg: Trade House Konstantin (1994) point out that greeting cards have been part of the culture of Europe since the invention of printing. Ernest Dudley Chase, in The Romance of Greeting Cards Dedham, MA: Rust Crraft Publishers (1956) points out that greeting cards were known in the mid-1400s. There are Chinese parallels—printed greetings that were exchanged during seasonal rituals—that pre-date these European cards by a thousand years, according to Mary Erbaugh, “Greeting Cards in China: Mixed language of Connections and Affections,” In Deborah Davis, editor, The Consumer Revolution in Urban China. Berkeley, CA: University of California Press (2000).

<sup>5</sup> Buday, Gyorgy. *The History of the Christmas Card.* London: Rockliff (1954).

1           Across from Washington, D.C.'s Union Station, some words are written in  
2 stone atop two Ionic pillars that frame the entrance of what was at one time the  
3 principal post office in our nation's capital:

4           Messenger of Sympathy and Love  
5           Servant of Parted Friends  
6           Consoler of the Lonely  
7           Bond of the Scattered Family  
8           Enlarger of the Common Life

9           These words represent one vision of the mission and mandate of the  
10 United States Postal Service. Today, this building is no longer a post office, but  
11 the United States Postal Museum.

12           Whatever the purpose of the building, the Postal Service remains an  
13 enlarger of the common life. Despite email and the telephone, people still use  
14 the U.S. mail to communicate with friends and loved ones and to celebrate and  
15 re-produce American cultural traditions. How well the Postal Service promotes  
16 understanding and love, abets the subjective ebb and flow of social life, provides  
17 social glue for families and broadens the scope of shared experience can be  
18 measured in objective and empirical ways. Since for purposes of rate setting the  
19 governing statute requires attention to cultural value -- along with other non-  
20 economic forms of value -- these measurements should be of use to the Postal  
21 Rate Commission. This testimony will suggest one arena in which the Postal  
22 Service plays that role: as the means through which greeting cards are received  
23 by ordinary Americans.

24           For recipients of greeting cards, the mail has cultural value.

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<sup>6</sup> White, Gleeson *Christmas Cards and Their Chief Designers*. London: Offices of the Studio (1895) p.4.

1           Some measures of the value of greeting cards and other First Class mail  
2   to recipients will no doubt include volume and price calculations. The inscription  
3   on the old Post Office building is multidimensional in its range of meanings. So  
4   are the criteria that the Postal Rate Commission uses to evaluate and  
5   recommend requests for changes in postal rates. Anthropological research often  
6   deals with issues that are outside the scope of everyday economic exchanges -  
7   issues such as those that are put up for public display above the entrance to the  
8   former Main Post Office Building in Washington, D.C.

9           Greeting cards are a valuable and venerable part of our culture and  
10   everyone seems to agree that greeting cards have cultural value. But how can  
11   one measure the value to recipients of greeting cards that come in the mail?

## 12                                   **V.   Anthropology and Cultural Value**

13           Anthropologists are interested in all kinds of value and all kinds of  
14   exchange systems - not just those very recently invented systems like market  
15   economies.

16           It has been suggested that one - perhaps the only - "objective" way to  
17   measure the value of greeting cards to recipients is at the point of sale of a  
18   stamp. The economist witness Bernstein, in responding to GCA/USPS-T41-6,  
19   writes that sending a birthday card "reflects the mailer's view of the value of the  
20   birthday card to the recipient." While this may in some respects be true, the  
21   mailer's and the recipient's views of the value of that birthday card to the  
22   recipient are not necessarily congruent.

23           While the price paid by the sender is one way to measure the value of a  
24   greeting card to the recipient - as seen by the sender - an anthropological  
25   perspective suggests additional objective means of establishing the value of  
26   greeting cards or any other good in the marketplace. In fact, a large body of

1 recent anthropological research and analysis deals with this very problem. I will  
 2 review some of this research and analysis to help understand one item of  
 3 American culture - the greeting card that is sent through the mail.

4 While I am not an economist, it appears that in most economic analysis of  
 5 the value of goods, particularly the econometric analyses used to explore  
 6 relationships between price and purchasing, value is measured in monetary  
 7 terms. Anthropologists often measure prices, too (though they turn to economists  
 8 to understand econometric models of the complex relationships among prices  
 9 and goods over time). But many goods in cultural systems are not bought or  
 10 sold. Some things are given as gifts. Some items are exchanged for other items.  
 11 And some material goods—like greeting cards and letters—arrive in the mail  
 12 without the recipient having to pay the sender or the letter carrier. The value of  
 13 such things, the value to recipients, cannot be directly established with reference  
 14 to the price paid for them in a market setting. Anthropologists have developed  
 15 methods to account for and establish the value of these kinds of goods.

16 Anthropologists often conduct their research through participation and  
 17 observation within a cultural setting. This means they are able to directly  
 18 observe exchanges as they happen. Anthropologists can observe how any item  
 19 of material culture is used. These observations result in empirical descriptions of  
 20 objects in their cultural contexts of use. It is an anthropologically accepted fact  
 21 that an understanding of the specific nature - or price - of any consumer good  
 22 does not offer a complete account of its social or cultural value.<sup>7</sup> With a

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<sup>7</sup>Writing about food consumption, anthropologist Sydney Mintz provides an example of the anthropological view of objects: "The specific nature of the consumed substances surely matters; but it cannot, by itself, explain why such substances may seem irresistible." "The Changing Role of Food in the Study of Consumption." In *Consumption and the World of Goods*, John Brewer and Roy Porter, editors. Routledge: London (1993) " p.271.

1 knowledge of local systems of meaning (languages, expectations, histories and  
 2 desires), anthropologists explore the value of goods from multiple perspectives.  
 3 And, sometimes, anthropologists are able to explore the entire life of a good.<sup>8</sup>

4 Anthropologist Dominique Desjeaux, a specialist in material culture, calls  
 5 the entire life of any good its "itinerary." <sup>9</sup> The itinerary is the route or path that a  
 6 good takes in time and space from its conception through its production,  
 7 distribution, merchandising, sale or exchange, uses, and eventual disposal. By  
 8 understanding the itinerary of a good, anthropologists can uncover multiple  
 9 cultural values that people assign to it at any point in its itinerary. This approach  
 10 is useful to objectively trace the multiple values of any good in any cultural  
 11 system: greeting cards, for example.

## 12 VI. Exploring the Itinerary of a Greeting Card to Discover its Cultural Value

13 Tracing the cultural values of a greeting card along its itinerary is a way of  
 14 assessing the cultural value of greeting cards that are sent and received in the  
 15 mail. Like any consumer good, a greeting card has to be designed and  
 16 manufactured. And, like many consumer goods, it is modified after purchase  
 17 and used in ways that may or may not be congruent with the expectations of  
 18 managers, marketers, distributors, retailers, or letter carriers. From design to  
 19 disposal, a greeting card can come to have multiple kinds of cultural value  
 20 placed upon it by the people who interact with it and through it. By sketching the  
 21 itinerary of a greeting card, starting with its manufacture, I will try to show how  
 22 cultural meanings grow and interact up to the point at which the Commission's

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<sup>8</sup>In anthropological terms, the word "goods" refers to those items of human material culture that are part of exchange systems. They are items that are traded or purchased, items that circulate in money economies or in other systems of exchange.

<sup>9</sup> Desjeaux, Dominique. Quand Les Français Déménagent. L'Harmattan: Paris. (1999).



1 specific assignment begins -- the purchase of postage to mail the greeting card.  
 2 In other words, the same cultural factors govern the design, distribution, choice,  
 3 and recipient appreciation and use of the card.

4 In complex processes such as greeting card manufacturing, the many  
 5 actors involved in design and production will value greeting cards in different  
 6 ways. A manager, in charge of artists and writers whose collaborative labor will  
 7 result in a prototype greeting card, may be concerned about its eventual sales  
 8 success. Or, she may be concerned about the impression that the greeting card  
 9 may have on her supervisor. A press operator would be concerned about the  
 10 special characteristics of the greeting card, about the dies that must be made to  
 11 cut the greeting card, about the inks or foil, and so on through the process of  
 12 manufacturing, distributing, and merchandising the product. To be sure, one  
 13 could determine the economic value of each greeting card with reference to each  
 14 person whose salary depends upon its production. But this economic value by  
 15 no means represents the total value, importance, or meaning of the greeting  
 16 card to each person in these early stages of the card's itinerary.

17 The material features of a greeting card—the writing on it, the ink and foil  
 18 and paper—condition the work that must be performed to produce the greeting  
 19 card. The work of making greeting cards has a particular cultural value that is  
 20 linked to (though not determined by) its material features. This is true of any  
 21 workplace.<sup>10</sup> And work at each step in the itinerary of the greeting card is linked  
 22 to personal and social histories, to what Bourdieu would call a *habitus* - a set of  
 23 cultural patterns that exist outside of conscious awareness that are a blend of  
 24 human history and contemporary materiality—a blend of social life and things—

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<sup>10</sup> Lalmphere, Louise, Alex Stepick, and Guillermo Grenier. *Newcomers in the Workplace*. Philadelphia: Temple University Press (1994).

1 that is reproduced in the making of the good.<sup>11</sup> So one kind of cultural value  
 2 found in *greeting cards* is in the cultural value of the work that must be performed  
 3 to make the card. This work constitutes a demonstrable, and empirically  
 4 verifiable, cultural link to the cultural value of greeting cards as part of an  
 5 American cultural tradition.

6 The social and symbolic value(s) of greeting cards at any point in their  
 7 itinerary are not fixed but are relative to the people who are creating, selling, or  
 8 using them. The cultural values that a greeting card carries are transformed into  
 9 new values, new meanings, as the greeting card moves through its itinerary.  
 10 This discussion of the production of greeting cards is offered to highlight the fact  
 11 that there are many kinds of value beyond the value measured by price, that  
 12 these values may be ascertained empirically through participation, observation  
 13 and/or interviews of the people engaged in making greeting cards. And, of  
 14 course, greeting card manufacture is a part of the cultural value of greeting cards  
 15 to people who send and receive them.

16 The ways in which people buy, modify, send, and receive greeting cards  
 17 is also dependent upon context. The meanings of greeting cards found in their  
 18 use—their social and symbolic value—may vary depending upon the contexts of  
 19 their exchange and display and may be discovered empirically.

20 Study of greeting cards as they are actually used has been conducted in  
 21 Europe, the United States, and in China.<sup>12</sup> Anthropological research has

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<sup>11</sup>Bourdieu, Pierre. Distinction: A Social Critique of the Judgement of Taste. Cambridge, MA: Harvard University Press (1984).

<sup>12</sup> Erickson, Ken C. Original ethnographic and survey research on the cultural value of greeting cards was reported in Direct Testimony of Ken C Erickson on Behalf of Greeting Card Association. Postal Rate and Fee Changes, 1997, Docket No. R97-1. Pabson, Stephen. "From Symbolic Exchange to Bureaucratic

1 highlighted the symbolic and social value that greeting cards hold to people who  
 2 send and receive them—these are part of the consumption stage of a greeting  
 3 card's itinerary.

#### 4 **VII. Greeting Cards in Use: Their Social and Symbolic Roles**

5 For the purposes of this testimony, it is useful to distinguish two related  
 6 cultural dimensions of value: the social and the symbolic. These can be  
 7 understood as subsets of cultural value. Social value in this sense refers to the  
 8 ways in which the exchange and use of greeting cards acts on social  
 9 relationships. Symbolic value refers to the semiological or meaningful dimension  
 10 of greeting cards. Greeting cards contain cultural symbols that are displayed in  
 11 public and these symbols help to reproduce important cultural beliefs and  
 12 ideas—including the kind of deeply held and unconscious notions that form the  
 13 bases for the rules (or regularities) that are behind the things that members of a  
 14 culture say and do.

15 Any ethnographic research on greeting cards—that is to say, research  
 16 that is conducted through interviews about or observations of actual instances of  
 17 greeting card use—will uncover instances of at least three kinds of social  
 18 functions that greeting cards can have. It is likely that hand-written letters also  
 19 have these functions. These are

- 20 To create new relationships
- 21 To extend or expand new relationships
- 22 To limit or attenuate relationships

23 For example, a greeting card may be sent to someone to whom you have  
 24 no relationship: a new co-worker, for example. Teachers may send out greeting

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Discourse: The Hallmark Greeting Card. *Theory Culture and Society* (1986) pp. 99-111. Greeting Cards in  
 China: mixed language of connections and affections by Mary S. Erbaugh, p. 171-200, in *The Consumer  
 Revolution in Urban China*, edited by Deborah S. Davis (Berkeley:  
 University of California Press, 2000).

1 cards to parents to welcome their children to school and in so doing convey and  
2 mark the beginning of a new relationship that did not exist before. Greeting  
3 cards, through their materiality, are able to be displayed. This means they are  
4 able to make social relationships take on a material form. Telephone calls and  
5 interpersonal speech can not do this. This material feature of greeting cards  
6 make them especially effective ritual means of marking and creating new  
7 relationships in our culture.

8 Greeting cards can extend and expand new relationships. The purchase  
9 of a greeting card that expresses a new or deeper emotion than might have been  
10 considered part of a past relationship can bind the sender and recipient in an  
11 exchange of emotional attachment that might not have been present before it  
12 was marked in a greeting card. We have found that many people with whom we  
13 have spoken in our research rely on greeting cards to say "just the right words."  
14 Having "just the right words" to accomplish some social end is an important  
15 feature of both written and formal speech in many cultures. But extending  
16 relationships can be risky—the wrong words can create new social debts where  
17 they may not be wanted, or deliver a message not close enough when a bit of  
18 distance is called for.

19 Greeting cards cannot only create or enhance relationships, they can  
20 create a kind of distance. Research has shown that many people are concerned  
21 about saying too much, or about expressing some emotion that does not reflect  
22 the attenuated or distanced nature of some family or friendship relationship.  
23 Having the right greeting card to send can thus provide the right kind of social  
24 distance that might be difficult if the sender and recipient were caught together in  
25 a spontaneous (and therefor more risky) interaction. I have seen a response by  
26 Postal Service witness Virginia Mayes, in which she states:

1           An argument could be made . . . that greeting cards  
2           or other personal correspondence would have high  
3           value for the recipient, but I can think of certain  
4           circumstances - such as a greeting card from a local  
5           merchant or from a despised relative - that would  
6           render this argument invalid.   [Response to  
7           GCA/USPS-T32-2 (a).]

8       From an anthropological perspective, however, a greeting card from a business -  
9       or even a "despised relative" - that expressed the proper degree of emotional  
10      distance might have a very positive value to the recipient: it could show that the  
11      sending party shared, or at least respected, the recipient's wish for a more  
12      attenuated relationship. Obviously, there are many instances in which greeting  
13      cards are welcomed - a reason they are sent.

14           Besides these three social values, greeting cards carry symbolic value.  
15      Greeting cards, by blending images and text, reproduce in narrative and artistic  
16      forms ideas about relationships—about how they should be, about how they can  
17      be represented, and about the culture in general—and they do so in public.  
18      Greeting cards can be seen as a kind of performance that acts out meanings for  
19      others to see, assess, and re-interpret on their own as they put the card to work  
20      in social relationships. The symbolic value of a greeting card lies in its ability to  
21      reproduce and reflect existing assumptions about what is appropriate, right,  
22      good, bad, or funny about human relationships. Greeting cards offer a kind of  
23      market-based consensus of what we think about ourselves, our associates and  
24      our families. Greeting cards that accurately reflect what we want to say to and  
25      about one another sell better than cards that do not. Consumers, for example,  
26      often talk about how a greeting card "fits" a particular social relationship. The  
27      symbolic value of a greeting card is always available to be put to work in social  
28      relationships. In conjunction with particular social needs, the symbolic value of  
29      greeting cards is brought to life through greeting card exchange and display.

## VIII. The Salience of Greeting Cards for Americans

By sending and displaying greeting cards, senders and recipients of greeting cards participate in the enactment of particularly American cultural traditions. Anthropological research on greeting cards in the United States was reported in my testimony to the Postal Rate Commission in 1997. That research was based on observations and interviews in U.S. greeting card shops. The research showed that greeting cards have a cultural life of their own, that they play roles in the celebration of American family rituals, and that greeting cards facilitate much more than me-to-you communication.<sup>13</sup>

The anthropological, participant-observation research was supplemented by a telephone survey. That survey resulted in an analysis of data from a statistically robust sample of Americans about the cultural salience of greeting cards. The survey research supported the conclusion that greeting cards are highly salient elements in the celebration of family rituals and that they are used to maintain and enhance social ties. In addition, the survey demonstrated that, for Americans, greeting cards are especially salient at moments of family transition or difficulty. And, importantly, we found significant variation in the salience of greeting cards according to ethnicity and income. Lower income people and people who identified as African-American or Latino felt that greeting cards were more important than did high-income people or Euro-American people.

For example, seventy-seven percent of the respondents agreed or strongly agreed with the statement that greeting cards that come in the mail "help me know that others are thinking of me in a time of mourning," and the same

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<sup>13</sup> Erickson (1997) p. 15.

1 numbers were obtained when respondents were asked about illness. The next  
2 most salient feature of greeting cards concerned "sharing a good laugh with  
3 others." This shows how greeting cards are part of sociability and, because  
4 humor can only make sense in a cultural context, how greeting cards support  
5 culturally-mediated notions of what is funny and what is not—key features in the  
6 cultural make-up of any language or culture. The next most salient feature of  
7 greeting cards from the survey concerned the celebration of holidays and special  
8 occasions. Seventy-two percent of respondents agreed or strongly agreed that  
9 greeting cards they received "helped them celebrate."

10 The data showed that decreases in the receipt of greeting cards would  
11 have a differential effect according to ethnicity and income. For example,  
12 African-Americans "attach more importance to most greeting cards at all levels  
13 than do other groups. Greeting cards sent through the mail are especially  
14 important to the low- and middle-income groups in the sample."<sup>14</sup> It was clear  
15 that decreases in greeting card receipt would have a differential impact on these  
16 groups.

17 I have continued to conduct research on the consumption of greeting  
18 cards in American Culture. That research has demonstrated two critical features  
19 about greeting cards: their importance in display, and their importance in the  
20 social lives of women.

21 In a non-card related study in a Midwestern grade school, our research  
22 team was struck by the importance of the display of greeting cards and letters  
23 that came in the mail. We found that greeting cards and letters are not simply  
24 consumed when they are read. They are displayed, passed around, and

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<sup>14</sup> Erickson (1997) p. 42.

1 presented as material evidence of family social connections. This will come as  
2 no surprise to any American with a refrigerator capable of holding a magnet.  
3 One household we visited was actually embarrassed to point out, while we were  
4 touring their kitchen, that there was nothing to be seen posted on the  
5 refrigerator. It was a new one, they said, and they had not been able to re-post  
6 the "kid art" and usual notes that they had on display before the new refrigerator  
7 arrived.

8         The point is that the cultural value of greeting cards includes their display.  
9 This fact was mentioned in my earlier testimony in Docket No. R97-1 because  
10 we learned that greeting cards were often passed around for other family and  
11 friends to read. And the survey demonstrated that it is the expectation of  
12 senders that recipients of greeting cards will put them on display for a time.

13         In her recent article on greeting cards in the People's Republic of China,  
14 Mary Erbaugh echoes this point. "Offices from factories to universities now  
15 display elaborate arrangements of Christmas and New Year's greeting cards for  
16 months at a time."<sup>15</sup> Her work, and my own recent research, provide additional  
17 empirical, observational support for the notion that greeting cards in the United  
18 States and elsewhere are not simply read and tossed away. They may be  
19 displayed and in some cases even collected and saved. This suggests an  
20 important social value - social because the greeting cards are displayed for  
21 others to see, read, and comment upon. They have more than the one-to-one  
22 exchange value measured by price paid by an individual for a greeting card.

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<sup>15</sup> Erbaugh (2000) p.192.



1           Thus, the consumption stage in the itinerary of a greeting card is a time  
2           during which the non-economic value of a greeting card becomes especially  
3           evident. But these data do not exhaust the social value of greeting cards.

#### 4           **IX.    The Value of Greeting Cards to Extending Women's Social Roles**

5           The cultural value of a greeting card extends beyond the moment of its  
6           exchange in person or its delivery to the home or post office box with the mail  
7           packet. This is clear. But setting that exchange in context reveals that by far  
8           the majority of greeting card senders and recipients are women. This has  
9           implications for the importance of greeting cards that come in the mail in  
10          contemporary American culture.

11          What special roles might greeting cards play in women's lives that makes  
12          them especially important? Recent research away from the United States can  
13          provide a clue. In China, as in the United States, women are the primary  
14          senders and recipients of greeting cards. There, women's public and private  
15          roles and economic and social power had been more constrained than they are  
16          now. Chinese women's roles are expanding. "Changing roles for women make  
17          greeting cards especially attractive, even as they trace a reworking of gender  
18          boundaries and increasing participation in previously male-dominated written  
19          discourse. Cards offer commercialized validation of women's broader and more  
20          complex relationships outside the home."<sup>16</sup>

21          Anthropologists recognize that some social systems are more male-  
22          dominated in public economic and political spheres than are other cultures. And  
23          women's roles in the United States, of course, are often the subject of public

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<sup>16</sup> Ibid p. 194.

1 discussion and are viewed as having changed and continuing to change. Our  
 2 own research shows how women in the United States use greeting cards to  
 3 extend and manage social relationships—to thank relatives for taking time to  
 4 baby-sit, to engage neighbors in patterns of exchange and helping, and to  
 5 enculturate children, particularly daughters, in the annual round of rituals that  
 6 mark and celebrate what family means to Americans.<sup>17</sup>

#### 7 **X. Culture Change and Greeting Cards**

8 If the price of sending a greeting card through the mail were to increase,  
 9 what would that mean to people for whom greeting cards are especially salient?  
 10 When greeting cards are not received in the mail, what are the results?

11 The survey conducted two years ago demonstrated that all Americans  
 12 would not be equally affected by a reduction in the number of greeting cards  
 13 received because greeting cards are more salient for women, lower-income  
 14 people, Latino-Americans and African-Americans than they are for other  
 15 Americans. So the lack of a greeting card received is the lack of an opportunity  
 16 to reciprocate with another greeting card. Every greeting card not received is a  
 17 lost opportunity for the maintenance of informal exchange systems, an exchange  
 18 system that trades information about family and friendship relationships and all  
 19 that these entail.

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<sup>17</sup> While there is no doubt a strong connection between commercial interests and family celebration of rituals like Mother's and Father's day, our knowledge of these ritual occasions shows that family participation often extends beyond the range of products (cards, gifts, party goods and decorations) offered for sale and use. Americans participate in these rituals not because they are slaves to the companies that manufacture the goods that are implicated in the celebration of these rituals. Americans participate in them because they have social and symbolic value.

1       The social and symbolic value of greeting cards to recipient's points to  
2   some possible results of fewer greeting cards received in the mail. Fewer  
3   greeting cards received would signal an attenuation in ritually marked social  
4   relationships. And it would limit the kinds of public artistic and textual forms to  
5   other media.

## XI. Conclusions

7           The Postal Service is a creation of the state, just as Inca roads and quipu-  
8   carrying runners were creations of earlier American states. And it is a creation  
9   with a codified role that cannot be measured with recourse to the tools of  
10   classical economics alone. The Service has a cultural and social role, one that  
11   ties it to the emotional needs of the people it serves.

The Post institutionalizes the low-cost linking of individuals and communities that helps make the very idea—that imagined idea—of a nation coherent and tangible.<sup>18</sup> This aspect of the post—its ability to bring people close together who are otherwise separated—appears to be inscribed in the history of the institution from its very beginnings. This is a social and symbolic value, perhaps not one that is easily entered into a traditional economic calculus. At the same time, economic rationality, profit making, and the marketplace were, from the earliest American historical accounts, also part of the early discussions about how a national postal service ~~can~~<sup>see</sup> be constituted. Benjamin Franklin's public interest in a low-cost postal service can not be separated from his own publishing interests, for example. Early day politics of the United States Post Office brings two discourses into sharp relief: one is about rational economic


<sup>18</sup> Anderson, Benedict R. *Imagined Communities: Reflections on the Origin and Spread of Nationalism*. London: Verso (1983).

1 interests; the other is about social and cultural value. This testimony and the  
2 Commission's own ECSI mandate continue that discussion.

3       Culture encompasses and transcends economics. In addition to the use  
4 of existing information, further study of the cultural contribution of greeting cards  
5 and other First Class matter could and should be a cornerstone in the process of  
6 developing a set of objective and trustworthy measures of the value of First  
7 Class letters and greeting cards. Of course, further studies could be made by  
8 following actual Americans as they conduct their daily lives, interviewing them,  
9 and documenting the importance of greeting cards and other First Class matter  
10 to them. Such research would be a powerful adjunct to other research  
11 approaches and might well enhance the Postal Service's and the Postal Rate  
12 Commission's national goals.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding on this date in accordance with section 12 of the rules of Practice and Procedure.

  
Alan R. Swendiman

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Dated: May 22, 2000

Attorney for  
Greeting Card Association

Exh. GCA-1

## Curriculum Vitae

### **Ken C. Erickson, Ph.D.**

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### **Education and Training**

Ph.D. Cultural Anthropology, University of Kansas, 1995.

M.A. Cultural Anthropology, University of Wyoming, 1985.

Certificate, Public Broadcasting Management. The Wharton School, University of Pennsylvania. 1984.

B.A. Anthropology, cum laude, Washington State University, 1976.

### **Professional and Academic Experience**

Director, Center for Ethnographic Research, College of Arts and Sciences, UMKC, 1998-present.

Research Associate Professor, Department of Sociology, Anthropology, and Administration of Justice, UMKC. 1996 - Present.

Senior Research Associate, Chapter I/Title I and Bilingual Education, Research and Training Associates, Overland Park, KS. 1995.

Program Coordinator (Federal Equity Programs for Race, Gender, and National Origin Programs), Kansas Department of Education. 1994 - 1995.

Education Program Consultant (Kansas and Federal Bilingual Education and English as a Second Language Programs), Kansas Department of Education. 1990 to 1994.

Senior Research Associate, LTG Associates, Turlock, CA and Tacoma Park, MD. 1992 - present.

Social Services Administrator (Refugee Programs Administration), Kansas Department of Social and Rehabilitation Services. 1983 - 1990.

Station Manager, KANZ-FM Public Radio. Garden City, Kansas. 1982-1983.

Program Director, Account Executive, News Director, Broadcaster. WDLW Boston/Waltham MA; KBUF, Garden City, KS. 1980 - 1983.

Graduate Research Fellow (Study of Puerto Rican neighborhoods and family stress and support). Department of Anthropology. Brandeis University. 1980-1981.

### **Recent Publications and Reports**

(Publications indicated by p; contract and grant reports by r.)

r2000 Tools and Style. Presentation to Consumer Design Group, Motorola Corporation, March.

1999 Postal Modernism and Anthropological Relevance at Hallmark Cards, Inc. Anthropology Newsletter.

1999 (with Eduardo Davel, HEC Montréal and Alain Robichaud, U. Montréal) 'Sons' of the Fathers: Liberty from the Primal Scene in Two Fathered Corporations. Standing Conference on Organizational Symbolism's Annual Program, Edinburgh, Scotland. July.

1998 (with Jane Gibson, KU, and Lori Givan, Hallmark Cards, Inc.) Creative Family Satisfaction Panel. Hallmark Cards, Incorporated.

1998 It's all in the Cards: Knowledge Management at Cinderella Greetings, Incorporated. Invited paper for the session: Reframing Knowledge Management: Anthropological Perspectives on Knowing and Acting, organized by Jeanette Bloomberg & Julian Orr for the Annual Meeting of the American Anthropological Association, Philadelphia, PA.

p1998 (with Patti Sunderland) Where Our Weird Halloween Traditions Come From Washington Post. Horizon's Section. October 11.

r1998 Collaborative Evaluation Training Curriculum and Power Point (tm) Deck. Public Housing Resident's Council of Kansas City. Kansas City, MO.

r1998 (with Stan Moore) Exploratory Ethnographic Assessment of HIV Risk Among Immigrant Men in Southwest Kansas. Kansas Department of Health and Environment, Division of Infectious Diseases. Topeka, Kansas.  
(<http://umkc.edu/cer/projects>).

1998. Talking About Meat: How Immigrant Meatpackers and their Supervisors Communicate. Invited presentation in the panel discussion on Changing Ecologies of Technical Work Practice and the Ethnographic Stance, organized by Phil Henning, International Congress of Anthropological and Ethnological Sciences, College of William and Mary, Williamsburg, VA.

1998. The Global in the Local: Doing Team Ethnography in the Meatpacking Industry on the U.S. High Plains. Invited paper presented in the session on interdisciplinarity sponsored by the University of Missouri-Kansas City Social Science Consortium of the Interdisciplinary PhD Program, Society for Socioeconomics, Vienna, Austria.

r1998 (with Elizabeth Berkshire) Uinta County Communities Ethnographic Assessment. Uinta County Affiliate of the Wyoming Foundation, Evanston, Wyoming.

1998. I Just Put My Boyfriend in the Trunk: Doing Gender in the Packinghouse Town. Presented at the session entitled Garden City, Kansas: A Decade of Research on Changing Ethnic Relations during the Annual Meeting of the Central States Anthropological Society, Kansas City, MO.

r1997. Card Stories: Mother's Day In-Store Ethnography Report. Prepared for Seasons Cards Division and Hallmark Cards, Incorporated Business Research Division, Kansas City, Missouri.

p1997 (with Don Stull) Doing Team Ethnography: Warnings and Advice. Beverly Hills, CA: Sage.

r1997 In-Store Innovation and Las Vegas Site Visit Report. Prepared for Hallmark Cards, Incorporated Business Research Division.

r1997 (With D. Perez and M. Skidmore) Anti-Gang Evaluation Report. Prepared for the Kansas City, Missouri Police Department.

p1996 Muscle and Meat: Rewriting a Story of Progress. In The Story of Progress. G. Sta Arvastson, Ed. Studia Upsalensis No. 17. Uppsala, Sweden: Acta Universitatis Upasliensis

p1996 (with Don. Stull) Management and Multiculturalism. Meat&Poultry 42(4):44-50.

1995 Skillful Butchers in a Deskkilled Packinghouse: An Ethnographic Study of a Boxed-Beef Factory. PhD Dissertation, Department of Anthropology, University of Kansas, Lawrence.

r1995 Literature Review: Bi/multilingual Service Delivery in Community and Migrant Health Clinics. Paper prepared for the U.S. Department of Health and Human Services and LTG Associates. 1995.

1995. Culture Against Knowledge: Power at the Center Applied at the Margins. Paper presented at the annual meetings of the Society for Applied Anthropology, Baltimore, MD.

p1994 Guys in White Hats: Short-Term Participant Observation Among Workers and Managers. In Newcomers in the Workplace: Immigration and the Restructuring of the U.S. Economy. L. Lamphere, Ed., Pp. 78-98. Philadelphia: Temple University Press.

p1994 The Anthropologist as Radio Producer. In Media Anthropology. S. Allen, Ed., Pp. 145-160. New York: Avondale.

r1994. (with Don Stull) Walking the Talk: Language and Cultural Issues at Branding Iron Beef [pseud.], Incorporated. Manuscript.

1994. How Tobacco Won the West (and Why Tobacco Control Isn't Winning it Back): Anthropological Encounters with the Marlborough Man. Prepared for LTG Associates, Inc. funded by the Robert Wood Johnson Foundation's SmokeLess Evaluation. LTG Associates, Turlock, California.

p1993 (with D. Stull and M. Broadway) The Price of a Good Steak. In Structuring Diversity: Ethnographic Perspectives on the New Immigration. Louise Lamphere, Ed., Pp. 35-64. Chicago: University of Chicago Press.



p1993 Assessing Mental Health Needs in a Packinghouse Town. Journal of the High Plains Society for Applied Anthropology. April.

r1990 (with Stull, Donald D., J. Benson, M. Broadway, M. Grey and A. Campa) Changing Relations: Newcomers and Established Residents in Garden City, KS. Final report to the Ford Foundation. Lawrence, KS: Institute for Public Policy and Business Research. Report No. 172.

p1990 New Immigrants and the Social Service Agency: Changing Relations at SRS. Urban Anthropology 19(4):387-407.

p1988 Vietnamese Household Organization in Garden City, Kansas: Southeast Asians in a Packing House Town. Plains Anthropologist 33(119):27-36.

#### Recent Presentations

1998 (forthcoming: January) Ethnographic Perspectives on Organizations and their Trading Partners. Invited presentation for Solelectron Corporation, Milpitas, California.

1998 (forthcoming: December) Ethnography and Market Research. Invited ,ÀForum,À Presentation: Hallmark Cards, Incorporated, Kansas City, Missouri.

1998 It's All In the Cards: Knowledge Management among Suits and Creatives at Cinderella Greetings, Incorporated. Invited paper presented in the session on Knowledge Management, Julian Orr, Organizer, Annual Meeting of the American Anthropology Association, Philadelphia (December).

1998 (With Joe Stornello, PhD.) Ethnography and New Product Development. Invited Presentation for Con Agra Frozen Foods, Inc. Omaha, Nebraska, October.

1998 (with Lori Givan et al. ) Five Family Satisfaction Panel Study Results and Video. Prepared for Creative Advisory Board and Hallmark Cards, Incorporated Business Research Division.

1997 Making Meat Among Mexicans, Southeast Asians, and Anglos: Industrial Slaughter On the High Plains. Invited paper presented to the 1997 Fellows of the Shelby Cullom Davis Center for Historical Studies, Princeton University, Princeton, NJ.

1997 Feeling Family: Mother's Day Cards and Their Stories. Presentation for Hallmark Business Research, Hallmark, Incorporated, Kansas City, MO.

1997 Mother's Day Messaging. With Lori Givan and Kemp Strickler, Hallmark Business Research. Presentation to Hallmark creative executives.

1997 Crossing Ritual Borders: Cultural Change in Celebrations and Gift Giving. Presentation for Hallmark continuing education program.

1997 That Mom/Mother Thing: Invited presentation; Hallmark Creative Advisory Group.

1996 (with Don. Stull) Management and Multiculturalism. Invited presentation at the Annual Meeting of the Western States Meat Association, San Francisco, California.

1995. Southeast Asians in Southwest Kansas: Ethnic Identity Formation. Invited lecture, American Studies graduate course, University of Kansas.

1995. SmokeLess States Ethnographic Evaluation: Illinois and Kansas. Report prepared for the LTG Associates and George Washington University for submission to the Robert Wood Johnson Foundation.

1994 Lao Classroom Discourse: Audio from Kansas, Video from Thailand. Paper presented at the Illinois Statewide Conference for Teachers of Linguistically and Culturally Diverse Students, Chicago, IL.

1994 Language, Culture, and Disability. Keynote address. Midwest Association for Behavior Disorders. Kansas City, MO.

1993 What Social Workers Don't Know can be Fatal: Appropriate Cross-Cultural Human Services Delivery to New Immigrants in Kansas. Invited Workshop. Governor's Conference on Human Services, Topeka, KS.

1992 Jobs for Anthropologists. Invited lecture for undergraduate students. Department of Anthropology, Duke University, Durham, NC.

1992 Language and Cultural Diversity. Invited presentation for managers and principals at Topeka USD 500. Topeka, KS.

1992 Native Language and Literacy: What is Reading? Southwest Regional Adult Educator's Conference, Dodge City, KS.

### **Recent Grants and Consulting**

Sprint PCS Ethnographic Capacity Building.

Crawford County Pritchett Trust Needs Assessment.

Hallmark Business Research Technical Assistance.

HIV/AIDS Demonstration Project Evaluation. Centers for Disease Control, Kansas Department of Health and Environment, United Methodist Mexican American Ministries. 1998-1999. .

HIV/AIDS Ethnographic Assessment among Latino Men in SW Kansas. Kansas Department of Health and Environment.

Kansas City, Missouri Career Ladder Program. Office of Bilingual Education and Minority Language Affairs. (Not funded).

Kansas City, KS COPS Grant Evaluation. (With Prof. Alarid).

Uinta County Futures Assessment. Uinta County, Uinta County Affiliate of the Wyoming Foundation. 1997.

Greeting Card Association, Research on Cultural Salience of Greeting Cards, 1997.

Hallmark Business Research. Mass Channel Research. 1997. .

Hallmark Business Research. Store Redesign Research. 1997. .

Enhancing the Capacity of SAVE, Inc. [AIDS/HIV housing]. Spring and Summer, 1997.

Public Housing Resident's Council and HUD. 1996-1998.

1996 Single Women's Strengths: Life Histories of Lincoln Garden's Residents. UMKC Faculty Research Grant. (With Professor Kristin Esterberg; Fall, 1996.

Anti-Gang Project Evaluation. (With Professors Max Skidmore and Doug Perez). Fall 1996 and Winter, 1996.

#### **University Courses Taught**

Urban Anthropology, Applied Anthropology, UMKC.

Graduate Readings and Research in Sociology and Anthropology, UMKC.

Sociological and Anthropological Research Methods, UMKC.

Sociological Research Methods: graduate course, UMKC.

Qualitative Research Methods: graduate course, UMKC.

Talk Like an American: Sociolinguistics and American Speech: UMKC continuing education course.

Cultural Issues in the (In)Equality of Schooling: UMKC continuing education.

Introduction to Linguistics: Fort Hays State University continuing education .

#### **Language and Related Proficiencies**

Spanish; fluent speaking, reading, and writing.

Vietnamese; good speaking, some reading and writing.

Swedish; fair speaking, reading, and writing.

French; some speaking; fluent reading, some writing.

Portuguese: fair reading.

Lao and Thai; some speaking.

Wind River Shoshone, Tetela (Bantuan): some linguistic ethnography.

SPSS, spreadsheets, NUD\*IST, ANTHROPAC, ETHNOGRAPH, DBASE, etc.

#### **Service**

Nominations Committee, American Anthropological Association, 2000

University of Pennsylvania, College of Education. Edmund T. Hamman, PhD (committee)

UMKC. 7 PhD committees, 3 MA committess (to 12/99)

Member, Social Sciences Institutional Review Board, UMKC.

Treasurer, National Association for the Practice of Anthropology. 1996-1998.

National Association for the Practice of Anthropology. Video Production Committee. Governing Council Member at Large, National Association for the Practice of Anthropology, 1991-1994.

National Association for the Practice of Anthropology. Annual Meeting Workshop Chairperson. 1993, 1994.

National Association for the Practice of Anthropology. Student Award Committee Chairperson. 1991, 1992.

**Professional Memberships**

Fellow, American Anthropological Association; Treasurer, National Association for the Practice of Anthropology, unit of the American Anthropological Association; Member, International Union of Anthropological and Ethnological Sciences; Member, Society for Linguistic Anthropology; Member, Council on Anthropology and Education; Member, Society for Applied Anthropology; Member, Society for Socioeconomics.

1 CHAIRMAN GLEIMAN: Dr. Erickson, have you had an  
2 opportunity to examine the packet of designated written  
3 cross examination that was made available earlier today?  
4 Those are the questions --

5 THE WITNESS: Yes.

6 CHAIRMAN GLEIMAN: -- that were previously asked  
7 of you in writing that have been designated for the  
8 transcript.

9 If those questions were asked of you today, would  
10 your answers be the same as those you previously provided in  
11 writing?

12 THE WITNESS: Yes, they would.

13 CHAIRMAN GLEIMAN: That being the case, counsel,  
14 if I could ask your assistance, if you could provide two  
15 copies of that material, I believe it is out there on the  
16 table, to the court reporter, I will direct that the  
17 material be received into evidence and transcribed into the  
18 record.

19 [Designated Written  
20 Cross-Examination of Ken C.  
21 Erickson, GCA-T-1, was received  
22 into evidence and transcribed into  
23 the record.]  
24  
25

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF GREETING CARD ASSOCIATION  
WITNESS KEN C. ERICKSON  
(GCA-T-1)

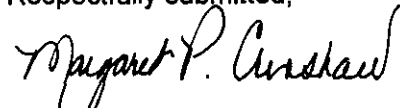
Party

United States Postal Service

Interrogatories

USPS/GCA-T1-1-7

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Margaret P. Crenshaw".

Margaret P. Crenshaw  
Secretary

INTERROGATORY RESPONSES OF  
GREETING CARD ASSOCIATION  
WITNESS KEN C. ERICKSON (T-1)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

USPS/GCA-T1-1  
USPS/GCA-T1-2  
USPS/GCA-T1-3  
USPS/GCA-T1-4  
USPS/GCA-T1-5  
USPS/GCA-T1-6  
USPS/GCA-T1-7

Designating Parties

USPS  
USPS  
USPS  
USPS  
USPS  
USPS  
USPS

**RESPONSE OF GREETING CARD ASSOCIATION  
WITNESS ERICKSON TO  
UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/GCA-T1-1. Please refer to the following passage which appears on page 8 of your testimony:

It has been suggested that one – perhaps the only – “objective” way to measure the value of greeting cards to recipients is at the point of sale of a stamp. The economist witness Bernstein, in response to GCA/USPS-T41-6, writes that sending a birthday card “reflects the mailer’s view of the value of the birthday card to the recipient.” While this may in some respects be true, the mailer’s and the recipient’s views of the value of that birthday card to the recipient are not necessarily congruent.

a. With respect to the first sentence of that passage, please identify your understanding of exactly who made the suggestion to which you refer in this sentence, and exactly where that suggestion appears.

b. Please confirm that witness Bernstein, in his response to GCA/USPS-T41-6, identifies at least three cost factors which the sender implicitly or explicitly weighs against the perceived value of sending a birthday card – the cost of the time it takes, the cost of the card itself (e.g., \$1.75), and the cost of the postage (e.g., 33 or 34 cents). If you cannot confirm, please explain fully.

c. Would you agree that the time it takes to send a greeting card may include the time it takes to get to a retail location, the time it takes to select a card, the time it takes to purchase the card once selected, the time it takes to sign or otherwise annotate the card, the time it takes to retrieve the recipient’s complete address and address the envelope, the time it takes to obtain postage (if none is already on hand), and the time it takes to mail the card? If you do not agree, please explain fully.

d. Please confirm that individuals who mail greeting cards are also likely to be the recipient of greeting cards. If you cannot confirm, please explain fully.

**RESPONSE:**

a. I refer to witness Bernstein’s response to GCA/USPS-T41-6. My reading of that response suggested to me that, for purposes of setting postal rates, the price of postage was seen by witness Bernstein as the best and most



**RESPONSE OF GREETING CARD ASSOCIATION  
WITNESS ERICKSON TO  
UNITED STATES POSTAL SERVICE INTERROGATORIES**

objective means of measuring value to recipients because, as witness Bernstein states at the beginning of his response, "mail services are a joint activity between the sender and the recipient. . ." Witness Bernstein goes on to note the costs associated with sending the card, which are not, in my analysis, the same as the cultural value of the greeting card to the recipient.

b. Confirmed.

c. I do agree that those time factors enter into the purchase of a greeting card and the purchase of postage for that card, if none is at hand. Of course, these do not directly reflect or predict the quantitative or qualitative value of the greeting card to the recipient.

d. Confirmed.

**RESPONSE OF GREETING CARD ASSOCIATION  
WITNESS ERICKSON TO  
UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/GCA-T1-2.

a. Do you agree that your testimony describes at some length what you believe to be the cultural value (e.g. social value, symbolic value, etc.) of greeting cards? If you do not agree, please explain fully.

b. Would you agree that the consumer research you discuss in section VIII of your testimony indicates that consumers are quite cognizant of the cultural value of greeting cards? If you do not agree, please explain fully.

c. Please confirm that consumers can reasonably be expected to take the cultural value of greeting cards into account when deciding whether to send a greeting card on any particular occasion. If you do not confirm, please explain full.

**RESPONSE:**

a. I agree, with this clarification. I take the social value of greeting cards to be different than their cultural value. Likewise, their symbolic value may be different, both qualitatively and, depending upon the measurement scheme devised by the researcher, quantitatively from the cultural value of greeting cards as well. The social, cultural, and symbolic dimensions of greeting cards are different. Symbolic and social values may be represented and reproduced in the cultural tradition of sending greeting cards, but these do not exhaust the cultural value of greeting cards. My testimony focuses on the cultural value of greeting cards.

b. I disagree. I would say that consumers are aware of some of the potential social value of a particular instance of greeting card sending—especially if they are the senders. And I would agree that in a general way, many

**RESPONSE OF GREETING CARD ASSOCIATION  
WITNESS ERICKSON TO  
UNITED STATES POSTAL SERVICE INTERROGATORIES**

consumers are aware of some of the cultural value of greeting cards. But not all consumers share the same knowledge of the value of greeting cards.

It is a well-accepted premise in anthropology, and in the human sciences generally, that elements of culture have a reality beyond that which is known by members of a culture. That is, many features of culture exist outside of daily conscious awareness. For that reason, I believe that consumers are not "quite cognizant" of the cultural value of greeting cards.

c. Not confirmed. It is unlikely that all or even most consumers are fully aware of even the more accessible and immediate social values of greeting cards. Without being present when greeting cards are received, it is difficult for senders to know exactly what the recipient does with the card. What the recipient does with a greeting card is, I believe, an indicator of the kinds and degrees of value greeting cards hold for a particular recipient. Senders take only some of the cultural value of greeting cards into account--they are aware of some of the immediate social value in sending the card, which is but one part of its cultural value. See also response (b), above.

**RESPONSE OF GREETING CARD ASSOCIATION  
WITNESS ERICKSON TO  
UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/GCA-T1-3. Please refer to page 9 of your testimony, where you discuss gifts and other material goods that arrive in the mail without being paid for by the recipient.

a. Would you agree that a material good (for example, a piece of jewelry) that arrives in the mail has different cultural value to the recipient depending upon whether it is a gift or has merely been ordered by the recipient from a catalog? If you do not agree, please explain fully.

b. Do you believe that the Postal Rate Commission should attempt to determine what proportion of material goods traveling in various subclasses of mail are gifts, in order to have the requisite information on cultural value to be able to recommend appropriate rates for each subclass? If not, please explain fully.

**RESPONSE:**

a. I agree that gifts and purchases have different cultural value.

b. It is my understanding as a lay person that the Postal Rate Commission is required by statute to consider ECSI criteria in setting postal rates. I believe that there are patterns in the kinds of cultural value present in different sub-classes of mail that could be the subjects of empirical inquiry. I cannot speculate a priori about the extent to which knowledge of such differences might assist the Postal Rate Commission.

**RESPONSE OF GREETING CARD ASSOCIATION  
WITNESS ERICKSON TO  
UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/GCA-T1-4. Please refer to page 9 of your testimony, where you discuss gifts and other material goods that arrive in the mail without being paid for by the recipient.

a. Do you believe that advertising catalogs received in the mail (for which recipients do not pay) have different value to different recipients? Please explain your answer fully.

b. Do you believe that advertising catalogs (for which recipients do not pay) have cultural value? Please explain your answer fully.

c. Are you aware of any studies, by anthropologists or anyone else, addressing the cultural value of advertising? If so, please identify those studies, discuss your general understanding of their conclusions, and indicate how those conclusions compare with your conclusions regarding greeting cards.

d. Would you agree with a restatement of the sentence on lines 18-20 on page 10 of your testimony to the effect that "[f]rom design to disposal, an advertising catalog can come to have multiple kinds of cultural value placed upon it by the people who interact with it and through it"? If not, why not.

e. Are you aware of any studies that examine the "itinerary" of an advertising catalog? If so, please provide a citation for any such studies, and state their general conclusions.

**RESPONSE OF GREETING CARD ASSOCIATION  
WITNESS ERICKSON TO  
UNITED STATES POSTAL SERVICE INTERROGATORIES**

**RESPONSE:**

a. Advertising catalogues received in the mail no doubt have different value to different recipients. The social value of any good received in the mail (and other dimensions of value as well) will depend on the relationships between that good and the social lives of those who interact with that good.

b. All material objects that form part of any culture have cultural value. Advertising catalogues are a part of American culture and have cultural value. I have not studied the particular cultural value of advertising catalogues, but as everyone knows, they are not the same as greeting cards -- their cultural value is different.

c. I am aware of studies by anthropologists of the advertising industry. One well-known contemporary study was conducted by Daniel Miller in Trinidad, and reported in Chapter 5 of his book, Capitalism: An Ethnographic Approach (New York: Berg, 1977). Miller documents how the interplay between local and extra-local forces shape advertising campaigns for soft drinks in Trinidad (where soft drinks are called sweet drinks). His analysis is congruent with my analysis of greeting cards in several ways. First, he demonstrates how commodity products are reshaped and reinterpreted when they are purchased, used, and disposed of in different social and cultural settings. And Miller demonstrates how the cultural complexities in sweet drink production in Trinidad relate to wider cultural features in Trinidadian society. He also shows how the cultural value of sweet drinks--

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and the institutions that surround them—hold somewhat different cultural value in different segments of Trinidadian society.

Two other studies come to mind. One by Frederick Errington and Deborah Gewertz appears in Vol. 98 No. 1 of the 1996 edition of the journal American Anthropologist. Their article, "The Individuation of Tradition in a Papua New Guinean Modernity" (at pages 114-126) documents the reproduction and reshaping of traditional cultural images by advertising. Another is by Susan Terrio, in the same issue of that journal. Her article, "Crafting *Grand Cru* Chocolates in Contemporary France" (at pages 67-79) details the itinerary of a commodity product—chocolate—and shows how it reflects some elements of French national culture and reshapes other elements. All these studies show how changes in traditions are shaped by the interplay of local and global cultural forces, including market forces; all these studies focus on the cultural value of contemporary material goods by documenting their manufacture, marketing, and use. Note, however, that the cultural values and effects addressed in the studies differ from those associated with greeting cards.

d. Within the narrow scope of interaction that is framed by a mail order catalogue, I agree that multiple kinds of cultural value are placed on the catalogue by those who interact with it and through it. On the other hand, my ethnographic understanding of American household consumption suggests that individuals do not communicate using catalogues in the same way that they

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communicate by using greeting cards. I don't agree that people interact through the use of mail order catalogues, as the revised quotation might suggest.

e. No.



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USPS/GCA-T1-5. At the top of page 9 of your testimony, you identify the item of American culture that you are addressing in your testimony as "the greeting card that is sent through the mail." The explicit limitation of your analysis to cards that travel through the mail appears in several parts of your testimony (e.g., pg. 4, line 2; pg. 8, line 11; page 10, lines 14-15).

a. Is the cultural value of a greeting card exchanged in person different than the cultural value of a greeting card that is mailed? Please explain your answer fully.

b. Wouldn't your "itinerary" methodology be the ideal way to explore any differences in the cultural value of cards that are mailed and cards that are not? Please explain your answer fully.

c. For purposes of setting postal rates, wouldn't you agree that differences in cultural value which relate specifically to the ability to send greeting cards by mail would be much more relevant than the general proposition that greeting cards have cultural value (upon which you claim, at line 10, page 8, that an apparent consensus already exists)? Please explain your answer fully.

**RESPONSE:**

a. Yes, a greeting card exchanged in person has a different cultural value than one that is mailed. A greeting card that comes through the mail travels to its destination through a postal service, an important cultural feature of nearly every contemporary culture. Greeting cards may be given in person; the social and symbolic value of this kind of giving varies considerably with the occasion and with the relationship between giver and receiver. The cultural value of greeting cards, generally, is manifested and reproduced in both kinds of giving. But for some consumers, especially those for whom travel - and hence meeting face-to-face with those from whom greeting cards may be received - is difficult, greeting cards that come through the mail have a greater potential of

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actually being received and are, therefore, of special importance to the maintenance of the cultural tradition of greeting card exchange.

b. Yes, this method could explore the difference in the cultural value surrounding both kinds of greeting cards. An ethnographic exploration of the itinerary of a greeting card that comes in the mail would explore the context surrounding the sending and receipt of the card, including the constraints and incentives that surround its sending, use, display and disposal.

c. As a non-lawyer, I can only speculate on what might be most relevant, but I believe that attention paid to "differences in cultural value which relate specifically to the ability to send greeting cards by mail" may ignore the cultural value of greeting cards to recipients. It is the value of greeting cards to recipients that is the main focus of my testimony.

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USPS/GCA-T1-6. You present your testimony as an apparent response to the question "how can one measure the value to recipients of greeting cards that come in the mail," which is posed at lines 10-11 on page 8 of your testimony.

a. Would you agree that, at least in the context in which the term appears in your testimony, the primary purpose of "measuring" an item or category of items is to create a frame of reference by which other items or category of items can be compared to the item or category of items under analysis? If not, please explain fully.

b. What is the unit of measure of cultural value that you employ in your testimony? Please explain fully.

c. If someone were interested in comparing the cultural value of greeting cards sent through the mail with the cultural value of other items sent through the mail, such as magazines, books, collectables, tapes, museum catalogs, goods ordered from museum catalogs, newspapers, etc., how would your testimony assist in that objective? Please explain fully.

**RESPONSE:**

a. I disagree. In many cases of ethnographic research, the purpose of measurement is to determine if a category of thing exists or not. Often, measurement of a cultural feature is done for comparative purposes - but such comparisons are not always the goal sought. The creation of a "frame of reference," as I understand the term, derives from the theoretical approach—the epistemological and ontological stance adopted by the researcher(s). Measurement can not determine a frame of reference, though it may reflect it. Whether a measurement allows comparison depends upon the nature of the scale of measurement employed.

b. My testimony is not focused on numerical measurement but instead aims to describe how value may be understood in context.

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I have in prior research devised a scale of cultural salience for individual questions about key elements of the cultural value of greeting cards. This was reported in my testimony. An aggregate measure of the partial cultural value of greeting cards, limited to the questions asked, could be derived from those responses. My testimony describes the cultural value of greeting cards to recipients, and suggests that cultural value can be documented through empirical study of the itinerary of the greeting card.

In any case, a single unit of measurement would not be adequate to describe the cultural value of a greeting card. (I believe most of my colleagues would agree that measurements are a sort of focused and narrow description, often amenable to statistical study). Narrative, non-quantitative description, such as that produced by the study of actual human behavior in its context, can be considered a kind of measurement but not the kind of measurement that lends itself to tests of statistical significance. There is little doubt, however, that such qualitative descriptions have substantive significance. I maintain that such descriptions have substantive significance for evaluating the cultural value of greeting cards.

c. Further study might suggest parallels. The itinerary approach might be a valuable way to study the cultural value of other items sent and received through the mail. But my testimony is directed at the cultural value of greeting cards, and without a review of specific cultural features like catalogues or

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collectibles, it is difficult to know exactly how—or whether—my testimony might be of use.

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USPS/GCA-T1-7. Please refer to lines 8-9 on page 20 of your testimony, where you poses [sic] the question "[i]f the price of sending a greeting card through the mail were to increase, what would that mean to people for whom greeting cards are especially salient?"

a. Please confirm that the cultural value of a greeting card is unaffected by the price of the postage at which it is sent. (In other words, even if the price of mailing a greeting card were to increase from 33 cents to 34 cents on a given date, the cultural value of any particular card sent by the same sender to the same recipient would be the same whether it was sent before or after the rate increase.) If you cannot confirm, please explain fully.

b. Please confirm that the aggregate cultural value of greeting cards is affected by an increase in the rate of postage only to the extent that the rate increase causes fewer cards to be sent. If you cannot confirm, please explain fully.

c. Does your testimony provide any basis to assess the extent to which the relevant rate increase proposed by the Postal Service to send a greeting card (33 cents to 34 cents) would cause fewer cards to be sent? Please explain your answer fully, unless it is an unqualified "No."

**RESPONSE:**

a. Not confirmed. My testimony does not address the particular value of a greeting card, but the cultural value of greeting cards generally as part of American culture. If, as economists describe it, the volume of mail is effected by the price of postage, then I would expect the volume of greeting cards sent through the mail to decrease as postage increases. The volume of cards is one indicator of their cultural value, as is their presence or absence in the mailpacket among a group of potential receivers.

b. Not confirmed. The cultural value of greeting cards is not evenly distributed among Americans. My research has shown that greeting cards are

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more salient, in the aggregate, among certain kinds of consumers, particularly lower income Americans, African Americans, and Latinos. For this reason, a decrease in the number of greeting cards does not reduce the cultural value of greeting cards in a uniform, linear way.

c. No.

1 CHAIRMAN GLEIMAN: Is there additional written  
2 cross examination for this witness?

3 If not, that brings us to oral cross examination,  
4 and the Postal Service is the only party that's requested  
5 oral cross examination of the witness.

6 Is there anyone else who wishes to cross examine  
7 Dr. Erickson?

8 [No response.]

9 CHAIRMAN GLEIMAN: If not, then Mr. Koetting, you  
10 may proceed when you are ready.

11 MR. KOETTING: Before I begin, Mr. Chairman, do  
12 you want to deal with the Category 2 Library Reference?

13 CHAIRMAN GLEIMAN: Thank you, sir. I appreciate  
14 you reminding me.

15 Dr. Erickson does have a Library Reference, which  
16 is a Category 2 Library Reference, and as such it should be  
17 moved into evidence and not transcribed into the record.

18 If you would like to make that motion, counsel, we  
19 will deal with that matter.

20 MR. KOETTING: Thank you, Mr. Chairman.

21 MR. SWENDIMAN: We would move into evidence the one Library  
22 Reference filed with the Commission, Library Reference  
23 GCA-1, constituting the direct testimony of Dr. Erickson in  
24 R97-1.

25 CHAIRMAN GLEIMAN: That Library Reference will be



1 received into evidence but not transcribed into the record.

2 [Library Reference GCA-1 was  
3 received into evidence.]

4 CHAIRMAN GLEIMAN: Thank you, counsel, and thank  
5 you, Mr. Koetting, and if I haven't missed anything else  
6 that I need to be reminded of, fire when ready.

7 MR. KOETTING: Thank you, Mr. Chairman.

8 CROSS EXAMINATION

9 BY MR. KOETTING:

10 Q Good morning, Dr. Erickson.

11 A Good morning.

12 Q Could you please refer to your response to Postal  
13 Service Interrogatory Number 1, subpart (a).

14 A All right.

15 Q And the purpose of this question was to try to  
16 nail down exactly who you thought was making the suggestion  
17 that you stated on page 8 of your testimony, and if I  
18 understand your answer you were saying that what you had in  
19 mind was Postal Service Witness Bernstein's response to GCA  
20 Number 6, is that correct?

21 A That is correct.

22 Q Do you happen to have a copy of Witness  
23 Bernstein's response handy?

24 A Not in front of me, no.

25 MR. KOETTING: If I could, Mr. Chairman, I will

1 share that with the witness and everyone else because we  
2 will be referring to it.

3 CHAIRMAN GLEIMAN: Certainly.

4 [Pause.]

5 BY MR. KOETTING:

6 Q Now, the suggestion that we're talking about that  
7 appears on page 8 of your testimony was that one, perhaps  
8 the only, objective way to measure the value of greeting  
9 cards to recipients is at a point of sale of a stamp.

10 That was the statement, that was what you stated  
11 in your testimony had been suggested, in and Subpart (a) we  
12 just went over it. You're saying that it was Witness  
13 Bernstein's response to this interrogatory that contained  
14 that suggestion.

15 Would it be correct for me to say that in the  
16 course of your response to Subpart (a) -- and I guess I'm  
17 referring essentially to the last sentence there -- that you  
18 have essentially acknowledged that Witness Bernstein's  
19 response to Number 6 does not exactly say what you implied  
20 in your testimony?

21 A Well, I think I acknowledge that Witness Bernstein  
22 does talk about things that a person does when they send a  
23 greeting card, other than simply buy the stamp, and I was  
24 acknowledging that.

25 Q So, instead of Witness Bernstein saying it is only

1 the price of postage, he very explicitly includes two  
2 additional elements beyond the price of postage, correct,  
3 and that's the price of the greeting card and time and  
4 effort involved in selecting and sending it, correct?

5 A Right, that a sender does do those things, right,  
6 sure.

7 Q So, just to make it perfectly clear, the original  
8 statement that he was focusing exclusively on the point of  
9 sale of the stamp leaves something to be desired, shall we  
0 say?

1 A Well, the point I was making was that, for  
2 example, I was -- let's refer for a moment, if I can, to  
3 Bernstein's response where he says that the value to the  
4 recipient is included in the sender's demand curve for mail.

5 And based on my understanding of how a demand  
6 curve is measured, that has to be measured using something  
7 like price.

8 So, when we're referring to a demand curve for  
9 mail, we're not talking about the cultural value of a card  
10 to a recipient, so in that sense, I was trying to point out  
11 that an element of value is missing in Bernstein's analysis,  
12 and that value is the cultural value to recipients that did  
13 not, to me, seem to be taken <sup>into</sup> account ~~of~~ in his comments.

14 And, in fact, the way in which the value to  
15 recipients was accounted for was in reference -- based on my

1 understanding of what he was saying -- was with reference to  
2 price. He does, of course, talk about the other factors  
3 that go into buying the card, but those things don't account  
4 for the value to the recipient in the same way that an  
5 analysis of, say, ~~wa~~ an anthropological analysis of greeting  
6 cards as they are actually used and received might do.

7 Q Okay, well, let's talk about that a little bit. I  
8 think what you just restated is the very last -- same  
9 sentiment that you expressed in the last sentence of your  
10 response to Subpart (a).

11 A Yes.

12 Q And you say that, you know, in your mind, cultural  
13 value is something different. So, let's -- we might come  
14 back to this, but let's for now go on to cultural value  
15 directly.

16 And I'd like to direct your attention to  
17 Interrogatory 2, Subpart (a).

18 COMMISSIONER LeBLANC: Mr. Koetting, that's  
19 USPS/GCA-2?

20 MR. KOETTING: That's correct, thank you,  
21 Commissioner LeBlanc. Let me clarify that the only  
22 interrogatories to this witness are from the Postal Service.  
23 When I refer to anything this morning, it will be shorthand  
24 for USPS/GCA-T1.

25 COMMISSIONER LeBLANC: I thought that, but I just

1 wanted to make sure.

2 MR. KOETTING: Thank you for that clarification.  
3 That is helpful.

4 BY MR. KOETTING:

5 Q In the second sentence of Subpart (a) there, you  
6 say that the social value and the cultural value of the card  
7 are different. In the third sentence, you say that the  
8 symbolic and the cultural value of cards are different.

9 And in the fourth sentence, you repeat that the  
10 social, cultural, and symbolic dimensions of cards are  
11 different.

12 And I found that a little confusing, because on  
13 page 13 of your testimony -- and I'm specifically looking at  
14 lines 5 through 7 -- you state that it is useful to  
15 distinguish two related cultural dimensions of value, the  
16 social and the symbolic.

17 And you further state that these can be understood  
18 of subsets of cultural value. So I'm confused as to are  
19 they different or are they part of cultural value?

20 A I include social and symbolic value as part of  
21 cultural value, as subsets of cultural value.

22 Q Okay, fine; that makes it clearer. Let's look to  
23 your response to Subpart (c) of that same question, Postal  
24 Service Interrogatory Number 2.

25 [Pause.]

1 A Yes?

2 Q In Part (c), we asked if you would agree that  
3 consumers can be expected to take the cultural value of  
4 greeting cards into account when deciding whether to send  
5 the card on any particular occasion.

6 And you did not completely agree, and in part of  
7 your response, in the third sentence, you stated that,  
8 quote, "without being present when greeting cards are  
9 received, it is difficult for senders to know exactly what  
10 the recipient does with the card;" do you see that?

1 A Right.

2 Q At this point, what I'd like to do is to take a  
3 look back at your testimony in the last case that we've just  
4 entered into evidence as a Category II Library Reference.

5 Do you have that with you?

6 A Yes, I do.

7 MR. KOETTING: I have a copy of the entire Library  
8 reference for counsel, if he's interested.

9 THE WITNESS: Actually, I don't have it before me;  
10 I have it in my computer, but not in front of me.

11 MR. KOETTING: That's fine. I have copies.

12 [Pause.]

13 MR. KOETTING: I have distributed to the  
14 Commissioners just copies of the pages that I will be  
15 referring to, but I believe the witness and counsel do now

1 the complete Library Reference.

2 BY MR. KOETTING:

3 Q I'd like to look at the bottom of page 17 starting  
4 on line 18. It reads, "For example, we found that some  
5 greeting cards are put out on display after they are  
6 received. This makes their contents available for review  
7 and comment by other friends and family members. This  
8 possibility was taken into account and talked about by  
9 people who bought cards. They sometimes bought cards more  
10 carefully they said because they knew that their cards would  
11 not just be viewed and decoded by the recipient alone."

12 Is that still your testimony?

13 A Yes, it is.

14 Q Okay. Let's look over at the top of the next page,  
15 page 18, lines 4 through 5.

16 There is another passage that -- talking about  
17 other types of cards -- where you say they "were expected to  
18 be seen and appreciated by only one person." Is that  
19 correct?

20 A It says "even when the cards" --

21 Q Right.

22 A -- "even when the cards are expected to be seen  
23 and appreciated by only one person" and I meant to suggest  
24 of course that is not always the case.

25 Q Exactly, but in contrast with the circumstances

1 discussed on the previous page when there was an expectation  
2 that the cards would be shared, there are other instances in  
3 which the sender clearly expects that only one person will  
4 be privy to the contents of the card they are sending,  
5 correct?

6 A Correct.

7 Q Let's go to the beginning of your testimony, where  
8 there is an executive summary and the page to which I would  
9 like to next direct your attention is marked with a small  
10 "vi" at the bottom, and I would like to look at lines 7  
11 through 10, which states, "The survey verifies the extent to  
12 which Americans agree that greeting cards help them  
13 celebrate holidays and special occasions, important cultural  
14 features in any society. It shows that senders expect their  
15 cards to be displayed for others to see."

16 Do you still believe that testimony to be true?

17 A I believe it to be true in the context of the more  
18 detailed reportings about what that means. It is certainly  
19 not the case that all consumers expect that and that there  
20 are in fact important differences between those -- that  
21 testimony, yes, does stand, but in the context of the more  
22 detailed reporting that says that not everyone expects that.

23 Q Let's put aside your R97 testimony for a minute  
24 and let's go back to your testimony in this case.

25 I would now like to direct your attention to the



1 bottom of page 17, starting on the second last line.

2 There your testimony states, "We found that  
3 greeting cards or letters are not simply consumed when they  
4 are read. They are displayed, passed around, and presented  
5 as material evidence of family social connections. This  
6 will come as no surprise to any American with a refrigerator  
7 capable of holding a magnet."

8 Is that your testimony in this proceeding,  
9 correct?

10 A Yes, it is.

11 Q And further down on page 18, lines 8 through 12,  
12 "The point is that the cultural value of greeting cards  
13 includes their display. This fact was mentioned in my  
14 earlier testimony in Docket Number R97-1 because we learned  
15 that greeting cards were very often passed around for other  
16 family and friends to read and the survey demonstrated that  
17 it is the expectation of senders that recipients of greeting  
18 cards will put them on display for a time."

19 Did I read that correctly?

20 A Yes, you did read that correctly.

21 Q Okay. Let's try to pull some of this together.

22 Would it be fair to say that your testimonies in  
23 this case and the last case indicate that not only do  
24 senders have a pretty good expectation about what the  
25 recipients will do with the card, but the fact that those

1 expectations exist and that those expectations are commonly  
2 understood actually contributes to the cultural value of the  
3 greeting cards?

4 A I would say that is the case. I would also say  
5 that in important ways, though, greeting cards in their use  
6 can be used in ways that senders don't anticipate and that  
7 there are additional things that people can do with cards  
8 that are often unanticipated, things that people find  
9 surprising that have important cultural consequences.

10 Q So --

1 A It might be if I were to look at page 18 in my  
2 current testimony, for example -- page 11 -- I might have  
3 been wise to say that it is the expectation of some or many  
4 senders rather than simply to say, as I did, that it is the  
5 expectation of senders.

6 I could give kind of a hypothetical example; <sup>there</sup> might  
7 be a case, for example, in which a person is getting ready  
8 to celebrate Mothers Day and visits with their mother about  
9 their Mothers Day cards and mother says, well, this will be  
10 my last Mothers Day, as mothers get older and make comments  
11 like that in families, and it may come to pass that mom is  
12 no longer in the household in the next year and the family  
13 discovers that indeed mom has been saving Mothers Day cards  
14 for years and years and years.

15 I can imagine a situation in which that might

1 become a topic of family discussion and an important bit of  
2 family cultural history that was otherwise unknown to the  
3 senders of cards, and I have in the field encountered  
4 situations much like that in which people have used greeting  
5 cards in ways that were not anticipated by the senders.

6 But it certainly is the case that senders are  
7 aware that very often greeting cards are displayed and that  
8 their use is not limited to simply one-to-one communication.

9 Q Before we leave your testimony from R97 there is  
10 one other passage that I would like to revisit, and this is  
11 the middle paragraph on page 19. This would be lines 11  
12 through 24.

13 Since this testimony won't be transcribed, I would  
14 like to read this paragraph, even though it is perhaps a  
15 little lengthy. The paragraph reads, "Greeting cards then  
16 have a public cultural life outside their physical creation  
17 by greeting card companies. The life course of greeting  
18 cards includes people shopping for them and reflecting on  
19 how the card 'fits' the cultural values surrounding their  
20 relationship in which the card participates. The card's  
21 cultural trajectory and the meaning it bears shifts again  
22 when it is exchanged. Cards stand for relationships and  
23 they are social actors, mediators in those relationships.  
24 We know this to be true because of the way shoppers talk  
25 about the decisions they make about cards. They evaluate

1 the artistic content of the card for its relationship to the  
2 shopper's understanding of the taste, the likes, the  
3 dislikes, and the personality of the recipient. The history  
4 of the relationship enters in, as cards are not only bought  
5 to reflect the recipient's favorite colors or artistic taste  
6 but to reflect the experiences that the purchaser and  
7 recipient share."

8           Would that not be a strong indication that senders  
9 of cards are quite cognizant of some of the dimensions that  
10 we have been talking about of cultural value?

11           A     Yes, I would say they are cognizant of some of the  
12 dimensions of cultural value that inhere in a greeting card.  
13 Sure.

14           Q     And these would include both the symbolic and the  
15 social, in terms of the relationship?

16           A     I would say less so the social relationships,  
17 because very often greeting cards are exchanged among people  
18 who are at a great distance from one another, and it is  
19 often difficult for people, especially people who don't have  
20 easy access to travel, to know the nature and extent of the  
21 existing set of social relationships that surround any  
22 greeting card recipient, so to the extent to which people  
23 are in direct and immediate contact with one another they  
24 are able to understand a great deal about one another's  
25 social worlds.

1           The interesting thing to me about greeting cards  
2 is that they act in relationships in ways that are not  
3 always quite clear to the sender, especially in terms of  
4 those -- what I am calling those social connections, of  
5 keeping social glue together.

6           For example, you may not know about the  
7 relationships that your distant family member or distant  
8 friend has outside of the relationship you have with them.  
9 Over a period of years people make new relationships, so the  
0 meaning of that card in a cultural or in a social setting  
1 where the person actually receives it will not always be  
2 known to that sender and may have important sort of social  
3 consequences for the person who receives that card.

4           Imagine for a moment someone who is trying to  
5 attenuate or get distance from an old friend who receives a  
6 card from someone and perhaps receives it in the presence of  
7 a friend who is maybe a bit uncomfortable about that prior  
8 relationship. That might be an example of a way in which  
9 the social value of cards really cannot be completely known  
0 to the sender.

11          Q     Okay. I appreciate that additional testimony, but  
12 once again what you stated in the last case was, "Cards  
13 stand for relationships and they are social actors,  
14 mediators in those relationships. We know this to be true  
15 because of the way shoppers talk about the decisions they

1 make about cards."

2 Now when you were talking to shoppers, you were  
3 talking exclusively at that point to those in their role as  
4 senders, correct?

5 A At the time I was doing the shopping research that  
6 is correct.

7 Q And so the entire basis for this statement as to  
8 how they affect relationships came from what you have  
9 learned from senders, correct?

10 A No, that is not correct. We have also done  
11 research in people's homes with people's families around how  
12 people actually use cards in their context.

13 My initial testimony in '97 was primarily based on  
14 that shopping research, but since that time we have done an  
15 awful lot of additional work in homes of card recipients.

16 Q Right, but this -- what you cited to in this  
17 statement was what you know by talking to shoppers about  
18 their decisions to send cards, correct?

19 A Right. When we're talking about shoppers they do  
20 have that knowledge. Sure.

21 Q I would like to move to your response to Question  
22 6, Postal Service interrogatory.

23 A Yes.

24 Q In Subpart (b), we asked, what is the unit of  
25 measure of cultural value that you imply in your analysis,

1 and you provided several paragraphs in response, correct?

2 A Yes, I did.

3 Q I would like to focus on the first sentence of the  
4 second paragraph.

5 A Yes.

6 Q It states that a single unit of measurement would  
7 be adequate to describe the cultural value of a greeting  
8 card; do you see that?

9 A Yes.

10 Q Just so we are all clear on the nature of the  
11 exercise that we're engaged in here today, are you aware  
12 that the Postal Rate Commission will ultimately have to  
13 state its recommendations for the rate of postage paid by  
14 greeting card senders in terms of a single unit of measure,  
15 and that that unit of measure is hundredths of a dollar,  
16 what we more commonly call cents?

17 A That their decision has to be a decision about a  
18 rate, about a postal rate, surely, yes.

19 Q And so postal ratemaking is necessarily and  
20 intrinsically a quantitative process, correct?

21 A No, I disagree with that.

22 Q In what sense?

23 A That when you make a judgment, it's a judgment  
24 that has to be made. It's a judgment about whether or not  
25 this price or that price is to be accepted, and that

1 judgment is not a quantitative exercise; that's a judgmental  
2 or a qualitative exercise.

3 For example, social scientists often use  
4 statistics in order to demonstrate that something is or is  
5 not true, and they have to make a judgment call about the  
6 relative substantive significance of those numbers.

7 So that to my way of thinking, the judgment that  
8 the Postal Rate Commission has to make is both a  
9 quantitative and a qualitative exercise, and that the  
10 distinction between the two, I think, blurs the importance  
11 of the non-quantitative or qualitative dimensions of making  
12 that decision.

13 Q But isn't it true that for your testimony to have  
14 any relevance, somebody sooner or later will have to take  
15 your qualitative analysis and decide, in a quantitative  
16 fashion, if any postal rate should be higher or lower  
17 because of your testimony, and if so, which ones and by how  
18 much?

19 A Certainly they'll have to do that.

20 Q And that's intrinsically a quantitative process;  
21 is it not?

22 A They will use quantitative data to arrive at that  
23 conclusion, but the process is certainly not quantitative.

24 A quantitative process is one that takes very  
25 specific steps, that has a very clear road map. When you



1 apply a statistical test, you have certain statistical  
2 procedures that you go through to get from Point A to Point  
3 B.

4 But making decisions is much more complicated than  
5 that in any arena, whether it's a decision about whether or  
6 not to accept a piece of scientific data, or whether or not  
7 to make a recommendation about a piece of social policy.

8 So that I would very much disagree with the notion  
9 that it's simply a quantitative process to make a decision  
10 about the value of -- to make a decision about how to set  
11 the postal rate.

12 Q But ultimately, the decision can only be stated in  
13 quantitative terms, correct?

14 A I think I disagree with that as well. I think  
15 that the amount of text that's generated is certainly not  
16 all quantitative text.

17 Perhaps the most important piece of the decision,  
18 I would guess, has to do with that price and has, indeed, to  
19 do with fixing a monetary amount onto the value of postage,  
20 and, weighing, as the Commission must do, you know, the  
21 costs associated with running the Postal Service against the  
22 price that the consumer has to pay.

23 But my understanding of the charge is to account  
24 for not only those quantitative and market-based and  
25 price-based concerns, but also those cultural concerns that

1 really cannot have a price fixed to them in the same way.

2 Q But, again, my question is, the output of the  
3 process is exclusively a quantitative price, correct? The  
4 Commission does not make recommendations to the Governors of  
5 the Postal Service about the cultural value of particular  
6 items; it recommends postal rates and nothing more in the  
7 context of a postal rate proceeding, correct?

8 A Well, my understanding of the results of Postal  
9 ratemaking suggests to me that the results are certainly not  
10 only quantitative. They have cultural and social results as  
11 well.

12 So that the results of changing prices or price  
13 structures can have results that maybe are not measurable in  
14 quantitative terms, but certainly can be assessed  
15 anthropologically and empirically and demonstrated to relate  
16 to the decisions that are made, the quantitative decisions  
17 that are made by a Commission or by another government  
18 agency; that it has qualitative consequences in the world  
19 that are not always easily measurable, and in some cases,  
20 many anthropologists would say that you just can't measure  
21 those things in quantitative terms.

22 Q I think there's perhaps less disagreement than may  
23 appear, because I'm certainly not disagreeing with your  
24 assertion that there's a tremendous amount of qualitative  
25 analysis, judgmental analysis, that goes into a Postal

1 ratemaking proceeding.

2 A Right.

3 Q But the point that I guess I'm still looking for  
4 you to verify is that ultimately, all the Commission  
5 recommends to the Governors of the Postal Service to be  
6 established, are Postal rates that are intrinsically  
7 quantitative.

8 A Well, whether or not they're characterized as  
9 intrinsically quantitative, I'm afraid we'll have to  
10 disagree with the charge. I can't understand -- or it's not  
11 up to me to really -- I'm not an expert on exactly what the  
12 charge to the Commission is.

13 My understanding would be that it is not purely  
14 quantitative at all.

15 Q If we can look at your response to Question Number  
16 7, starting with Subpart (a), you say that your testimony  
17 does not address the particular value of a greeting, as in a  
18 singular greeting card; is that what your response suggests  
19 there?

20 A That's correct.

21 Q I'm a little confused by that, because, would you  
22 agree that Section (vi) of your testimony, starting on page  
23 10 -- would you agree that it's entitled Exploring the  
24 Itinerary of a Greeting Card to Discover Its Cultural Value?

25 A Yes, that's what it's titled.

1 Q So, to some extent, you do attempt to apply your  
2 analysis to individual greetings cards; do you not?

3 A I would say, methodologically, we approach the  
4 world through specific instances of uses of material goods  
5 in real human settings, so that in that sense,  
6 observationally, we often look at just one greeting card.

7 But the purpose of the testimony is to generalize  
8 from one or two observations to other observations, combine  
9 them together and make some generalizations, some general  
10 statements about the cultural value of greeting cards, based  
11 on observations of individual cards.

12 Q Okay, well, let me try to restate what I was  
13 trying to get at in my question's Subparts (a) and (b) of  
14 this interrogatory, and see if we can't make some progress.

15 A Okay.

16 Q Let's consider the cultural value of greeting  
17 cards, generally, or, if you will, in the aggregate.

18 Your testimony, as I understand it, is that there  
19 is some level of cultural values associated with greeting  
20 cards; are you with me so far?

21 A Sure.

22 Q Okay, let us hypothesize, for purposes of this  
23 discussion, that the price of a stamp goes up a penny, and  
24 that the number of greeting cards doesn't change at all.

25 We get the exact same volume of greeting cards

1 that we would have had without the rate change.

2 Under this hypothetical scenario, does the  
3 cultural value of greeting cards change at all?

4 A Only to the extent that the price of the stamp has  
5 increased a penny. I would say that if there is no change  
6 in the actual sending and receiving of cards, then I would  
7 probably agree that there's not a discernable cultural  
8 change.

9 Q So to the extent that an increase in the rate of  
10 postage does not cause fewer cards to be sent, the cultural  
11 value of greetings cards would be unaffected, correct? I  
12 think that's what you just stated.

13 A Yes, that's what I stated.

14 Q And if we flip that around, to restate the same  
15 thing conversely, the cultural value of greeting cards is  
16 affected by an increase in the rates of postage, only to the  
17 extent that the rate increase actually does cause fewer  
18 cards to be sent; would you agree with that?

19 A You know, I might not. In the wider context of  
20 ratemaking, it may be the case that one ratemaking decision  
21 might lead to others that in the future would cause either  
22 increases or decreases in the sending of greeting cards, or  
23 a change in that wider cultural tradition.

24 So, if in a specific instance, for that specific  
25 moment, there were no change; no change is no change.

1 Q Okay, that's all I was trying to get to in Parts  
2 (a) and (b). And let's look at the final sentence of your  
3 answer to Subpart (b).

4 A On 7?

5 Q I'm still on Number 7, that's correct.

6 And in that final sentence, you suggest that a  
7 decrease in the number of cards -- this would be in response  
8 to a postage rate increase -- does not reduce the cultural  
9 value of greeting cards in a uniform linear way; that's a  
10 correct restatement?

11 A Right.

12 Q And the reason you say that is because of your  
13 previous finding that greeting cards are more salient among  
14 lower income Americans, African Americans, and Latinos,  
15 correct?

16 A Yes, and I would add women, as well.

17 Q Can you explain to me how this differential in  
18 your findings for various segments of the population causes  
19 non-uniform, nonlinear reductions in cultural values in  
20 response to a postage rate increase?

21 A Yes. I could imagine kind of a hypothetical  
22 situation that might help illustrate that thinking. That if  
23 the price of sending a greeting card does increase, or if,  
24 for any reason, a recipient of a card doesn't receive that  
25 card, that that reduces their social connection and makes a

1 change in their relationship to the person who did not send  
2 the card.

3 I can imagine, for example, that based on this  
4 research that get-well cards are especially important to  
5 people. We found that they were more highly salient than  
6 other kinds of cards, when we asked them.

7 That receiving a card that lets someone know that  
8 others are thinking of you in a time of illness, was  
9 important to people -- more important to people than other  
10 kinds of greeting cards.

11 And we found that it was especially important to  
12 people in those groups that I mentioned, among women,  
13 African Americans, Latinos, and lower-income Americans as  
14 opposed to others.

15 My understanding of that is based on the idea that  
16 it's more difficult for lower-income people to travel to be  
17 with someone else at a time of illness, so that if greeting  
18 card sending, as a whole, drops, it's going to be likely to  
19 affect those people.

20 If there's overall reduction in the receipt of  
21 greeting cards, it's going to affect those people more for  
22 whom greeting cards are more salient or more important.

23 And we found in our research that it's more  
24 important in those groups, and we would suppose that that's  
25 because of the way that greeting cards function as a

1 replacement for a visit from a person.

2 Q So it's your testimony that if postage rates go  
3 up, that greeting card usage among those particular groups  
4 that you find more salient will go down?

5 A Not necessarily use, but I would say that the  
6 receipt among those groups would certainly go down, yes, and  
7 would be more keenly felt by those groups.

8 Q It would be felt because they would be receiving  
9 less?

10 A Right, and because we know that for those groups,  
11 greeting cards are more salient or more important.

12 Q Okay, here's what I don't understand: If they are  
13 more salient to those groups, when the price goes up, aren't  
14 those likely to be the people who will continue to send the  
15 cards, despite the rate increase?

16 A Well, when we did the research, we were asking the  
17 question about receipt of greeting cards. I'm saying that  
18 for them, the receipt of greeting cards is more salient.

19 So if there are fewer cards being sent, I'm  
20 assuming that there are also fewer being received, so those  
21 for people -- I'm not talking about not sending greeting  
22 cards; I'm talking about recipients of greeting cards.

23 Those people would be more affected by a reduction  
24 in the number of greeting cards in the mail stream.

25 Q But is it your suggestion that your research



1 wouldn't imply that you're talking about greeting card  
2 exchanges within these groups?

3 A Certainly not just within those groups, no.

4 Q Not just within those groups, but my point being  
5 that your conclusions about these groups, about Latinos, is  
6 essentially directed at greeting cards exchanged between  
7 Latinos.

8 A No, I don't think so. We were asking people to  
9 identify themselves, about their ethnicity. We know for a  
10 fact, for example, that people do not limit their greeting  
11 card exchange to a particular ethnic or cultural group, or  
12 gender group.

13 And that's one of the -- in fact, that has some  
14 interesting implications. You might imagine a case in which  
15 a low-income aunt suddenly is unable to send a card because  
16 the price of the card is higher, and so her nephews, who  
17 have plenty of resources to send cards, no longer  
18 participate in that tradition of sending cards.

19 Now, that might be another example of a case in  
20 which there is a differential effect, a cultural effect on  
21 the recipient of greeting cards. In this case, as you  
22 mentioned in some of your questions and reminded me, senders  
23 are also recipients. That's important and it's true.

24 But imagine a low-income aunt on a fixed income  
25 who suddenly is unable to buy that packet of greeting cards

1 for which she has to buy not just one stamp but a bunch ~~of~~  
2 stamps. She says, this year, I'm going to pass on those  
3 cards.

4 And her nephews and nieces who can afford to buy  
5 cards, no longer send her cards as a result, thinking that,  
6 well, she's not participating in that anymore. So that, in  
7 fact, the lack of that one person sending a card is going to  
8 affect the tradition of that woman's receiving cards from a  
9 lot of her family members, essentially.

10 That's an example of maybe one way in which the  
11 cultural effects of a price change on one card or something  
12 that just affects one sender or recipient can have other  
13 ramifications, and that's another way in which I think that  
14 its' very likely that <sup>among in which</sup> ~~groups from who~~ these card are more  
15 salient, can be differentially affected by changes in the  
16 number of greeting cards that are available in the mail  
17 stream in American culture.

18 Q So it is your testimony that, notwithstanding the  
19 fact that the particular groups you have identified place  
20 greater value on greeting cards, that when greeting card  
21 price -- postage prices goes up that are utilized for  
22 greeting cards, that there will be -- that those people --  
23 that the amount of cards received by those groups will drop  
24 uniformly along with every other group?

25 A No, I haven't done any -- I would have to do

1 additional research to see. And it is an interesting  
2 empirical question, to what extent those would change, the  
3 amount of greeting card sending would change by group. The  
4 point is is that, for those groups, cards are more salient.  
5 If there are less cards being sent, I would anticipate that  
6 those people for whom they are more salient would feel their  
7 loss more keenly.

8 Q Well, I think this goes back to the interrogatory  
9 response of Witness Bernstein, where we started, and the  
10 value. Would you expect that the groups that, as you say,  
11 place a greater salience on greeting cards, would you  
12 suspect that they are aware when they are sending cards  
13 that, in their communities, the recipients are going to  
14 appreciate those cards to a larger extent that perhaps  
15 individuals in other communities might?

16 A I would say if you compared -- you compare  
17 people's expectations about the importance of cards, yes,  
18 that in certain instances, and for certain occasions, there  
19 is probably greater emotional and affective weight put on  
20 the sending and receipt of a greeting card in some of those  
21 groups, yes.

22 Q And what Witness Bernstein said in his response is  
23 when the decision comes to purchase the stamp, despite the  
24 fact that it has gone up a penny or not, the person who has  
25 to make that decision is going to take account of that in

1 deciding whether or not to send the card?

2 A Right. And from my basic understanding of Ramsey  
3 pricing, that would make sense that he would think that,  
4 that those groups that are most closely tied culturally to  
5 that product are going to be the ones who are least likely,  
6 -- it is possible under a Ramsey pricing scheme, that one  
7 would imagine they would be least likely to buy fewer cards,  
8 in fact, but what is happening is they are burdened more by  
9 the change than people who don't send a lot of cards, I  
10 would think. In terms of the percentage of a person's  
11 budget spent on cards, those people will be spending a  
12 higher percentage of their budget on postage than people who  
13 send few cards who have a higher budget.

14 Q So, if the drop in greeting card volume caused by  
15 a Postal rate increase is concentrated in the groups who  
16 place less value, less cultural value on the cards, then the  
17 drop in overall cultural value will be less than  
18 proportional to the drop in greeting card volume, would it  
19 not?

20 A Say the last part again. The drop in?

21 Q The drop in the cultural value of -- the overall  
22 cultural value of greeting cards will be less than the --  
23 less than proportional to the overall drop in greeting card  
24 volume?

25 A I would say that the change in cultural value

1 would be -- that you would begin to see a bimodal curve in  
2 the cultural value of greeting cards across different United  
3 States populations, and you would begin to see more and more  
4 separation. In fact, it is interesting because there -- you  
5 know, without getting too academic about this, the issue is  
6 that it creates a greater split among Americans and their  
7 cultural traditions. As greeting cards become less or more  
8 important to some other group, that in many ways takes apart  
9 some of the things that tie us together as continuing  
10 participants in this thing we call American culture. So  
11 that would be an argument that I would want to pursue if I  
12 had a little more time and a little more research time to  
13 do.

14 That, in fact, it is not just a matter of  
15 affecting those populations, but affecting everyone in that  
16 suddenly certain segments of American culture don't care so  
17 much about greeting cards anymore and it becomes less  
18 important to them as a result of a potential -- that might  
19 be one potential result of a Postal rate increase if it  
20 affects the sending of greeting cards.

21 Q And we are talking about in this, what has been  
22 proposed in this case is a one cent increase in the cost of  
23 sending a greeting card, correct?

24 A Sure, that's right.

25 Q And do you have any notion of what percentage that

1 might bear relative to the average cost of a greeting card  
2 itself?

3 A I think that varies a great deal across the  
4 greeting card market.

5 Q Would you have any opinion as to the threat of  
6 this bimodal distribution that you have just ventured to  
7 discuss of a one cent increase in the price of postage  
8 versus other factors such as electronic greeting cards,  
9 factors such as -- I am assuming you are familiar with what  
10 I mean.

1 A Sure. Right.

2 Q Factors such as the continuing drop of long  
3 distance phone charges to the point that there is even talk,  
4 I have heard, that there might be no specific change for  
5 long distance changes. How would you rate the overall  
6 jeopardy of the cultural value of greeting cards in that  
7 context?

8 A I would say one runs the risk of a continued  
9 erosion of a public space in which low income people can  
10 participate in American cultural traditions. That is a  
11 rather broad statement. Let me give you a couple of  
12 examples, drawing from what you just said. One is  
13 electronic greeting cards. If you don't have a computer,  
14 you are not going to participate. A lot of folks do have  
15 computers. There is a technology gap, but a lot of folks

1 do, but you have also got to have a modem and a phone line  
2 and an account with an ISP. If you don't have those things,  
3 you are not participating at all, so you have got to use a  
4 greeting card.

5           Imagine, I think the second one was long distance.  
6 I work in a lot of low income communities and do research  
7 with new immigrant groups in the United States who are using  
8 -- for American product companies, people who manufacture  
9 new things for people, and we are finding that an awful lot  
10 of people in their homes are having a great deal of trouble  
11 with long distance and are having to use, you know, we have  
12 a lot of phone cards and things people can use. But it is  
13 not always easy for people in the United States,  
14 particularly low income people, to have access to means of  
15 communication that are effective, that play real social  
16 roles and help them maintain and manage their social  
17 relationships.

18           Greeting cards are one of those remarkable things,  
19 thanks to the presence of the national post, that allow  
20 people to have some kind of equal access to this American  
21 cultural tradition. And it is interesting as well, because  
22 new immigrants to America participate in this thing right  
23 away. They adopt it as a way of demonstrating that they are  
24 here in this place, in this freedom land, as a Vietnamese  
25 immigrant might call it.

1           So that I don't want to over-draw the significance  
2 of greeting cards as a kind of social glue in America, but I  
3 think it is real easy to not recognize their importance for  
4 low income people, people for whom other means of  
5 communication are not readily available for maintaining,  
6 establishing, enhancing and sometimes attenuating social  
7 ties.

8           Q     You would agree, would you not, thought, that even  
9 for low income people, an additional penny is hardly likely  
0 to deter much use of a greeting card?

1           A     I don't like to speak for other low income people  
2 or the value of their money, but I think that spending time  
3 with folks who have to really watch their pennies, I would  
4 point out that, yeah, it can matter to people. They add up.

5           Q     And if it mattered to people and added up,  
6 wouldn't that show up in the estimated own price elasticity  
7 of demand?

8           A     That's a good question for an economist, and I  
9 think, from what I have read, it does show up.

0           MR. KOETTING: That's all I have, Mr. Chairman.

1           Thank you very much, Doctor.

2           THE WITNESS: Thank you.

3           CHAIRMAN GLEIMAN: Is there any follow-up?  
4 Questions from the bench?

5           COMMISSIONER LeBLANC: Just one question.



1 CHAIRMAN GLEIMAN: Commissioner LeBlanc has one  
2 question and one question only.

3 COMMISSIONER LeBLANC: I have been known to lie.  
4 How do you rank greeting cards with things like  
5 Parcel Post or Priority Mail from a sender and a recipient  
6 side? Are you in position to talk to that?

7 THE WITNESS: I have looked at a few studies of  
8 how people respond to the mail in general. In cases where  
9 people are receiving gifts, gifts can have a lot of the same  
10 kind of cultural value that a greeting card can have. But  
11 other kinds of Parcel Post and items for the home, if you  
12 order something out of a catalog, really have a rather  
13 different social function and a different kind of cultural  
14 value.

15 COMMISSIONER LeBLANC: Like I said, I have been  
16 known to lie, so I guess here is my second question. But  
17 can a greeting card change a family relationship that you  
18 talked about? And what I have got in mind is maybe going  
19 from not giving back to giving.

20 THE WITNESS: Yes, it can.

21 COMMISSIONER LeBLANC: Is that, in your studies,  
22 is that prevalent? Is that non-prevalent?

23 THE WITNESS: We have seen instances in which  
24 receipt of a greeting card has led to continued  
25 correspondence between people that didn't happen before, to

1 a connection that was maybe attenuated, that got  
2 reconnected, or to the healing up of broken relationships,  
3 and we have seen greeting cards play a role in that in real  
4 American families.

5 COMMISSIONER LeBLANC: I guess is the last  
6 question I have got. From the standpoint of a price,  
7 counsel was just talking to you about one cent, does or does  
8 it not make a huge difference? Have you done any studies on  
9 at what point -- is there a breakpoint, if you will, that it  
10 does stop changing as well change cultural activities and  
11 cultural values within a group, whether it is low income or  
12 normal?

13 THE WITNESS: There may be, I haven't done that  
14 research. Counsel was suggesting that one could establish  
15 such a breakpoint, I suppose one could.

16 COMMISSIONER LeBLANC: Well, that is why -- I  
17 wasn't clear as to what came out.

18 THE WITNESS: Right.

19 COMMISSIONER LeBLANC: Thank you very much.

20 THE WITNESS: You're welcome.

21 CHAIRMAN GLEIMAN: Follow-up to questions from the  
22 bench?

23 [No response.]

24 CHAIRMAN GLEIMAN: If not, Mr. Swendiman, would  
25 you like some time with your witness to prepare for

1 redirect?

2 MR. SWENDIMAN: Yes, Mr. Chairman.

3 CHAIRMAN GLEIMAN: It is convenient that it is  
4 time for our mid-morning break. If 10 minutes is  
5 sufficient, we will come back at quarter of the hour of then  
6 and proceed, and, hopefully, move on with the next witness  
7 right after that.

8 [Recess.]

9 CHAIRMAN GLEIMAN: Mr. Swendiman?

10 MR. SWENDIMAN: Thank you, Mr. Chairman. Just  
11 three brief questions.

12 REDIRECT EXAMINATION

13 BY MR. SWENDIMAN:

14 Q Dr. Erickson, is it your understanding that in  
15 recommending rates the Commission sets forth the reason for  
16 its recommendations?

17 A Yes, that is my understanding.

18 Q And are some of those reasons expressed in  
19 narrative form?

20 A Yes, they are.

21 Q Is your testimony today that senders know  
22 something about the value that a greeting card has to a  
23 recipient but not everything?

24 A Yes, that is my testimony.

25 MR. SWENDIMAN: No further questions.

1 MR. KOETTING: Mr. Chairman?

2 CHAIRMAN GLEIMAN: Mr. Koetting.

3 MR. KOETTING: If I could follow up on that last  
4 question --

5 CHAIRMAN GLEIMAN: Certainly.

6 RE CROSS EXAMINATION

7 BY MR. KOETTING:

8 Q When you say that senders know something but not  
9 necessarily everything, we talked earlier as well about how  
0 they don't know what will happen to the greeting card, is it  
1 possible that the sender will overestimate the value of the  
2 greeting card to the recipient as well as underestimate it?

3 A Let's see. Over and under -- they may be wrong in  
4 their estimation about the nature of its value and that may  
5 include a more positive or negative evaluation. It might  
6 include a more positive or a more -- a completely different  
7 evaluation.

8 It may be that the meaning of the card is  
9 radically different to the recipient than it is for the  
0 sender.

1 Q Well, for example, you earlier talked about your  
2 hypothetical where you had the mother who is keeping all the  
3 card unbeknownst to her relatives.

4 A Right.

5 Q Isn't it also possible that you could have, to go

1 back and mix another hypothetical where you had the aunt and  
2 her nephews, that in fact they send cards to the aunt and  
3 she treasures those. She, in turn, sends cards back to the  
4 nephews and they throw them away with not even reading them.  
5 Is that --

6 A Yes, that is a possibility.

7 Q And so that the -- when the sender attempts to  
8 estimate the value of the card to the recipient, the  
9 uncertainty, if you will, goes in both directions?

0 A That is correct.

1 MR. KOETTING: Thank you, Dr. Erickson. I have  
2 nothing further, Mr. Chairman.

3 CHAIRMAN GLEIMAN: Anything further, Mr.  
4 Swendiman?

5 MR. SWENDIMAN: No.

6 CHAIRMAN GLEIMAN: If not --

7 MR. SWENDIMAN: No, Mr. Chairman.

8 CHAIRMAN GLEIMAN: If not, Dr. Erickson, that  
9 completes your testimony here today. We appreciate your  
0 appearance and your contributions to our record in this  
1 docket and we thank you and you are excused.

2 THE WITNESS: Thank you.

3 [Witness excused.]

4 CHAIRMAN GLEIMAN: The next order of business is  
5 to receive testimony submitted in response to Notice of

1 Inquiry Number 3. The only participant submitting testimony  
2 was the Postal Service. It sponsors testimony from David R.  
3 Fronk.

4 Before you call your witness, Mr. Tidwell, just  
5 let me reiterate what I said earlier this morning, that we  
6 have heard from a number of participants who have filed  
7 requests for procedural relief of one sort or another,  
8 including the Postal Service, and I indicated that we would  
9 give folks until Thursday, July 27th, to respond to  
0 procedural contentions that have been raised and I will  
1 attempt to resolve the status of those responses regarding  
2 Notice of Inquiry Number 3 in a single ruling as soon  
3 thereafter as is possible.

4 Mr. Tidwell, would you like to call your witness?

5 MR. TIDWELL: The Postal Service calls David Fronk  
6 to the stand.

7 CHAIRMAN GLEIMAN: Mr. Fronk, you are already  
8 under oath in this proceeding, so I don't have to swear you  
9 in again today.  
0 Whereupon,

1 DAVID FRONK,  
2 a witness on behalf of the United States Postal Service  
3 having been previously duly sworn, was further examined and  
4 testified as follows:

5 CHAIRMAN GLEIMAN: Counsel, as soon as your

1 witness and you are ready, you may proceed.

2 DIRECT EXAMINATION

3 BY MR. TIDWELL:

4 Q Mr. Fronk, I have placed before you on the table  
5 two copies of a document entitled, "Response of U.S. Postal  
6 Service Witness Fronk to Notice of Inquiry Number 3" -- did  
7 you get a chance to examine that document?

8 A Yes, I have.

9 Q Was it prepared by you or under your supervision?

0 A Yes, it was.

1 Q If you were to give the contents of that document  
2 in testimony orally today, would the content as reflected be  
3 the same?

4 A Yes.

5 MR. TIDWELL: Mr. Chairman, the Postal Service  
6 then moves into evidence the response of Witness Fronk to  
7 Notice of Inquiry Number 3.

8 CHAIRMAN GLEIMAN: Is there an objection? Mr.  
9 Hall.

0 MR. HALL: Thank you, Mr. Chairman. Mike Hall for  
1 Major Mailers Association.

2 I probably will not make these, make my objection  
3 extensive in light of my understanding that you have ruled  
4 that we will have an opportunity to extend our remarks when  
5 we file something on the 27th, I believe it is.

1 CHAIRMAN GLEIMAN: What I indicated should be  
2 filed by the 27th are responses, so for example, if there is  
3 an outstanding motion by a party directed to the Postal  
4 Service's supplemental testimony in response to Notice of  
5 Inquiry Number 3, the Postal Service would be responding to  
6 the motion and in the case of a Postal Service motion  
7 concerning some proposal that is on the table from a party,  
8 the Postal Service will have -- the party will have an  
9 opportunity to respond to the Postal Service and the Postal  
0 Service to the parties, and we'll wrap up all the paper on  
1 the 27th.

2 I can't tell people not to file new motions, but  
3 if they do, there will be a shortened time for response and  
4 we will dispense with this matter as best we can by th 27th.

5 MR. HALL: Well, with that understanding, perhaps  
6 I need to make my remarks a little more complete.

7 I think we have come here today as the result of  
8 the fact that the Commission issued Notice of Inquiry Number  
9 3, and parties filed papers on it.

0 MMA filed comments, the OCA filed comments, and  
1 the Postal Service filed what was a response.

2 Now as a result of --

3 CHAIRMAN GLEIMAN: If I could just interrupt you  
4 for a moment, because I don't want someone to think that  
5 there were only two parties. There were also comments on



1 this matter received from the -- jointly from the American  
2 Bankers Association and National Association of Presort  
3 Mailers.

4 MR. HALL: No, I was aware of that, but thank you.

5 What I am honing in on is that the Postal Service  
6 filed what the Postal Service styled a response. The Postal  
7 Service did not file testimony. It didn't look like  
8 testimony and it didn't bear any of the indications that  
9 would normally alert parties to the fact that it was  
0 testimony.

1 Nevertheless, I guess as a result of a motion  
2 filed by the OCA which has now been -- I am going to say to  
3 have been effectively granted, we are treating -- we are  
4 elevating the, what was just the Postal Service's response  
5 and was not, had no evidentiary status as such in the case  
6 into the status of evidence and in doing so I think we are  
7 doing something that is extremely unfair to all of the other  
8 parties.

9 So to the extent necessary I guess I am going to  
0 ask you to reconsider the ruling treating this as evidence  
1 and failing that to ask that you certify the question to the  
2 full Commission.

3 Teachers I think like to be remembered by their  
4 students and so hopefully one of my best teachers will take  
5 it kindly that I am going to remember her today, and it

1 takes me back to my first day of law school when I went into  
2 my contracts class.

3 There were probably over 100 people in the class  
4 and the first thing that my teacher, Judith Younger, asked  
5 was, well, it is interesting that you came to law school.  
6 We are happy to have you here, but what you do think we are  
7 doing here?

8 And, of course, I had absolutely no understanding  
9 of what I was doing there really, but some of the braver  
10 folks in the group and they talked about fuzzy and warm  
11 concepts of justice. And she let that go on for some time  
12 and then said, no, the reason you are here, and the reason  
13 we have a legal system is for the orderly resolution of  
14 disputes.

15 Now, how does that have anything to do with what  
16 we are doing today? There are technicalities in the law and  
17 sometimes the technicalities trip people up. But the  
18 technicalities are there for a good purpose. They are there  
19 so that you have the orderly resolution of disputes.

20 I have the sense in what has transpired here that  
21 we can continue until the proverbial cows come home,  
22 gathering further evidence, filing more papers, on some  
23 quest to do justice to this particular issue, to find the  
24 ultimate fact that could possibly be found. But in doing  
25 so, I think we are doing damage to the whole process. You

1 have orderly procedures, that is how you get through a 10  
2 month timeframe that you have to live with under your  
3 statute. Unless you stick with those orderly procedures,  
4 you will jeopardize the result that you are going to  
5 produce, and you will jeopardize the whole process.

6 So, the Postal Service had an opportunity, it  
7 actually had several opportunities, I guess, well before  
8 today, to put on a case. It failed to do so. And so we are  
9 left here today on July 21 with the Postal Service coming up  
10 with the first bit of testimony which, and I have got to say  
11 that I never cease to be amazed at things, being a lawyer, I  
12 guess, but I am certainly amazed here that we have a  
13 situation where one Postal Service witness is effectively  
14 impeaching the testimony of another Postal Service witness  
15 who hasn't recanted his testimony.

16 If I had read more and understood more of Kafka, I  
17 might say that this was a little bit Kafkaesque, but --

18 CHAIRMAN GLEIMAN: Mr. Hall, I am going to  
19 interrupt you right now, because -- I am going to let you  
20 continue, but I think, you know, I am not sure who it is  
21 that is being Kafkaesque and who it is that is jeopardizing  
22 the Commission's final recommended decision and opinion in  
23 this case. I like to think that we are acting in an orderly  
24 manner. The Commission's rules do provide for the issuance  
25 of Notices of Inquiry. This was a Notice of Inquiry, it

1 wasn't a Presiding Officer's Information Request, which, as  
2 I recall, means that the Commission asked the Postal Service  
3 for this information and asked others for this information,  
4 because it had an interest in gaining a deeper and better  
5 understanding.

6 I misspoke earlier, there is nothing in the way of  
7 testimony right now, there may be testimony, or at least  
8 evidence on the record if, indeed, the materials that have  
9 been supplied in response to NOI 3 are admitted today. I  
10 don't think that we are doing anything to destroy the  
11 process. You have a right to your opinion, and my  
12 colleagues -- and I will honor your request that any ruling  
13 be certified to the Commission, and my colleagues may have  
14 opinions that differ from mine, and we will work that all  
15 out after we get all the replies in on the 27th.

16 If you want to make your motion, make your motion.  
17 If you want to say a few more words, say a few more words.  
18 You have said some things already, I might add, that I think  
19 weaken your position -- your concern, that is, over the  
20 material that is at issue. On the one hand, if we have got  
21 a Postal Service witness, or materials from a Postal Service  
22 witness that contradict materials from another Postal  
23 Service witness, that certainly puts the Commission in a  
24 position to do what it does when it is looking at the  
25 evidence that is on the record, and, of course, this is not

1 on the record yet, but to weigh the value of conflicting  
2 statements.

3 If, indeed, you know, what Mr. Fronk has provided  
4 in response to NOI Number 3 is in such conflict with other  
5 testimony that is already in evidence, the Commission will  
6 be in a position to judge the value. Having said that, you  
7 can go on for as long as you wish and then I will rule on a  
8 motion, if you indeed make one at some point today, and then  
9 we will get on with the proceeding.

10 MR. HALL: The motion I have made is really an  
11 objection to the admission of this response as evidence in  
12 the proceeding. But, in any event, I won't take up much  
13 more of your time except to point out the fact that these  
14 proceedings are difficult enough for all parties involved.  
15 They are extremely complex. Parties have to spend a lot of  
16 money preparing for the known events. And when you have an  
17 event which, I think, in this case, should not occur, you  
18 put the parties to a lot of additional work and expense.

19 You also put them to, in this case, a very  
20 shortened timeframe within which to respond. You further  
21 deprive them of any discovery which would have occurred.  
22 For example, let's say that what came in today, or what is  
23 being considered to come in as evidence today, had actually  
24 been put forth by the Postal Service on April 17, and was  
25 adopted by Mr. Fronk when he took the stand, I believe it

1 was on April 26th. Well, then on April 16 -- or 17,  
2 presumably, we would have had the opportunity for discovery.  
3 We don't have that opportunity now apparently. On the 26th  
4 we could have cross-examined. We are being given the  
5 opportunity to cross-examine today.

6 In the normal course of things, we also would have  
7 had the opportunity to file testimony on May 22, because  
8 that was in the procedural schedule. I don't think anybody  
9 would have any question about our right to do that. But now  
10 the Postal Service is objecting to that. And I understand I  
11 will be able to respond to that on the 27th. But I hope  
12 that the Commission has got a flavor for the additional  
13 disruption to the parties that is occurring here.

14 And it is not just limited to this case. You have  
15 to make -- you have to draw a line in the sand at some  
16 point, and you have got a lot of other things coming up,  
17 including what appears to be a massive update in the works  
18 that we are going to learn more about presumably later  
19 today. And I think the same issues are going to come up  
20 there. So that includes -- concludes the reasons why I  
21 believe that you should not admit this into evidence.

22 And let me further modify my objection and/or  
23 motion that it not be included to say that at the very  
24 least, you ought to hold that question in abeyance pending  
25 your receipt of the further comments or motions or answers

1 that will be filed on the 27th, so that when you rule, you  
2 won't have created a fait accompli.

3 CHAIRMAN GLEIMAN: Mr. Tidwell, would you like to  
4 comment while I sit here and think a little bit?

5 MR. TIDWELL: Not really, but I will anyway. Mr.  
6 Chairman, all of this arises out of Witness Fronk's earnest  
7 efforts back in April to respond to a couple of OCA  
8 interrogatories which led him down the path of discovering  
9 that there were a couple of errors in his testimony as  
10 filed. No witness likes to discover errors in testimony  
11 that they filed. If they gain any consolation, it is when  
12 they are able to discover the errors before they are pointed  
13 out what they are being nailed to the cross, so to speak, in  
14 the hearing room.

15 In response to the discovery of these errors,  
16 Witness Fronk painstakingly went through his testimony and  
17 tried to document the impact of the errors, and in a flurry  
18 of documents filed on April 17th, we did everything we could  
19 to document the nature of the errors, the nature of the  
20 changes, the nature of the impact, and the nature of changes  
21 in workpapers, testimony, interrogatory responses, and we  
22 laid it all out to the parties on April 27th.

23 We were rushing to ensure that we could give the  
24 parties as much notice as possible before Witness Fronk's  
25 appearance, which was scheduled for the 26th, in the hope

1 that the parties would have enough time to digest what we  
2 had presented and deal with it either through further cross  
3 -- through further discovery or on cross.

4 We were surprised that the matter drew very little  
5 attention during his appearance here on the 26th and were  
6 even further surprised when the issue drew less attention in  
7 the testimony the parties filed in May. The Commission felt  
8 the need to further explore the issue through the NOI. We  
9 had hoped that we had done all we could to lay things out.  
10 The Commission presented an opportunity for all the parties  
11 to either comment or file testimony in response to the  
12 issues raised in the NOI.

13 The Postal Service in determining how to respond  
14 here considered that it could -- we had two options as  
15 presented by the Commission, to file comments or to file  
16 testimony.

17 It became clear to us as we examined the issues  
18 that there was really no way to say what we thought needed  
19 to be said in the form of some institutional or lawyerly  
20 response, that there was so much substance to be discussed  
21 that it could only come in the form of a statement attested  
22 to by a witness.

23 We provided that statement by Witness Fronk and  
24 have presented it here today in response to the NOI. That  
25 is why we are here.



1 CHAIRMAN GLEIMAN: Thanks, Mr. Tidwell.

2 MR. COSTICH: Mr. Chairman?

3 CHAIRMAN GLEIMAN: Mr. Costich.

4 MR. COSTICH: Thank you, Mr. Chairman. Two points.

5 One, in light of the Postal Service's concerns  
6 about the OCA filing testimony on August 14th, the OCA is  
7 prepared to file on or before July 31st, so that the Postal  
8 Service will have an opportunity to prepare rebuttal if it  
9 wants to.

10 The second point, counsel for the Postal Service  
11 just pointed out that when it filed its response to  
12 Interrogatory OCA-106, part (d), the Postal Service did  
13 everything it could to document what was going on and to lay  
14 out everything that there was to know about the changes that  
15 Mr. Fronk was making.

16 If that is the case, then Mr. Fronk's response  
17 today is cumulative and should not be admitted into  
18 evidence. Thank you.

19 CHAIRMAN GLEIMAN: Thank you, Mr. Costich.

20 I am well aware and have been since the day I set  
21 foot in the door here about the cost to the parties both in  
22 time and money to litigate their cases. We have made many  
23 attempts through administrative action, a number of them  
24 quite successful I might add, to mitigate the cost to  
25 parties to litigate their cases.

1           This Commission, at least this Commissioner, this  
2 Presiding Officer feels that he has an obligation to  
3 understand before he makes a decision that involves in this  
4 case cutting up a pie the size of which is some \$70 billion.

5           The Commission has an obligation to use the most  
6 recent and best data available consistent with its rules.  
7 It has an obligation to provide due process to all parties  
8 who participate in the cases.

9           When I went to law school I didn't have the  
10 contracts teacher you had. I don't recall that question  
11 being asked the first day, but I do remember when I took a  
12 procedures course and was involved in moot court that I was  
13 told that one of the most frequently used objections has to  
14 do with objecting because there is an unclear question, that  
15 witnesses and their lawyers have the right to understand  
16 what is being asked.

17           That objection that I learned about in law school  
18 kind of comes into play here and as I mentioned before, I  
19 have a responsibility to understand to the fullest extent  
20 possible what is at issue before I render my opinion.

21           We are going to admit this material into evidence  
22 today, subject to motions to strike. I could respond in  
23 greater detail to points that counsel for MMA, the OCA, and  
24 the Postal Service has made, but I choose not to at this  
25 point. Perhaps there will be more specific -- well, I don't

1 know what the response will be, because I have agreed at  
2 your request to certify whatever the ruling is in response  
3 to the comments and motions that are before us to the full  
4 Commission so it won't necessarily be in my hands.

5 Perhaps that means the ruling will be a lot  
6 shorter than it would otherwise be. I am sure it will be  
7 because I doubt my colleagues would like to go into the  
8 detail and depth that I would be willing to go into to speak  
9 to the issues that were raised here today by the various and  
0 sundry counsel.

1 Now I think we have the motion before us, but I  
2 have lost track of where we were before Mr. Hall came to the  
3 table. I think there was an objection raised and I think I  
4 just ruled on it.

5 That being the case, counsel for the Postal  
6 Service, if you would please provide two copies of the  
7 material in question to the court reporter I will direct  
8 that, at least for the time being, it be transcribed into  
9 the record and admitted into evidence.]

0 [Response of U.S. Postal Service  
1 Witness Fronk to Notice of Inquiry  
2 3 was received into evidence and  
3 transcribed into the record.]  
4  
5

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK  
TO NOTICE OF INQUIRY NO. 3

**Summary**

This responds to the Commission's Notice of Inquiry No. 3, entitled First-Class Revenue Adjustment Factor (RAF) Error and Additional Ounce Method Change, and provides further support for the revised calculation of single-piece additional ounces included in the errata to my testimony and workpapers filed on April 17, 2000.<sup>1</sup>

As the Commission states on page 4 of its NOI, "The central issue for evaluating the forecasting methods [both as filed on January 12 and revised on April 17] is the significance of the newly available data." While the Commission cites the 1999 data I supplied in response to OCA/USPS-T33-13(f), it does not make mention of the PQ1 and PQ2 2000 single-piece data it asked for and received in my response to POIR No.11/Question 3 on May 15, 2000. These data lent further support to the revised additional ounce method. Also, because PQ3 2000 has become available since I prepared my POIR No. 11/Question 3 response and because the Commission has extended its analysis through PQ3 2000 in Attachment 2 to the NOI, I will add PQ3 2000 data to the previously requested analysis of 2000.

In an important respect, the central issue of the NOI could be thought of as follows: In estimating single-piece additional ounces in test year 2001, which method is likely to do a better job – the revised method which reflects the empirical reality of the nearly three years (1998 through PQ3 2000) immediately preceding 2001, or the as-filed method which does not reflect the reality of 1999 and 2000 to-date. I recognize that the as-filed method may appear to be more consistent with the long-term trend in additional ounces. As a result, I will also review reasons for the 1990-1999 additional ounce trend depicted in Attachment 4 of the NOI in order to assess if that trend is likely to continue in the test year.

It is important to recognize at the outset that it is the as-filed method that represents a departure from the method the Commission itself has used in past

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<sup>1</sup> The April 17, 2000 errata are described in the Postal Service's response to interrogatory OCA/USPS-106(d) filed on the same date.

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK  
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rate cases. In revising this as-filed method, I returned to the traditional approach that has been in use in rate cases at least since Docket No. R84-1.

Below, I also discuss the RAF error referenced in the NOI. While the Commission does not appear to take issue with the change I made to correct this error, the reason this error occurred is germane to the historical trend in additional ounces, and thus is related to the revision in the method for estimating the test year number of single-piece additional ounces.

In any omnibus rate case, a goal of the Postal Service, the Commission, and other interested parties (except perhaps our competitors) is to keep rate increases as small as possible, consistent with the revenue needs of the Postal Service and the statutory requirements of the Postal Reorganization Act. The revised change in the additional ounce forecast reduced net surplus (or contribution) by \$172.2 million in the test year. In one sense, almost all parties, including the Postal Service, would desire that the \$172.2 million could somehow be restored to the revenue estimate and used to offset the overall magnitude of the rate increase. However, if the Postal Service is highly unlikely to actually realize that revenue in 2001, the ratemaking process needs to recognize both of the revisions I filed on April 17, and not just the RAF revision that works to increase revenue. It is the combined effect of the two revisions, resulting in approximately a \$47 million increase in net surplus (or contribution) in the test year, that is appropriate to forecast future revenues and to use for ratemaking purposes.

**Revenue Adjustment Factor (RAF) Error and the April 17, 2000 Errata**

The April 17, 2000 errata to my testimony and workpapers involved two changes, as described in the Postal Service's response to OCA/USPS-106(d). Both changes stemmed from the treatment of additional ounces in my calculation of First-Class Mail revenue in the test year. The first change incorporated revenue adjustment factors into the First-Class Mail revenue forecast for the first time in any docket, and the second change revised the as-filed method of forecasting single-piece additional ounces for test year 2001.

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK  
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Both changes resulted from two OCA interrogatories filed at about the same time – OCA/USPS-T33-13(f) filed on March 21 and OCA/USPS-106(d) filed on March 31. Interrogatory OCA/USPS-T33-13(f) asked if I had observed any change in the proportion of First-Class single-piece mail by weight step between 1998 and 1999. I presented the requested data in the Attachment to my April 4 response (reproduced here as Attachment A for ease of reference). In my response, I indicated it was difficult to discern any major change in volume distribution by weight step between 1998 and 1999, with the exception of the two new weight steps appearing in 1999 due to the increase in the First-Class Mail weight limit from 11 to 13 ounces.

This result was of concern because the as-filed additional ounce method predicted that the distribution of pieces by single-piece weight step should be getting heavier in 1999. Specifically, the as-filed approach in this docket assumed that the additional ounces per piece for all mail in the letters subclass as a whole (both single-piece and workshared) and for the workshared portion of the letters subclass would remain the same between the base year and the test year. The result of this approach was an increase in the additional ounces per piece for the single-piece portion of the letters subclass between base year 1998 and test year 2001.

Interrogatory OCA/USPS-106(d) then asked how net overpayment of First-Class postage was included in the test year revenue calculation. The short answer was that it had been inadvertently omitted.

As explained in the response to OCA/USPS-106(d), historically the net overpayment of First Class postage in the letters subclass was included in the estimated volume of additional ounces. This was because all "residual revenue" was attributed to additional ounces by dividing such residual revenue by the prevailing additional ounce rate. For example, for First-Class single-piece, one would first sum the revenue obtained by: (1) multiplying the number of single pieces by the first-ounce rate, and (2) multiplying the number of nonstandard pieces by the nonstandard surcharge. Then, one would subtract this calculated

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK  
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sum from the postage revenue in RPW and attribute the resulting difference to additional ounces.

As a result of this approach, the historical estimates of additional ounces (before 1997) included both "physical" additional ounces associated with actual weight and "revenue" additional ounces associated with residual revenue. For workshared mail, the effect of this approach on additional ounces was modest. However, for single-piece mail, this calculation created a significant number of additional ounces. For example, according to the 1998 billing determinants (USPS-LR-I-125 at Table A-1) there was \$182 million of unexplained revenue in GFY 1998 (\$21,807 million less \$21,625 million). This would result in 792 million additional ounces associated with revenue under the historical method (\$182 million divided by 23 cents per additional ounce at the time). This approach did make intuitive sense since much of this unexplained revenue was most likely explained by single-piece mailers using first-ounce stamps for additional ounce postage.

Beginning with the GFY 1997 billing determinants, I sought to improve the historical method by obtaining the distribution of single-piece mail by weight step from domestic RPW and the distribution of workshared mail by weight step from mailing statement data. I then used this approach in developing the base year 1998 First-Class Mail billing determinants for this docket, thus obtaining a physical measure of additional ounces tied specifically to weight. This new approach also created revenue adjustment factors for the letters subclass which were used to adjust revenue calculated using the billing determinants to RPW revenue totals, as shown, for example, in the First-Class Mail billing determinants for 1998.

In preparing the billing determinant portion of my workpaper, I failed to include these newly calculated revenue adjustment factors in my test year revenue calculation, thereby not properly reflecting the results of the improved additional ounce calculation.

It is clear that this correction, as filed on April 17, needs to be made to my test year revenue forecast to properly reflect net overpayment of postage. It is

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also important to recognize that this change affects the historical series of additional ounce data since data prior to 1997 include "revenue" additional ounces, while data beginning in 1997 are limited to "physical" additional ounces.

**It is the As-Filed Method that Represents a Departure from Past Rate Cases; The Commission Itself Has Used the "Revised" Method for Forecasting Single-Piece Additional Ounces in the Past Five Rate Cases**

The as-filed method represents a departure from the method the Commission itself has used in past rate cases. The "revised" method is the traditional approach that has been used by the Commission in rate cases.<sup>2</sup>

The revised method of estimating single-piece additional ounces assumes that the additional ounces per piece in the historical 0-11 ounce weight range for single-piece mail remain the same between the base year and the test year. The approach of assuming that additional ounces would remain the same between the base period and the test year is the same method the Commission itself has used in at least the previous five omnibus rate cases: Docket Nos. R84-1, R87-1, R90-1, R94-1, and R97-1. For example, in Docket No. R84-1, the Commission used additional ounces per piece from the base year 1982 billing determinants for its test year revenue forecast. This approach was used in subsequent rate cases.

As described in more detail below, the as-filed method was consistent with mail migrating from single piece to workshare in response to worksharing incentives, and was consistent with the observed increase in additional ounces per piece between 1997 and 1998. Although the as-filed method made theoretical sense and was consistent with data available when I initially filed my testimony and workpapers, data in 1999 and 2000 confirm that no change in the long-standing traditional method is necessary or appropriate.

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<sup>2</sup> In Docket No. MC95-1, the Commission did use an additional ounce method that closely corresponds to the as-filed method. Docket No. MC95-1, however, represents a unique situation, as discussed below. It is the approach used in past rate cases that is relevant here.



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**Empirical Evidence for both 1999 and 2000 Supports the Return to the Traditional Method**

1999 Data

The as-filed additional ounce method resulted in a substantial increase in the forecast number of additional ounces between 1998 and the test year. This result was consistent with the observed increase in additional ounces between 1997 and 1998, the first year in which a comparison can actually be made between "physical" measures of additional ounces. This result was also consistent with the expectation that mail would migrate from the single piece category to the workshare category in response to worksharing incentives. If the pieces migrating from single-piece to workshare were typical of existing workshare pieces, the migrating pieces would be lighter than the average piece of single-piece mail. The average weight of the remaining single-piece mail would increase.

While this approach made intuitive sense and was consistent with data available when I developed my workpaper, it has not been borne out by actual 1999 and 2000 data. As described in the Postal Service's response to OCA/USPS-106(d), 1999 data indicate that the additional ounce ratio in the 0-11 ounce weight range remained almost constant between 1998 and 1999. There were 0.3378 additional ounces per piece in 1998 and 0.3387 additional ounces per piece in 1999. Because the 1999 figure includes heavier Standard (A) mail pieces migrating into First-Class single-piece, this comparison between 1998 and 1999 is not quite "apples-to-apples." The small increase from 1998 to 1999 may only reflect the Standard (A) migration of pieces.

If the as-filed approach had been applied to 1999, it would have resulted in approximately 350 million more additional ounces in 1999 for the 0-11 ounce weight range than actually occurred (an additional ounce ratio of 0.3448 instead of the actual 0.3387). At 22 cents per ounce, this represents about \$77 million in overstated revenue.

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Combined 1999/2000 Postal Fiscal Year (PFY) Data

In POIR No. 11/Question 3, the Commission asked me to supply First-Class Mail single-piece volumes by weight step for the first and second quarters of FY 2000. (FY 2000 RPW data are preliminary at this point.)

To gain insight into what may have happened to the number of additional ounces per piece since the Docket No. R97-1 rates were implemented, in my response I also combined the PQ 1 and PQ2 2000 data with the last two quarters of 1999 to get a combined 1999/2000 PFY which consists of the first four postal quarters that are entirely post Docket No. R97-1 rates. The results, presented in Attachment 1b to my response, are also reproduced here as Attachment B for ease of reference. Since the equivalent of an entire PFY is involved in this combination, seasonality is not an issue. (Single pieces typically demonstrate seasonality in weight, for example, holiday greeting cards decrease average weight and tax returns increase average weight.)

As described in my POIR response, for the combined 1999/2000 PFY, there were 0.3656 additional ounces per piece. For the historical 0-11 ounce weight range, there were 0.3396 additional ounces per piece. The 0.3396 additional ounces per piece in the historical weight range is quite similar to the 0.3378 ounces per piece per the 1998 billing determinants and to the 0.3387 additional ounces per piece in 1999 calculated in the Postal Service response to OCA/USPS-106(d). The 1999 additional ounce per piece figure for the 0-11 ounce range includes a partial year of heavier Standard (A) pieces migrating into First-Class single-piece, which may explain the small increase from 1998. Since the combined 1999/2000 PFY period is entirely post R97-1 rates, the additional ounce per piece figure for this period reflects the full-year effect of heavier Standard (A). This may explain the small increase from FY 1999, when the Standard (A) migration was only partially reflected.

The stability in the additional ounce per piece figure for combined PFY 1999/2000 lent additional support to the revised method for calculating single-piece additional ounces in the test year.

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It should also be noted that the total number of single-piece additional ounces calculated in my workpaper (as revised April 17) for the Test Year After Rates is 19,779,450 thousand, or 0.3741 additional ounces per piece. This additional ounce total not only includes pieces in the historical 0-11 ounce weight range, but it also includes ounces resulting from the impact of Standard (A) migration and forecast pieces in the new 11-13 ounce weight steps. While this 0.3741 figure is lower than the corresponding figure of 0.3972<sup>3</sup> from my as-filed workpaper, more importantly it is **higher** than the actual 0.3656 additional ounces per piece (0-13 ounce weight range) in combined PFY 1999-2000. (Because the additional ounce ratios for the historical 0-11 ounce weight range are so similar, this difference apparently relates to fluctuations in the forecasts versus actuals for the new 11-13 ounce weight steps.) The fact that the total additional ounce ratio used in my revised test year revenue calculation is above the actual ratio for the combined PFY indicates that my revised test year estimate of additional ounces should not be increased.

2000 Data for PQ1 through PQ3

Since the preparation of my POIR No. 11 response, RPW data for PQ3 have become available. The Commission included PQ3 2000 data in Attachment 2 of its NOI. (RPW data for FY 2000 are preliminary at this point.)

Consequently, I updated the previously requested year 2000 analysis to include PQ3 by developing the table shown here as Attachment C. Attachment C compares the additional ounces per piece for the PQ1 through PQ3 time period of 1998, 1999, and 2000. This comparison controls for seasonality in the single-piece mail stream since the time period covered is the same for each year.

Without adjusting for Standard (A) migration in 1999 and 2000, the comparison indicates that the additional ounces per piece for the historical weight range is quite similar over the period – from 0.3353 in 1998 to 0.3343 in 1999 to 0.3399 in 2000.

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<sup>3</sup> 21,001,839 thousand single-piece additional ounces divided by a volume of 52,877,658 thousand single-pieces, from page 4 of my as-filed workpaper.

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As noted above, the Standard (A) single-piece classification was eliminated on January 10, 1999. To make the 1999 and 2000 data comparable to the 1998 base year, a second calculation of additional ounces per piece in Attachment C adjusts for the heavier Standard (A) pieces migrating into First-Class single-piece, as explained in the Attachment's note. The effect of this adjustment is modest, but it reduces the range in the additional ounce ratio over the period. The adjusted comparison indicates that the additional ounces per piece for the historical 0-11 ounce weight range is quite stable over the period – from .3353 in 1998 to .3332 in 1999 to .3380 in 2000. Thus, the addition of PQ3 2000 data provides further support for returning to the traditional method.

If the as-filed approach is applied to 2000, it results in a methodologically comparable estimate (excluding Standard (A) pieces) of .3532 additional ounces for the 0-11 ounce weight range for all of 2000. The actual additional ounces per piece are .3380 through the first three quarters, excluding Standard (A) pieces. While only in hindsight will we know for sure, it seems quite unlikely that the actual PQ4 2000 additional ounce data will be high enough to bring the annual number of additional ounces per piece up to the level of 0.3532 implied in the as-filed approach.

### **The Historical 1990-1998 Trend in Additional Ounces Per Piece and its Implications for the Test Year Forecast**

The previous section focused on the period from 1998 through PQ3 of 2000 for the 0-11 ounce weight range, demonstrating stability in additional ounces per piece over the nearly three-year time period. While it is the three-year period immediately preceding the test year that is more relevant to evaluating the additional ounce forecasting method, this section focuses retrospectively on the trend in additional ounces per piece from 1990 to 1998, as shown in Attachment 4 of the NOI. The central issue is: Is the trend from 1990 to 1998 relevant for 2001, or does it reflect events unlikely to be repeated in the test year. At the outset, it is important to recognize that a complete discussion of this

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issue is hampered by the lack of comparable historical data from several years ago, as noted below.

In First-Class Mail, it is additional ounce weight steps that generate additional revenue, not weight per se. For example, for a given volume, the average weight of single-piece mail weighing less than 1 ounce could hypothetically increase from 0.5 ounces to 0.7 ounces and the average weight of pieces weighing between 1 and 2 ounces could increase from 1.6 to 1.9 ounces. This would increase the average weight of the single-piece mail stream, but leave revenue unchanged since a first-ounce stamp would still cover the postage for a 0.7 ounce piece and an additional ounce stamp would still cover the postage of the second ounce. As a result, it is the trend in additional ounces per piece as shown in Attachment 4 of the NOI, rather than average weight per piece, that is more directly related to revenue.

The figure plotting additional ounces per piece in Attachment 4 of the NOI has a stair-step shape, that is, flat periods where the number of additional ounces per piece are relatively stable are followed by fairly sharp increases – one between 1997 and 1998 and one between 1994 and 1995. If these two large increases can be explained by historical events unlikely to occur between the base year and the test year, then additional support is provided for the revised method of estimating additional ounces for the test year.

The 1997 to 1998 Increase: When the Data are Adjusted for the "Physical" Approach to Calculating Additional Ounces Implemented for 1997, the Timing of this Increase Changes and Corresponds to Changes Stemming from Classification Reform (Docket No. MC95-1)

As described earlier, historical estimates of additional ounces prior to 1997 include both "physical" additional ounces associated with actual weight and "revenue" additional ounces associated with residual revenue. This change directly impacts the comparison over the 1996-1998 time period shown in Attachment 4 of the NOI. To make the 1997 and 1998 data comparable to that for 1996 and earlier, I recalculated 1997 and 1998 additional ounces using the

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historical approach, which attributed all unexplained revenue to additional ounces. The resulting changes are significant, as shown in the following table:

**Table 1 – Additional Ounces Under the Historical and “Physical” Methods**

	Additional Ounces (000s) <sup>4</sup>		Additional Ounces per Piece	
	Historical Method	“Physical” Method	Historical Method	“Physical” Method
1996	16,683,201		.3081	
1997	17,792,489	16,997,741	.3280	.3134
1998	19,127,754	18,335,848	.3524	.3378

The change in approach implemented for 1997 has a significant impact on additional ounces per piece. For example, in 1997, additional ounces per piece increase from 0.3134 using the “physical” approach of calculating additional ounces to 0.3280 using the historical approach of attributing all unexplained revenue to additional ounces. NOI Attachment 4 indicates relatively little change in additional ounces per piece between 1996 and 1997, and a large jump between 1997 and 1998 (from 0.3081 in 1996, to 0.3134 in 1997, and then to 0.3378 in 1998). Putting the data on a comparable basis using the historical approach for all three years results in significant changes between both 1996 and 1997 and between 1997 and 1998 (from the same 0.3081 in 1996, to 0.3280 in 1997, to 0.3524 in 1998).

This result of spreading the 1997 to 1998 change shown in the NOI over the entire 1996 to 1998 period is consistent with the one-time impact of Classification Reform (Docket No. MC95-1 rates were implemented in PQ 4 of 1996). Classification Reform created a basic automation rate category for the first time, increased the 3-digit letter automation discount by 1-cent, and increased the 5-digit letter automation discount by 2 cents vis-à-vis the single-

<sup>4</sup> 1997 additional ounces under historical method calculated by dividing unexplained revenue (\$21,486,056 - \$21,303,264 from the 1997 billing determinants) by \$0.23 per ounce, yielding 794,748 more ounces than the physical method. 1998 calculated in the same fashion (\$21,807,405 - \$21,625,308 divided by \$0.23 per ounce), yielding 791,726 more ounces.

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piece rate, which remained the same at 32 cents.<sup>5</sup> In terms of relative price change, there is nothing else approaching this in magnitude over the 1990-1999 time period.

The additional ounce forecasting method used in Classification Reform closely corresponds to the as-filed method in the current docket. In Classification Reform, the assumption was that the magnitude of the relative price changes would pull lightweight pieces from single-piece to workshare, increasing the additional ounces per piece of what was left behind in single-piece. In calculating additional ounces in Docket No. MC95-1, the overall additional ounce ratio from Docket No. R94-1 was held constant after reform. Pieces were allowed to migrate between single-piece and workshare while the additional ounce ratio for workshared mail was held constant. The result was a forecast increase in the additional ounce ratio for single-piece mail.

As calculated in the Opinion and Recommended Decision in Docket No. MC95-1 (Appendix G, Table 4), price changes were expected to increase the additional ounce ratio for single-piece mail from 0.2622 to 0.2889,<sup>6</sup> an increase of 10.2 percent. The data in Table 1 indicate the actual additional ounce ratio (historical method) increased by about 6.5 percent between 1996 and 1997 (from 0.3081 to 0.3280).<sup>7</sup> The ratio then increased another 7.4 percent (from 0.3280 to 0.3524) between 1997 and 1998. The total increase over the 1996-1998 time frame was 14.4 percent. Thus, the additional ounce forecasting method used in Docket No. MC95-1 anticipated over 71 percent (10.2/14.4) of the increase in the

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<sup>5</sup> Classification reform also increased the piece minimums needed to qualify for 3-digit and 5-digit letter rates (from 50 to 150 for 3-digit and from 10 to 150 for 5-digit).

<sup>6</sup> Calculated by taking 14,659,829 additional ounces divided by 55,906,879 pieces from the Docket No. R94-1 Opinion and Recommended Decision (at Appendix G, Schedule 2, page 1) and 15,730,408 additional ounces divided by 54,442,623 ounces from the Docket No. MC95-1 Decision (at Appendix G, page 1).

<sup>7</sup> There is a noticeable difference in the additional ounce level from Docket No. R94-1 (0.2622, which is base year 1993) and the 0.3081 level reached in 1996. Some of this difference is explained in the 1994-1995 discussion in the next section.

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single-piece additional ounce ratio that occurred in the two years following implementation. Looking at the two-year period is appropriate to account for lags in the response of volume to the significant price and mail preparation changes from Classification Reform.

If the as-filed additional ounce forecasting method in the current docket largely explains what happened to the additional ounce ratio following Classification Reform, why is it not applicable to the 1999-2001 period? One factor is the sheer magnitude of the relative price change between single-piece and workshare mail implemented as a result of Docket No. MC95-1. Another factor is that the Classification Reform analysis was static, that is the base year and the test year were the same. In an omnibus rate case, new pieces are entering both the single-piece and workshare mailstreams between the base year and the test year, in addition to migrating between single-piece and workshare.

1994 to 1995 Increase is Partially Explained by the Implementation of Docket No. R94-1 and by a Change in RPW Sampling Methodology

As described in detail earlier, prior to 1997 all unexplained revenue was attributed to additional ounces. Within single-piece, much of the unexplained revenue is likely explained by the net overpayment of postage, such as single-piece mailers using first-ounce stamps for additional ounce postage. In 1999, for example, the billing determinants indicate that there was \$210 million in unexplained revenue within single-piece. The response of the Postal Service to OCA/USPS-69 (as revised on April 7, 2000) indicates that the net overpayment of postage in 1999 for the letters subclass was also approximately \$210 million.

The magnitude of the overpayment in postage depends in part on the gap, or "degression," between the first-ounce stamp price and the additional ounce rate. The implementation of Docket No. R94-1 on January 1, 1995, resulted in an increase in first-ounce postage from 29 to 32 cents while the additional ounce rate remained the same at 23 cents. Thus, the gap between the stamp price and



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the additional ounce rate increased from 6 cents (29 minus 23) to 9 cents (32 minus 23).

To determine if overpayment of postage increased as a result of this increase in the degression, I obtained RPW data on the net overpayment of postage for PQ2-PQ4 of 1995 and for the same period in 1994. I omitted PQ1 because the rate change was not implemented until PQ2 of 1995. As expected, the net overpayment of postage went up by \$28.8 million over this period, from \$64.9 million in PQ1-PQ3 of 1994 to \$93.7 million in PQ1-PQ3 of 1995. Dividing this \$28.8 million by the prevailing additional ounce rate of 23 cents resulted in 125 million "revenue" additional ounces due to the increased gap between the stamp price and the additional ounce rate. This represents a portion (about 6 percent) of the 2.0 billion increase in the number of additional ounces between 1994 and 1995.

Another potentially significant factor in understanding the additional ounce increase was the change in RPW sampling methodology first implemented in Q2 1995 and completed Q2 1997. It is my understanding that the Mail Exit Point (MEP) system was developed to allow for the sampling frame of mail to quickly adjust to changes in mail processing technology (e.g. introduction of DPS), to achieve the same level of precision in RPW estimates in the face of a 40 percent reduction in staffing and tests as a result of the 1992 restructuring, and to increase the sampling coverage of all mail. The result was a change in projected volume as compared with the previous methodology and an increase in the percentage of flats in the mailstream. As could be anticipated, the result as MEPs was rolled out and more flats were recorded was an increase in the average weight of single-piece and in the number of additional ounces per piece. I am unable to quantify the possible impact, however, because the sampling methodologies do not overlap and because data comparing the piece distribution due solely to the change to MEPs do not exist.

While I am unable to explain the 1994 to 1995 increase in additional ounces per piece as fully as the 1997 to 1998 increase, this increase is now several years past. As a result, there is no need to change the traditional

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additional ounce method now that I have "completed" the switch to a physical measure of base-year additional ounces by properly including a revenue adjustment factor in the test year.

Attachment A to USPS Response to NOI 3

(originally Attachment to OCA/USPS-T33-13 (f))

**FIRST-CLASS SINGLE-PIECE MAIL IN LETTERS SUBCLASS: VOLUME BY WEIGHT STEP**  
**GFY 1998 and GFY 1999**

	Weight Not Over (ounces)													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>GFY 1998:</b>														
Volume (000s)	46,819,464	3,618,628	1,440,618	776,457	505,188	341,900	243,875	183,399	145,138	115,357	83,000	N/A	N/A	54,273,024
%	86.2665%	6.6675%	2.6544%	1.4306%	0.9308%	0.6300%	0.4493%	0.3379%	0.2674%	0.2126%	0.1529%	N/A	N/A	100.0000%
<b>GFY 1999:</b>														
Volume (000s)	46,357,005	3,555,528	1,404,186	760,402	498,520	332,308	248,430	184,075	146,335	115,168	89,560	52,583	39,518	53,783,619
%	86.1917%	6.6108%	2.6108%	1.4138%	0.9269%	0.6179%	0.4619%	0.3423%	0.2721%	0.2141%	0.1665%	0.0978%	0.0735%	100.0000%

Attachment B to USPS Response to NOI 3

(Originally Attachment 1b to POIR No. 11, Question 3)

**FIRST-CLASS SINGLE-PIECE MAIL IN LETTERS SUBCLASS: VOLUME BY WEIGHT STEP**  
**Combined PFY: PQ 3 & PQ 4 1999 and PQ1 & PQ2 2000**

	Weight Not Over (ounces)													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>Combined PFY:</b>														
Volume (000s)	45,743,327	3,506,764	1,372,546	751,844	485,914	328,111	246,913	184,143	148,972	114,020	91,199	70,771	53,490	53,098,013
%	86.1488%	6.6043%	2.5849%	1.4160%	0.9151%	0.6179%	0.4650%	0.3468%	0.2806%	0.2147%	0.1718%	0.1333%	0.1007%	100.0000%
Add'l. Ounces (000s)		3,506,764	2,745,091	2,255,531	1,943,658	1,640,555	1,481,475	1,288,999	1,191,779	1,026,179	911,988	778,480	641,883	19,412,381
Add'l Oz. Per Piece, Total														0.3656
Add'l. Oz Per Piece, 0-11 ounce Pieces Only														0.3396

**FIRST-CLASS SINGLE-PIECE MAIL IN LETTERS SUBCLASS: VOLUME BY WEIGHT STEP**  
**PQ1 - PQ3 for 1998, 1999, and 2000**

	Weight Not Over (ounces)													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>PQ1+PQ2+PQ3 1998:</b>														
Volume (000s)	33,197,419	2,502,737	1,011,377	541,912	358,631	241,354	173,300	129,986	101,322	81,919	58,427			38,398,385
%	86.4552%	6.5178%	2.6339%	1.4113%	0.9340%	0.6286%	0.4513%	0.3385%	0.2639%	0.2133%	0.1522%			100.0000%
Additional Ounces (000s)		2,502,737	2,022,755	1,625,736	1,434,525	1,206,769	1,039,799	909,902	810,576	737,275	584,274			12,874,347
Add'l. Oz Per Piece:														
0-11 ounce Pieces														0.335284
<b>PQ1+PQ2+PQ3 1999:</b>														
Volume (000s)	32,930,123	2,479,188	979,922	533,936	350,648	232,104	176,721	128,300	102,694	80,420	61,503	26,486	19,049	38,101,094
%	86.4283%	6.5069%	2.5719%	1.4014%	0.9203%	0.6092%	0.4638%	0.3367%	0.2695%	0.2111%	0.1614%	0.0695%	0.0500%	100.0000%
Additional Ounces (000s)		2,479,188	1,959,844	1,601,809	1,402,592	1,160,520	1,060,328	898,098	821,554	723,782	615,032	291,343	228,585	13,242,674
Add'l. Oz Per Piece:														
0-11 ounce Pieces														0.334320
Adjusted for Std. (A)*														0.333221
<b>PQ1+PQ2+PQ3 2000:</b>														
Volume (000s)	32,136,237	2,478,404	949,671	529,105	341,663	232,353	171,820	129,671	106,544	80,493	64,336	50,573	37,250	37,308,120
%	86.1374%	6.6431%	2.5455%	1.4182%	0.9158%	0.6228%	0.4605%	0.3476%	0.2856%	0.2158%	0.1724%	0.1356%	0.0998%	100.0000%
Additional Ounces (000s)		2,478,404	1,899,342	1,587,315	1,366,654	1,161,763	1,030,922	907,698	852,349	724,440	643,355	556,307	447,000	13,655,548
Add'l. Oz Per Piece:														
0-11 ounce Pieces														0.339929
Adjusted for Std. (A)*														0.337999

\* Standard (A) single-piece was eliminated on January 10, 1999. As indicated in USPS-T-33 Workpaper, page 9, these pieces were heavier than the typical First-Class Mail piece. To make the 1999 and 2000 data comparable to the 1998 base year, this calculation adjusts for the heavier Standard (A) mail pieces migrating into First-Class single-piece by removing the Standard (A) pieces and their associated additional ounces from the 1999 and 2000 data. First, the forecast of pieces from Standard (A), 116,682,000 in 2000 (from USPS-LR-I-122, file AO\_BR.wk4, sheet Total) and 93,620,000 in 1999 (developed in the same way as 2000 figure using formula in USPS-T-7 at Workpaper 4) were prorated for the partial year of PQ1-3 shown in the table. For 2000, this involved taking 9/13 of the annual total for the 9 accounting periods in PQ1-3. For 1999, this involved taking one-half of the forecast volume, since about one-half of the period after the rate change fell in the first three quarters. Second, since these 1999 and 2000 forecasts of Standard (A) piece migration include 11-13 ounce pieces, the forecast was adjusted to reflect only 0-11 ounce pieces. 1998 Standard (A) data presented in USPS-T-33 Fronk Workpaper, page 9, indicate that 94.15% of Standard (A) pieces migrating to First-Class weighed between 0-11 ounces. The result for 1999 is 44.1 million pieces (93.62 million pieces \* 0.5 \* .9415), and the result for 2000 is 76.1 million pieces (116.682 million pieces \* (9/13) \* .9415). Third, additional ounces associated with these pieces were calculated using the additional ounces calculated from page 9 of the Fronk Workpaper, which showed there were 1.2823 additional ounces for each of the pieces in the 0-11 ounce weight range.

1 CHAIRMAN GLEIMAN: The thought occurs to me -- I  
2 probably should lose it before I open my mouth and get into  
3 more difficulty -- but I am going to do it anyway.

4 My recollection is that we don't have written  
5 discovery on rebuttal testimony but my recollection is there  
6 is an opportunity for cross examination orally on rebuttal  
7 testimony. The extent to which one can provide due process  
8 is indeed limited by reason and in our case by the 10  
9 months.

10 I hope that the attack on the Commission's alleged  
11 failure to provide due process doesn't mean that there are  
12 parties out here who think that we should add yet another  
13 round, provide discovery on all rebuttal -- written  
14 discovery on all rebuttal. I don't know where it would end  
15 and with that, having probably stuck my size 11 further into  
16 my mouth than I would like to at this point, I am going to  
17 be quiet.

18 One party has requested oral cross examination,  
19 the Office of the Consumer Advocate, which by the way is the  
20 reason we are here today -- had the Consumer Advocate not  
21 done a thorough job, and asked an interrogatory where they  
22 thought there was an error we might not even be here today,  
23 but that is what this kind of process is all about, digging  
24 in and finding out.

25 Does any other party wish to cross examine?

1 MR. HALL: Thank you, Mr. Chairman. MMA will have  
2 some questions -- and before I begin, let me clarify what I  
3 said before, because there is apparently some  
4 misunderstanding.

5 I did not mean to imply that in essence the  
6 Commission was denying due process here, simply the fact  
7 that because the Postal Service did not fully disclose what  
8 was going on earlier, we were effectively being denied due  
9 process.

10 Now if I may proceed with my questions.

11 CHAIRMAN GLEIMAN: Most certainly.

12 CROSS EXAMINATION

13 BY MR. HALL:

14 Q Mr. Fronk, let's go back to when this case was  
15 being prepared. Did you work with Witness Thress in the  
16 preparation of his additional ounce adjustment?

17 A Yes, we did.

18 Q And so it was a common or concerted decision to go  
19 forward with that adjustment, which was in fact put into the  
20 case-in-chief of the Postal Service?

21 A Yes, it was. His as filed methodology was  
22 developed in concert and I adopted it and used it in my as  
23 filed testimony and work papers.

24 BY MR. HALL:

25 Q Now the response to OCA Interrogatory 106(d) was

1 filed -- was it filed on the 17th of April?

2 A Yes.

3 Q And prior to that time, did Witness Thress come to  
4 you and say to you, oh, I think I made a terrible mistake, I  
5 need to correct my testimony?

6 A No, it was the reverse, that OCA, as I explained  
7 in the NOI response, asked me two questions which revealed  
8 two problems which I corrected on April 17th.

9 Q Okay, but it is also true, isn't it, that Witness  
10 Thress has never corrected his original work papers or  
11 changed his testimony?

12 A It is my understanding that he hasn't.

13 Q Now when we, when you put together, and I am using  
14 you in the institutional sense I guess here, the response to  
15 106(d) -- first, this was an institutional response,  
16 correct?

17 A It was an institutional question and it was an  
18 institutional response. That is correct.

19 Q And at the time you were considering what the  
20 appropriate response would be did you have meetings to  
21 discuss whether you would put on evidence supporting your  
22 new change, your change in methodology for determining the  
23 volume of additional ounces?

24 MR. TIDWELL: Objection, Mr. Chairman. The  
25 discussion of litigation strategy, and I mean that to



1 include discussion of whether material is going to be  
2 presented by a witness or in some other form is a matter  
3 commonly discussed between witnesses and counsel as it was  
4 in this instance, and involves privileged communications and  
5 I would object to the question on that basis.

6 CHAIRMAN GLEIMAN: Mr. Hall, move on to your next  
7 question, or restate what you are after.

8 MR. HALL: Okay.

9 BY MR. HALL:

10 Q Mr. Fronk, did you give any consideration to  
11 having Witness Thress put on revised testimony or presenting  
12 testimony yourself on the matter that became the topic of  
13 the institutional response to OCA-106(d)?

14 MR. TIDWELL: Again, the Postal Service -- Mr.  
15 Chairman, the Postal Service raises the same objection. The  
16 determination of which witnesses were going to respond and  
17 in what fashion is a matter that Postal Service counsel  
18 discussed with Witness Fronk and the outcome is reflected in  
19 what was filed, and those discussions we consider to be  
20 privileged.

1 MR. HALL: I am not asking him, Mr. Chairman, for  
2 any conversations he had with counsel. I am asking whether  
3 he independently considered having Witness -- or  
4 recommending that Witness Thress make a change, since  
5 Witness Thress had made the original proposal or whether he,

1 himself, considered putting on evidence at that time.

2 MR. TIDWELL: On whether who considered putting on  
3 evidence?

4 MR. HALL: Mr. Fronk.

5 CHAIRMAN GLEIMAN: I have never worked at the  
6 Postal Service, but my impression from what I have seen is  
7 that individual witnesses or individuals at the Postal  
8 Service just don't spring forth on their own and decide that  
9 they are going to be witnesses or that they are going to be  
10 changing testimony once it has been determined by someone  
11 else of a higher authority that they are going to be  
12 witnesses.

13 If you have questions about Mr. Fronk's response  
14 to NOI Number 3, he can answer those, but when you are  
15 dealing with matters about what went on over at L'Enfant  
16 Plaza and whether he was in a position or talked with  
17 someone else about who should give responses I think that  
18 Mr. Tidwell is correct, so I think we should focus on the  
19 substance perhaps.

20 BY MR. HALL:

21 Q Okay. Do you have a copy --

22 CHAIRMAN GLEIMAN: But if you have procedural  
23 questions that don't go to those attorney-client type  
24 litigation strategy issues, I don't mean to suggest you  
25 shouldn't ask those.

1 MR. HALL: Okay. I appreciate the clarification.

2 BY MR. HALL:

3 Q Do you have a copy of the response to, the  
4 institutional response to Interrogatory OCA-106(d) before  
5 you?

6 A Yes, I do. I always carry that.

7 [Laughter.]

8 BY MR. HALL:

9 Q I am glad to hear that. Could you turn to the  
10 unnumbered page, which I believe is the last page that is of  
11 that response to 106(d) and immediately precedes the  
12 response to 112, which was contained in the same document?

13 A Yes.

14 Q Do you have that before you?

15 A The response to 106(d)? Yes.

16 Q Okay. There you show a table which I understand  
17 reflects the sum total of both changes that were made as the  
18 result of this interrogatory response, namely the RAF,  
19 application of RAF factors and the change in the method for  
20 determining the volume of additional ounces; is that  
21 correct?

22 A That's correct.

23 Q Now, would it also be correct that this is not  
24 just one combined calculation that must be combined by its  
25 very nature? In other words, didn't you have to develop

1 different calculations for the error in not applying RAF  
2 factors, and then separately determine the results of your  
3 change in the determination of additional ounces?

4 A If I understand the question, the reason the data  
5 are presented in combined fashion at the end of my response  
6 to OCA 106(d) is because both changes need to be made to create  
7 the most accurate estimate of test year revenue that I  
8 could.

9 So I consider both of them inseparable, and I  
0 present that if both errors were discovered, both errors  
1 were corrected. It's the combined effect of both errors, as  
2 I explained in the response, that's important for ratemaking  
3 purposes.

4 Q Okay, but there were two separate calculations  
5 that then you had to combine to develop this table; is that  
6 correct?

7 A Not exactly. The way my workpapers work is, you  
8 go ahead and input the billing determinant inputs as well as  
9 other inputs, and it creates the revised workpaper that I  
0 used to compute the differences that are shown on this page.

1 So it's not necessary -- you kind of consider them  
2 as two combined corrections, and you make it in the  
3 workpaper. You create a revised workpaper as filed on April  
4 17th, and what this reflects is the differences between the  
5 revised April 17th workpaper and the as-filed January 12th

1 workpaper.

2 If you have to consider them separately -- and  
3 that's not how the workpaper works.

4 Q Are you telling me, Mr. Fronk, that you didn't  
5 have a calculation typical of -- not typical -- that is  
6 shown on page 2 of NOI-3?

7 In other words, Table 1 on that page separates the  
8 error in application of RAFs from the change in methodology  
9 for calculating and forecasting additional ounces?

0 A You're asking me if I was aware of what the  
1 different impacts of each change was individually when I  
2 responded to 106(d)?

3 Q Yes.

4 A That's a different question, and, yes I did do a  
5 calculation to individually see what each of the changes  
6 did.

7 But to me, again, it's the combined effect that  
8 matters for ratemaking purposes, and I've explained that in  
9 the response and in previous testimony here.

0 MR. HALL: Could we have a moment, please, Mr.  
1 Chairman.

2 CHAIRMAN GLEIMAN: Certainly. Take as much time  
3 as you need, Mr. Hall. We want to make sure all the  
4 questions get asked today.

5 [Pause.]

1 BY MR. HALL:

2 Q Mr. Fronk, let's shift gears a little bit here.  
3 In general terms, is it better when making decisions about  
4 numbers and volumes and quantities, is it better to use  
5 forecasts or actual numbers?

6 A If I understand the question, if there is actual  
7 data available, that would seem preferable to a forecast  
8 value.

9 [Pause.]

10 Q Could you turn your response to Presiding  
11 Officer's Information Request Number 13, please,  
12 specifically, Attachment -- it's the attachment to POIR No.  
13 13, Question 7.

14 A Yes.

15 Q This combines partial fiscal year -- I have PQ-3  
16 and PQ-4 of 1999, and PQ-1 and PQ-2 of 2000; do you see  
17 that?

18 A Yes.

19 Q Could we call that a hybrid year?

20 A Yes.

21 Q Or a hybrid fiscal year?

22 A Yes, we could.

23 Q And the data here are -- the data shown for  
24 volumes are actual volumes; is that correct?

25 A Yes, that's what this represents.

1 Q Okay. And the data reflects all of the migrations  
2 that you take into account in your other calculations that  
3 you provided in response to NOI-3; is that correct?

4 A I'm not sure I understand that. Which  
5 calculations?

6 Q For example, you accounted for the migration of  
7 Standard Regular mail pieces and Priority Mail pieces to  
8 First Class, single-piece; didn't you?

9 A In my revised workpaper, yes. And there are  
10 calculations that are dealing with the migration of Standard  
11 A pieces in the NOI response as well.

12 I'm not sure, specifically, what we're referring  
13 to here, but --

14 Q What I'm trying to get to is simply that in the  
15 attachment to POIR Number 13 that we've been discussing,  
16 that all those migrations had already occurred and were  
17 reflected in the actual volumes shown on that table; is that  
18 correct?

19 A Yes, that's correct, because the period covered by  
20 the hybrid Postal Fiscal Year, as we were calling it, is the  
21 first quarters that are entirely post-implementation of  
22 Docket Number R97, so they should reflect the migration of  
23 Standard A, single-piece into First Class, single-piece, and  
24 they should reflect the change in the breakpoint in First  
25 Class Mail from 11 to 13 ounces.

1           So it isn't necessary to attempt to forecast that  
2       or estimate what will happen because these quarters are all  
3       post-R97.

4           Q     Okay, now, you could have used that data in  
5       determining the additional ounces that you had for workshare  
6       mail; couldn't you have?

7           A     At what point? I mean, I didn't have these data  
8       until I answered this POIR.

9           Q     And that was -- is that because you didn't have  
10      the final quarter of -- the second quarter of Fiscal 2000  
11      available until that date?

12          A     I don't remember exactly when the PQ 2000 data  
13      became available, but this was a followup to, I believe,  
14      POIR No. 11 where the Commission had asked for PQ-1 and PQ-2  
15      2000 data for single-piece letters, and so I went and  
16      collected that data and got the underlying distribution data  
17      to be responsive to the POIR.

18                My recollection was that that was sometime around  
19      May. Then they followed up later with POI-13 and asked for  
20      the I provided previously for single-piece for the workshare  
21      portion of the letter subclass.

22          Q     Okay, but, well, help me out here. PQ-2 of 2000  
23      ended when?

24          A     I don't know specifically, but sometime  
25      mid-Winter, I would expect.



1 Q Did you have this data available -- was the data  
2 available in April?

3 A I don't know exactly when these data were  
4 available.

5 Q Pardon?

6 A I don't know.

7 Q Okay. In any event, the data for Quarter 1 was  
8 available before then, probably by the end of the year  
9 before the case was filed; is that correct?

10 A I don't exactly when RPW-PQ-1 2000 became  
11 available. I expect it probably was. That's only one input  
12 into this analysis, though. This analysis also relies on  
13 special weight data about the distribution of those RPW  
14 pieces by weight step, and I don't know when that was  
15 available.

16 Q But in any event, before April, you certainly had  
17 information, actual data, for three of the four quarters in  
18 this hybrid year that we're talking about; isn't that  
19 correct?

20 A Again, the RPW summary data may have been  
21 available. I'm not sure about the underlying weight  
22 distribution data which is used to distribute those pieces  
23 by weight step.

24 Q And certainly you had all of this material  
25 available to you, actuals for this period, prior to your

1 response to NOI 3, is that right?

2 A I certainly had it available for NOI 3. I even  
3 included it and relied upon in my response. What I didn't  
4 have, I -- yes.

5 Q Are you telling me that you replied upon this  
6 actual data? Perhaps I misunderstood how you made your  
7 calculation. It is my understanding that you took the  
8 Fiscal Year '98 percentages for one to 11 ounces and applied  
9 those to a projection of total volumes for test year, one to  
10 11 ounces, which was information that was provided to you by  
11 USPS Witness Tolley.

12 A Could you repeat that, please?

13 Q It is my understanding that your methodology takes  
14 Fiscal Year '98 percentages by weight category for the one  
15 to 11 ounce weight categories, and applies that to a  
16 projection of the total volumes for the test year to  
17 determine the one to 11 ounce increments.

18 A Yes, that is correct, '98 is the base year and  
19 that is what is done.

20 Q So, in other words, to round up here, you did not  
21 use the actual figures, the actual volumes that we have been  
22 talking about as the hybrid test year volumes that are shown  
23 on the attachment to POIR Number 13, Question 7?

24 A If I understand the question, no, I didn't, but  
25 these are two different things that are going on here. One

1 is what is the base year in the Postal Service's filing,  
2 which was 1998, and my response to POIRs which are coming  
3 subsequently, asking for 1999 data and asking for PQ1 and  
4 PQ2 2000 data, and the OCA interrogatories asking for 1999  
5 data, it is two different -- two different things.

6 Q Well, I appreciate it, but in your response to NOI  
7 3, you are trying to give the most up-to-date response,  
8 aren't you?

9 A Absolutely, that is my understanding of what the  
10 NOI is asking for, is they say, what do you know? And the  
11 NOI itself is extending the analysis through PQ3 2000 RPW  
12 report. Yes, it behooved me to use as much as I could.

13 Q Okay. And it would behoove you, I think we have  
14 agreed, to use actuals wherever you had them, isn't that  
15 correct?

16 A No, I wouldn't agree with that characterization.  
17 I mean the Postal Service --

18 Q Well, that is how we started off this colloquy.

19 A I think you asked me a conceptual question about  
20 using forecast data versus using actual data. And if I  
21 understood the question, I said, well, it would seem that  
22 that forecast data would be -- would not be, if you had  
23 actual data, you would want to use the actual data. But  
24 that is a different issue of filing is constructed, and what  
25 the choice of the base period is for the filing, and what

1 corresponds over the course of the proceeding as  
2 interrogatories are asked and people are asked, well, could  
3 you update the 1998 data with 1999? Could you supplement  
4 this with PQ1 and PQ2 2000 data?

5 Q Well, will you agree with me that if you had used  
6 the actual data that we have been discussing, namely, the  
7 attachment to POIR Number 13, Question Number 7, that you  
8 would not have had to make the Standard mail single piece  
9 and Priority Mail adjustments that you did make in response  
10 -- in the calculations that you show in response to NOI  
11 Number 3?

12 A In the abstract, that is correct, but recognize  
13 when the data that is presented in these things become  
14 available, and what -- how the filing is constructed.  
15 Because, clearly, if you have four quarters of post R97  
16 implementation data, then you are finally in a position  
17 there to understand how the Standard A migration may be  
18 affecting the data and how the Priority Mail switch,  
19 especially how the 11 to 13 ounce breakpoint may be  
20 affecting the data. There is a lot of timing issues going  
21 on here.

22 Q Have you done that for workshare?

23 A Could you clarify which? Have I done which?

24 Q Have you used the hybrid year for which you have  
25 actual information as the base year?

1 A In calculating test year revenues?

2 Q Yes.

3 A Not prior to this week, but in doing some work for  
4 POIR Response Number 16, I have started to look at that.

5 Q But in any case, it is not reflected in anything  
6 that you did for NOI Number 3?

7 A No, and consciously so because my reading of NOI  
8 Number 3 is to comment on the as-filed additional ounce  
9 method versus the revised or the traditional additional  
10 ounce method, and the difference between those is in the  
11 single piece additional ounces. Both methods forecast, used  
12 the same kind of approach to workshare additional ounces, so  
13 I focused on what I thought was the intent of the NOI, which  
14 was to get at the difference between the two methods, which  
15 is in single piece additional ounces.

16 MR. HALL: Mr. Chairman, if I may, I would like to  
17 have a document marked as a cross examination exhibit and  
18 let me describe it, and then I will pass copies to counsel  
19 and the witness.

20 CHAIRMAN GLEIMAN: Certainly.

21 MR. HALL: It is marked MMA-XE -- waiting for your  
22 insert for a number.

23 It consists of three pages. The first page is  
24 entitled, "Comparison of First Class Work Share Additional  
25 Ounces and Revenues".

1 MR. TIDWELL: The Postal Service would like to  
2 note for the record that this is news to it. We would have  
3 expected to have received any cross examination exhibits  
4 yesterday and so the witness will be taking a look at this  
5 afresh and we will see where it goes.

6 CHAIRMAN GLEIMAN: Yes. Cross examination  
7 exhibits, as I have indicated in the past, are very useful.  
8 However, when they do potentially involve complex  
9 calculations and the like, it is best that they be provided  
10 in advance, but on occasion the due process rights of the  
11 witness aren't considered as much as they ought to be.

12 MR. HALL: I was away from the microphone, Mr.  
13 Chairman, so I didn't have an opportunity to make an  
14 explanation and certainly being one who has beaten the drum  
15 of due process here today, I agree that what is fair for the  
16 goose is fair for the gander.

17 The only thing I can say in my defense is that  
18 things --

19 CHAIRMAN GLEIMAN: There is no need for a defense,  
20 Mr. Hall. I really think we just need to, you know -- you  
21 were going to explain what the document was and so some  
22 cross examination, and I --

23 MR. HALL: Okay.

24 CHAIRMAN GLEIMAN: -- I am just being petulant.

25 MR. HALL: It wasn't prepared until close to 11:30

1 last night, so --

2 CHAIRMAN GLEIMAN: I am just being petulant and  
3 thin-skinned, and I guess when you are the Presiding Officer  
4 you get to do that if you want.

5 Mr. Hall, after the XE- can we put a Number 1 in  
6 there?

7 MR. HALL: I don't believe so, unless --

8 CHAIRMAN GLEIMAN: Well, we need, you know, even  
9 if there are not going to be any other cross examination  
10 exhibits we may need a 1.

11 MR. COSTICH: Mr. Chairman, if I could make a  
12 suggestion, I have also given the Postal Service a cross  
13 examination exhibit and the numbering I used was after the  
14 XE I put NOI3 and then a dash and then a 1 or a 2 for the  
15 different exhibits.

16 CHAIRMAN GLEIMAN: Ah --

17 MR. HALL: That would be helpful because MMA  
18 already has had cross examination exhibits.

19 CHAIRMAN GLEIMAN: Well, in that case then, we  
20 will fill in that blank as was suggested by counsel for the  
21 OCA, and it will now read MMA-XE-NOI3-1.

22 [MMA-XE-NOI3-1 was marked for  
23 identification.]

24 BY MR. HALL:

25 Q Mr. Fronk, could you turn to page 3 of that cross

1 examination exhibit that we have just identified?

2 A Yes.

3 Q And could you confirm for me that this is --

4 [Discussion off the record.]

5 BY MR. HALL:

6 Q -- that this is the information, is the same as  
7 the information that is shown on Attachment to POIR Number  
8 13, Question Number 7?

9 A I'll accept that subject to check. I don't want  
10 to sit here and look at every number, but it looks generally  
11 similar.

12 Q I think the only thing we have added is the total  
13 on the far right hand column that is not there.

14 Now once again -- turning back to page 1 of this  
15 exhibit, columns 1 and 2 reflect your calculations that you  
16 have done in response to NOI-3, is that correct, with  
17 perhaps one shortcut that we have taken and that is we have  
18 combined automation letters and flats together whereas I  
19 believe you have a breakout for them?

20 A I will need to accept that subject to check as  
21 well. They look approximately right.

22 Q Okay. Do you have a copy of your revised as of  
23 April 17 work paper, page 4?

24 A Yes.

25 Q Okay, and could you just confirm for us that the



1 additional ounces shown there are the same as the numbers of  
2 the additional ounces that we have put in column 1?

3 A On nonautomation and carrier route, certainly are.  
4 Do you want me to do the arithmetic to do automation too?

5 Q No, please accept that subject to check.

6 A I will accept it subject to check.

7 Q Now turning to column 3 there, which we have  
8 entitled Hybrid Fiscal Year '99 Q3 and Q4 and Fiscal Year  
9 '00 Q1 and Q2, if you look on page 2, the additional ounces  
10 are the amounts shown in the final total column that shows  
11 Total Ounces for the full 1 to 13 ounce categories.

12 Do you see that?

13 A Yes, I understand what you are trying to do, I  
14 think. I do see that.

15 Q And what we have done here is to make a  
16 distribution based upon the percentages shown on page 3.

17 A I understand, yes.

18 Q You understand that?

19 A Yes.

20 Q Then you are way ahead of me.

21 A I certainly wouldn't claim that.

22 Q So basically we have come up with a different  
23 quantity of additional ounces. Once again we are dealing  
24 with work share here.

25 A I understand, yes.

1 Q A different volume of additional ounces than you  
2 have, and we priced them out at the same incremental ounce  
3 rate.

4 A Yes.

5 Q Do you see that?

6 A Yes.

7 Q And in column 5, finally, we arrive at what we  
8 characterize as Mr. Fronk's understatement of work share  
9 revenues -- do you see that?

10 A I see the column, yes.

11 Q Okay, and the total amount of that is  
12 approximately \$26 million?

13 A That is what the table shows.

14 Q Or approximately 5 percent of what you estimated  
15 in column 2?

16 A That's what the table shows.

17 MR. HALL: At this point, Mr. Chairman, I would  
18 move admission of the cross examination exhibit.

19 MR. TIDWELL: Into the record in what status?

20 MR. HALL: Into the record as evidence.

21 MR. TIDWELL: The Postal Service would object.

22 As the witness just indicated, the numbers in  
23 Column 5 represent assertions by MMA that there has been  
24 some understatement of revenue, and if MMA had wanted to  
25 make such assertions it seems to the Postal Service that MMA

1 could have made some assertions, those assertions, in  
2 testimony sponsored in response to NOI-3.

3 The witness does not accept that those assertions  
4 are factual in nature and we would object to entering them  
5 in evidence on that basis.

6 CHAIRMAN GLEIMAN: Well, I am going to allow it to  
7 be entered into evidence. I think you have restated the  
8 witness's point and the record is clear as to the Postal  
9 Service's position with respect to the value of those  
10 numbers.

11 [MMA-XE-NOI-3 was received into  
12 evidence.]

13 CHAIRMAN GLEIMAN: Mr. Hall, it has been admitted  
14 into evidence now. Would you like it transcribed into the  
15 record?

16 MR. HALL: I was going to say that. Thank you.

17 CHAIRMAN GLEIMAN: Have it transcribed into the  
18 record also.

19 [MMA-XE-NOI-3 was transcribed into  
20 the record.]

21  
22  
23  
24  
25

Comparison of First-Class Workshare Additional Ounces and Revenues (000's)

First-Class Category	(1) Fronk (Revised 4/17/00)	(2) Fronk (Revised 4/17/00)	(3) Hybrid FY 99 (Q3&Q4) and FY 00 (Q1&Q2)	(4) Hybrid FY 99 (Q3&Q4) and FY 00 (Q1&Q2)	(5) Fronk Under Statement Of Workshare Revenue (4) - (2)
	Additional Ounces	Additional Ounce Revenue @ .23 (1) * .23	Additional Ounces	Projected Revenues Revenue @ .23 (3) * .23	
NonAutomation	449,683	\$103,427	504,477	\$116,030	\$12,603
Automation	1,936,460	\$445,386	1,989,045	\$457,480	\$12,095
Carrier Route	62,557	\$14,388	68,276	\$15,704	\$1,315
Total	2,448,701	\$563,201	2,561,799	\$589,214	\$26,013

Column (1) Source: USPS-LR-I-169 (Revised 4/17/00) at 4

Column (3) Source: Page 2

Test Year Projection Using Additional Ounce Units based on Hybrid Base Year FY99/00

	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
<b>Test Year After Rates FY 2001</b>														
<b>Nonauto</b>														
Volume (000s)	2,332,038	121,147	81,452	28,171	11,002	3,183	1,953	1,957	2,227	1,014	658	766	718	2,586,288
%	90.1693%	4.6842%	3.1494%	1.0892%	0.4254%	0.1231%	0.0755%	0.0757%	0.0861%	0.0392%	0.0255%	0.0296%	0.0278%	100.0000%
Add'l Ounces (000s)		121,147	162,905	84,512	44,009	15,917	11,720	13,700	17,815	9,124	6,584	8,426	8,618	504,477
Ratio of Add'l to First Ounces														19.5058%
<b>Auto</b>														
Volume (000s)	41,488,615	1,105,158	148,040	33,356	19,406	11,678	8,721	8,519	7,167	6,776	4,462	4,061	2,680	42,848,638
%	96.8260%	2.5792%	0.3455%	0.0778%	0.0453%	0.0273%	0.0204%	0.0199%	0.0167%	0.0158%	0.0104%	0.0095%	0.0063%	100.0000%
Add'l Ounces (000s)		1,105,158	296,080	100,067	77,625	58,390	52,324	59,631	57,338	60,982	44,618	44,676	32,157	1,989,045
Ratio of Add'l to First Ounces														4.6420%
<b>Carrier Route</b>														
Volume (000s)	1,483,325	55,118	5,944	423	-	-	-	-	-	-	-	-	-	1,544,810
%	96.0199%	3.5679%	0.3848%	0.0274%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	100.0000%
Add'l Ounces (000s)		55,118	11,888	1,270	-	-	-	-	-	-	-	-	-	68,276
Ratio of Add'l to First Ounces														4.4197%
<b>Total Workshare</b>														
Total Volume (000s)	45,303,978	1,281,423	235,436	61,950	30,408	14,861	10,674	10,476	9,394	7,790	5,120	4,827	3,398	46,979,736
Total %'s	96.4330%	2.7276%	0.5011%	0.1319%	0.0647%	0.0316%	0.0227%	0.0223%	0.0200%	0.0166%	0.0109%	0.0103%	0.0072%	100.0000%
Total Add'l Oz (000s)		1,281,423	470,873	185,850	121,634	74,307	64,044	73,331	75,153	70,106	51,202	53,102	40,775	2,561,799
Ratio of Add'l to First Ounces														5.4530%

Source: USPS Projected TY AR Volumes Based on Distributions from Page 3

First-Class Workshare Letters

	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
<b><u>Q3&amp;Q4 of FY 1999 and Q1&amp;Q2 of FY 2000</u></b>														
<b>Nonauto</b>														
Volume (000s)	3,708,222	192,639	129,519	44,795	17,495	5,062	3,106	3,112	3,541	1,612	1,047	1,218	1,142	4,112,510
%	90.1693%	4.6842%	3.1494%	1.0892%	0.4254%	0.1231%	0.0755%	0.0757%	0.0861%	0.0392%	0.0255%	0.0296%	0.0278%	100.0000%
Add'l Ounces (000s)		192,639	259,038	134,385	69,980	25,310	18,636	21,784	28,328	14,508	10,470	13,398	13,704	802,180
Ratio of Add'l to First Ounces														19.5058%
<b>Auto</b>														
Volume (000s)	37,203,890	991,023	132,751	29,911	17,402	10,472	7,820	7,639	6,427	6,076	4,001	3,642	2,403	38,423,457
%	96.8260%	2.5792%	0.3455%	0.0778%	0.0453%	0.0273%	0.0204%	0.0199%	0.0167%	0.0158%	0.0104%	0.0095%	0.0063%	100.0000%
Add'l Ounces (000s)		991,023	265,502	89,733	69,608	52,360	46,920	53,473	51,416	54,684	40,010	40,062	28,836	1,783,627
Ratio of Add'l to First Ounces														4.6420%
<b>Carrier Route</b>														
Volume (000s)	1,141,903	42,431	4,576	326	-	-	-	-	-	-	-	-	-	1,189,236
%	96.0199%	3.5679%	0.3848%	0.0274%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	100.0000%
Add'l Ounces (000s)		42,431	9,152	978	-	-	-	-	-	-	-	-	-	52,561
Ratio of Add'l to First Ounces														4.4197%
<b><u>Total Workshare</u></b>														
Total Volume (000s)	42,054,015	1,226,093	266,846	75,032	34,897	15,534	10,926	10,751	9,968	7,688	5,048	4,860	3,545	43,725,203
Total %'s	96.1780%	2.8041%	0.6103%	0.1716%	0.0798%	0.0355%	0.0250%	0.0246%	0.0228%	0.0176%	0.0115%	0.0111%	0.0081%	100.0000%
Total Add'l Oz (000s)		1,226,093	533,692	225,096	139,588	77,670	65,556	75,257	79,744	69,192	50,480	53,460	42,540	2,638,368
Ratio of Add'l to First Ounces														6.0340%

Source: Attachment to POIR No. 13, Question 7

1 MR. HALL: That's all we have. Thank you.

2 CHAIRMAN GLEIMAN: Mr. Costich?

3 MR. COSTICH: Thank you, Mr. Chairman.

4 CROSS EXAMINATION

5 BY MR. COSTICH:

6 Q Good morning, Mr. Fronk.

7 A Good morning.

8 Q Earlier this morning counsel for MMA asked you  
9 about the table at the end of your response to 106(d). Do  
10 you recall that?

11 A Yes.

12 Q Could you look at that table again, please.  
13 Do you have that?

14 A Yes.

15 Q The first line of numbers is for single piece,  
16 First Class, is that correct?

17 A That is correct.

18 Q The negative \$91 million?

19 A Yes.

20 Q And you show a calculation for that negative \$91  
21 million, is that correct?

22 A That is correct.

23 Q The last number in that calculation is the new --  
24 what is that precisely?

25 A Mr. Costich, are you referring to the 22,746,522

1 number?

2 Q Yes.

3 A That represents single piece letter subclass  
4 revenue in my revised work paper as of 4-17.

5 The number preceding it, the 22,837,722 number, is  
6 single piece letter subclass revenue in my as filed work  
7 paper.

8 Q Okay. Counsel also asked you about having  
9 presented the numbers here as single calculations rather  
10 than breaking out the numbers as the Commission did in the  
11 NOI. Do you recall that?

12 A Of course.

13 MR. COSTICH: I would like to show you your page 4  
14 of your work paper, your revised work paper, and I will  
15 distribute copies of that as well.

16 THE WITNESS: Sure.

17 [Pause.]

18 BY MR. COSTICH:

19 Q Do you see that number we were talking about, the  
20 22 billion, 556 -- is it --

21 A Yes.

22 Q That wasn't -- make sure I say the correct number.  
23 It is 22,746,522, correct?

24 A Yes.

25 Q Now is that typed in to this work paper or is



1 there a formula underlying it?

2 A There should be a formula underlying that. It  
3 should take the revenue adjustment factor as an input and  
4 apply it to the line above it to get the number that you  
5 quoted.

6 Q Now could you look two lines farther up?

7 A Yes.

8 Q The revised line labelled Additional Ounces -- do  
9 you see that?

10 A Yes, I do.

11 Q Is that number just typed in here or is it a  
12 calculation?

13 A You are referring to the Additional Ounce revenue  
14 numbers that are shaded?

15 Q Yes.

16 A The calculation of the volume times the rate.

17 Q So that would be the number in Column 2 times the  
18 number in Column 4?

19 A Yes, for Column 6.

20 Q The number in Column 2, the number of Additional  
21 Ounces, do you know where that comes from?

22 A Yes. There's a formula that calculates that as  
23 well.

24 Q Is that formula embedded in this cell or is the  
25 work done somewhere else?

1           A     The formula should be embedded in that cell,  
2     although it is going to rely on work done elsewhere in the  
3     work paper.

4                 Essentially what that cell is doing is it is  
5     recognizing that we have got a base year of 1998, which  
6     doesn't have any Standard A migrated pieces in it, and  
7     doesn't have any 11 to 13 ounce piece in it, and it is  
8     recognizing that there is a historical weight range, zero to  
9     11 ounces, that has an additional ounce per piece associated  
10    with it, but that there is a need to recognize that there  
11    will be additional ounces associated with the new Standard A  
12    pieces and the new 11 to 13 ounce pieces, so there is a  
13    formula there that does that.

14            Q     All at once in one cell?

15            A     My recollection is that it is there and that it is  
16    based on the information on Priority Mail pieces and  
17    Standard A mail pieces that are presented elsewhere in the  
18    work paper and documented in the work paper.

19            Q     Now looking back over in Column 6, the revenue at  
20    proposed rates is in fact the new number for additional  
21    ounce revenue, is it not?

22            A     Yes.

23            Q     And you could have performed an analogous  
24    calculation using this work paper and the old work paper to  
25    determine the change that resulted from your additional

1 ounce correction, is that correct?

2 A Are you asking me can you determine what the  
3 impact of the revised methodology change is on additional  
4 ounces and is on additional ounce revenue by comparing this  
5 page 4 with the as filed page 4?

6 Q Yes.

7 A Absolutely.

8 Q So when you told counsel for MMA that everything  
9 is done on one work paper and you can only get the net  
0 result, that wasn't exactly correct, was it?

1 A I think that as I answered the question that it  
2 was correct.

3 If you are asking me can you sit here and  
4 disaggregate the impact of the revenue adjustment factor,  
5 you know, add up the pieces and add up the -- and do the  
6 subtraction for the additional ounce stuff, yes. You can do  
7 the arithmetic using the work paper.

8 Q Had you done that arithmetic yourself prior to  
9 filing 106(d)?

0 A Yes. I said that I did, that I did make the  
1 calculation.

2 Q So there was no --

3 A But that I presented it on a combined basis  
4 because both corrections need to be made.

5 Q I'm sorry, perhaps I misunderstood what your

1 response was. I thought you had said you presented it this  
2 way because it is all done on one work sheet and you only  
3 have the net result to present.

4 Did I misunderstand you?

5 A I don't know. As a clarification for what I was  
6 answering before, if you go ahead you can break down the  
7 effect of the revenue adjustment factor change, for example,  
8 by looking at each one of these individual cells before and  
9 after so the information is here to perform the calculation,  
10 but the way the work paper is working, the way the inputs  
11 are working, as I am inputting the changes and I am making  
12 all the changes at one time, I am not separately doing it.

13 Maybe I misunderstood the question before. There  
14 is not a workpaper version 1 that does the additional ounce  
15 change. In workpaper version 2, I am just making the  
16 corrections that need to be made to fix the problems.

17 Q Do you have a copy of your revised page 9 of your  
18 workpapers?

19 A Yes.

20 Q You have added columns to this workpaper, is that  
21 correct?

22 A Yes, to calculate the additional ounces as shown  
23 by the shading.

24 Q Are these additional ounces used anywhere else?

25 A These additional ounces should be carried to the

1 total additional ounces for single piece mail on page 4.

2 Q And what is the difference between what you are  
3 doing in those columns and what was done in the original  
4 workpaper?

5 A In the original workpaper, the test year estimate  
6 of single piece additional ounces was developed using the  
7 as-filed methodology which embedded the Standard A  
8 additional ounces, the additional ounces coming from the  
9 weight break change and the additional ounces associated  
10 with the historical zero to 11 ounce weight range. So it  
11 wasn't necessary in my workpaper to perform this  
12 calculation.

13 When I returned to the traditional method, or  
14 amended the method on April 17th, and because my base year  
15 billing determinant reflected only the zero to 11 ounce  
16 historical pieces, I needed to account for the Standard A  
17 migration change and for the Priority Mail change, where the  
18 breakpoint changed between First Class and Priority Mail,  
19 and so I needed this calculation.

20 Q Looking back at your workpaper 4, I think we can  
21 agree that the numbers you would have needed to present the  
22 two changes separately in your response to 106(d) are right  
23 there, aren't they?

24 A By using the numbers on revised page 4 and the  
25 original numbers on the as-filed page 4, and performing

1 arithmetic, yes, you can disaggregate the combined result.

2 Q Well, the arithmetic would be the same kind of  
3 arithmetic you did do on your response to 106(d), isn't it?  
4 Instead of subtracting the entire 22 billion from before and  
5 after, you could you have subtracted the 4-1/2 billion  
6 before and after, correct?

7 A If you are asking me do my workpapers make it  
8 clear what the effect of each change is, I think they do.  
9 That you can take the numbers in the workpaper and decompose  
10 the change. But as I have said on numerous occasions, to  
11 me, it is the combined effect that matters for ratemaking  
12 purposes because both revisions need to be made.

13 Q When you first saw Interrogatory 106(d), did you  
14 know the answer to that question?

15 A Pretty quickly. You mean did I realize that I had  
16 a mistake? Pretty quickly.

17 Q No, I mean did you already know that there was  
18 that mistake?

19 A Oh, no, of course not.

20 Q You would have corrected that if you had known it?

21 A Yes.

22 Q When you got the interrogatory to you, was it  
23 13(f)?

24 A Yes, I believe so.

25 Q Had you looked at that data before?

1           A     No, not in the way the comparison asked. I  
2     probably had started to be thinking 1999 data for billing  
3     determinant purposes, but I had not made the kind of  
4     comparison postulated in the question, which was to look at  
5     1998 versus 1999, and what do you see in terms of a  
6     distribution difference. I had not done that kind of  
7     analysis.

8           Q     Could you look at Attachment B to your response to  
9     the NOI? I believe counsel for MMA asked you a few  
10    questions about this.

11          A     Yes, I have the attachment.

12          Q     This shows volume by weight increment for single  
13    piece First Class, is that correct?

14          A     Yes, it does.

15          Q     And what is the source of those data?

16          A     In a phrase, it is RPW data.

17          Q     Now, does RPW provide the proportions or does it  
18    provide the volumes?

19          A     It provides both. My understanding is there is a  
20    domestic probability sample, but I am getting beyond my  
21    expertise, that produces the distribution of pieces by  
22    weight step, but it is all generally part of the RPW system.

23          Q     So for single piece at least, the weight cell data  
24    are determined by a sample?

25          A     Again, I am not an RPW expert. That is my

1 understanding.

2 Q So those data are subject to sampling error?

3 A I am beyond my expertise, I don't know.

4 Q Well, let's assume, hypothetically, that these  
5 data are sample estimates, would sample estimates be subject  
6 to sampling error?

7 A Sampling error usually accompanies sampling  
8 estimates.

9 Q Could you look at page 10 of your response to the  
10 NOI? In the first full paragraph, could you look at the  
11 second sentence?

12 A Yes, I see it.

13 Q Could you briefly describe the point that you are  
14 making here?

15 A Let me make sure first I have the right sentence.  
16 It is the sentence that begins, "For example"?

17 Q Yes.

18 A Yes. The point that I was trying to get at there  
19 is in the Notice of Inquiry, there were two kinds of graphs  
20 and data that were presented there. One was data by weight  
21 and one type of table or graph was data by additional ounces  
22 per piece, and I was trying to get at the distinction here.  
23 The sentence is part of the paragraph that says that, in my  
24 view, it is the additional ounces per piece that matter and  
25 not weight, per se, because it is the additional ounces per



1 pieces that actually generate the revenue, and that you can  
2 have increases in weight per piece without increases in  
3 revenue if, for example, mailers are more efficient in  
4 including more sheets within a mailing and yet keeping the  
5 weight under the weight step.

6 For example, if your average weight -- and that  
7 was what I was trying to get at with the example here, is  
8 that for single piece mail, you could increase, if it is a  
9 one ounce piece, you could increase the weight of that piece  
10 from half an ounce, hypothetically, to 7/10ths of an ounce,  
11 and you wouldn't pay any more postage because of how the  
12 rate structure works.

13 So, again, I was getting at the issue of it is not  
14 weight per se driving revenue, but the additional ounce per  
15 piece, which is the rate element that generates revenue.  
16 And that is why also I took the approach that I did in the  
17 NOI and focused on additional ounces per piece rather than  
18 weight.

19 Q When you talk about an increase in the average  
20 weight, let's restrict ourselves to the first ounce  
21 increment, and your example is from half an ounce to .7  
22 ounces, is that correct?

23 A Yes, it was a hypothetical.

24 Q Now, you are not suggesting that all pieces in  
25 your before example weighed exactly half an ounce, are you?

1 A Absolutely not, Mr. Costich. I am just giving a  
2 hypothetical to illustrate the point I was making before .

3 Q So, you are talking about an average with a  
4 distribution around it?

5 A Yeah.

6 Q If every piece in that distribution around the  
7 average increased its weight by 2/10ths of an ounce, what  
8 would happen?

9 A If I understand the question, if the average  
0 weight of the piece in the step is increasing? Can you  
1 repeat, please?

2 Q Sure. We have -- I think we agreed we have a  
3 distribution of possible weights across that first ounce  
4 increment.

5 A Within the first ounce increment, there are pieces  
6 that weigh different amounts, yes.

7 Q And there's an average of all those.

8 A You could compute an average of all the pieces.

9 Q Yes. And in your hypothetical, you've assumed  
0 it's half an ounce to begin with; is that correct?

1 A That's the hypothetical, yes.

2 Q Now, if every piece in that distribution is  
3 increased by two-tenths of an ounce, what would happen to  
4 the average?

5 A Presumably it increases.

1 Q By how much, could you tell me?

2 A I think you asked me a question like this back in  
3 April -- it's associative or multiplicative rules of  
4 arithmetic. I think it goes up by about two-tenths. I'm  
5 not sure.

6 Q Ordinarily is it a rule of statistics that if you  
7 add a constant to every value in a distribution, that you  
8 will change the mean by the value of that constant?

9 A I think so, yes. I think so.

10 Q But when we're dealing with ounce increments, that  
11 won't work, will it?

12 A I don't know that I follow.

13 Q If we increase the weight of every piece in the  
14 first-ounce increment by 2/10ths of a cent, some pieces are  
15 no longer going to be in the first-ounce increment, correct?

16 A I'm not sure I follow the hypothetical, but I  
17 accept that if you have a piece that weighs 9/10ths of an  
18 ounce and the mailer adds 2/10ths of an ounce to it, that it  
19 will weigh 1.1 ounces and will not weigh less than an ounce.

20 Q And it will no longer be contributing to the  
21 average weight of first-ounce pieces, will it?

22 A No, in your hypothetical.

23 Q So in your hypothetical, going from .5 ounce  
24 average to .7 ounce average, it would -- to actually have  
25 that happen would involve some rather strange behavior,

1 wouldn't it?

2 A I'm afraid I don't follow that, either.

3 Q Well, it's not a matter of simply every piece  
4 suddenly weighs 2/10ths of an ounce more, right?

5 A No. One piece may weigh more than that and -- no,  
6 I mean, it's not simply that matter.

7 Q If it were that matter, you wouldn't get the  
8 average increasing by 2/10ths of an ounce, would you?

9 A I can't accept that. I don't follow the -- I  
10 don't follow the hypothetical.

11 Q If every piece in the first-ounce increment  
12 suddenly weighs 2/10ths of an ounce more, some of those  
13 pieces go over to the second ounce increment, right?

14 A All other things being equal, assuming there are  
15 no new pieces, yes.

16 Q That might be what's happening when weight is  
17 increasing for additional ounces; is that correct?

18 A I can't accept that. I haven't studied it that  
19 way. Again, as I was mentioning before, it's additional  
20 ounces that generate revenue, not weight per se.

21 Q Okay.

22 A And so I focused in the NOI on the additional  
23 ounce trend per piece.

24 Q But I think you can see what I'm trying to get at,  
25 that --

1 A Actually, I can't.

2 Q Oh. All right. Let me help you out.

3 If you observe increases in weight per piece in  
4 first-class single-piece, does that mean that all the  
5 increases in weight are taking place within ounce increments  
6 and there is no movement from one ounce increment to  
7 another?

8 A If I understand, you're postulating a dynamic  
9 situation where something is changing, the time period is  
10 changing, some pieces may be getting heavier, you may have  
11 some new pieces coming in, some pieces may be getting  
12 lighter. I think the point that I'm trying to make here in  
13 the hypothetical still stands, as I said before, that it's  
14 additional ounces per piece generating revenue in  
15 first-class mail and it's not weight per se.. So the trend  
16 to be focusing on is the additional ounce per piece trend  
17 because that's the trend that's tied to revenue.

18 Q And what I'm trying --

19 A Directly.

20 Q Go ahead.

21 A Directly.

22 Q What I'm trying to find out is whether, if one  
23 observes an increasing trend in weight per piece, that that  
24 will imply changes in additional ounces per piece.

25 A It might and it might not under certain

1 circumstances.

2 Q Well, the certain circumstances -- one of the  
3 possible certain circumstances is your hypothetical, right?

4 A That's right. I can conceive of increasing weight  
5 without changing additional ounce revenue, yes.

6 Q But is that something that's likely to actually  
7 happen in reality?

8 A I don't see why not.

9 Q In single-piece first-class mail?

10 A Sure. Again, I focused on additional ounces per  
11 piece; I didn't study in the 17 days here the trend in the  
12 single-piece overall weight so much. But, I mean, in an  
13 extreme sense, if I had a single-piece mail stream and I add  
14 one piece to it or I change the weight on one piece -- let's  
15 say that it's between one and two ounces and I change the  
16 weight of that piece from 1.2 to 1.5, I'm not going to  
17 change my revenue because the second ounce postage will  
18 still cover the postage for that piece.

19 Q Right.

20 A Yes.

21 Q And if you increase --

22 A That's -- yeah.

23 Q You through?

24 A I think so.

25 Q Okay. And by the same token, if you increase the

1 weight of a piece from .9 to 1.1, you've got yourself  
2 another additional ounce, right?

3 A That particular hypothetical, that one piece  
4 generates an additional ounce, yes.

5 MR. COSTICH: Mr. Chairman, at this point, I would  
6 like to distribute a cross examination exhibit.

7 CHAIRMAN GLEIMAN: Be my guest.

8 MR. COSTICH: What is being distributed, Mr.  
9 Chairman, is Attachment 2 to the NOI with a trend line drawn  
10 through the single-piece data. I have marked it for  
11 identification as Exhibit OCA-XE-NOI3-1.

12 [OCA-XE-NOI3-1 was marked for  
13 identification.]

14 BY MR. COSTICH:

15 Q Mr. Fronk, I gave a copy of this to your counsel  
16 earlier this morning. Have you had a chance to look at it?

17 A I know that you passed it to counsel about ten and  
18 I glanced at it.

19 Q With respect to the trend line that has been drawn  
20 through the first-class single-piece data, is there anything  
21 about that line that you think is inaccurate?

22 A I really have no basis for answering that  
23 question. You just provided this this morning. It has a  
24 formula there, it appears to be a regression analysis of the  
25 underlying data points. I don't have any idea whether it's

1 accurate or not.

2 Q You can just eyeball it and say, well, that looks  
3 like a trend line through those points?

4 A That's a somewhat different question. If you're  
5 asking me if I was trying to put a ruler down and draw a  
6 line through those points, I don't know. But that's not  
7 what it appears to be. It appears to be statistical.

8 Q Let's ignore the line for a minute. Let's look at  
9 the data for first-class single piece. Those are the little  
0 diamonds on the graph. Do you see that?

1 A Yes.

2 Q If you were to look only at the diamonds for PQ3  
3 of each year, do you see that they are sort of at a high  
4 point on the graph of the dots?

5 A Yes, PQ3 often seems to be a high point.

6 Q Do I recall correctly that you offered the  
7 possibility that a lot of tax returns in PQ3 might cause  
8 that?

9 A Yes, in my testimony, I raised the issue of  
0 seasonality regarding single-piece mail in PQ3. Tax returns  
1 are one thing that could contribute to that kind of a peak.

2 Q In any event, we have the peak every PQ3, right?

3 A I haven't looked at every PQ3, but it looks that  
4 way.

5 Q And it looks like those peaks are also trending



1 upward; would you agree?

2 A Yes. The chart kind of speaks for itself. PQ3 is  
3 oftentimes a peak, and generally it looks like in later time  
4 periods, that those PQ3 values seem to be higher than they  
5 are at earlier time periods. Again taking the graph at face  
6 value for what it's representing, that's what it shows.

7 Q In the as-filed version of your estimate of  
8 additional ounces, did you use something like this trend  
9 line to project additional ounces in single-piece  
10 first-class?

11 A No. The as-filed version doesn't focus on weight  
12 per piece, it focuses on additional ounces per piece. What  
13 it does is -- so no, I mean, the trend in overall weight,  
14 this goes back to the issue we were discussing a few moments  
15 ago that, in my view, the appropriate focus is on the  
16 revenue-generating additional ounces per piece rather than  
17 the weight per se. So no, it doesn't.

18 Q The estimates that you used in your as-filed  
19 workpaper for additional ounces in single piece came from  
20 Witness Thress; is that correct?

21 A Yes.

22 Q And was it he who performed the forecasting for  
23 those additional ounces?

24 A The calculation is contained in his -- I believe  
25 it's a workpaper, is my recollection, yes.

1 Q Did he do that at your direction?

2 A That is the forecast of additional ounces that I  
3 used at the time we filed, and yes, I adopted it, so it's my  
4 direction

5 Q Well, I'm not asking if you adopted it; I'm asking  
6 you if you essentially told Witness Thress that that's the  
7 way you wanted it done?

8 A I told him that that's the additional ounce  
9 approach that I wanted to use in my testimony.

10 MR. COSTICH: Mr. Chairman, I would like to  
11 distribute a second cross examination exhibit.

12 [OCA-XE-NOI3-2 was marked for  
13 identification.]

14 MR. COSTICH: Before I do, perhaps I should move  
15 the first one into evidence.

16 CHAIRMAN GLEIMAN: Without objection.

17 MR. COSTICH: And could I have it transcribed?

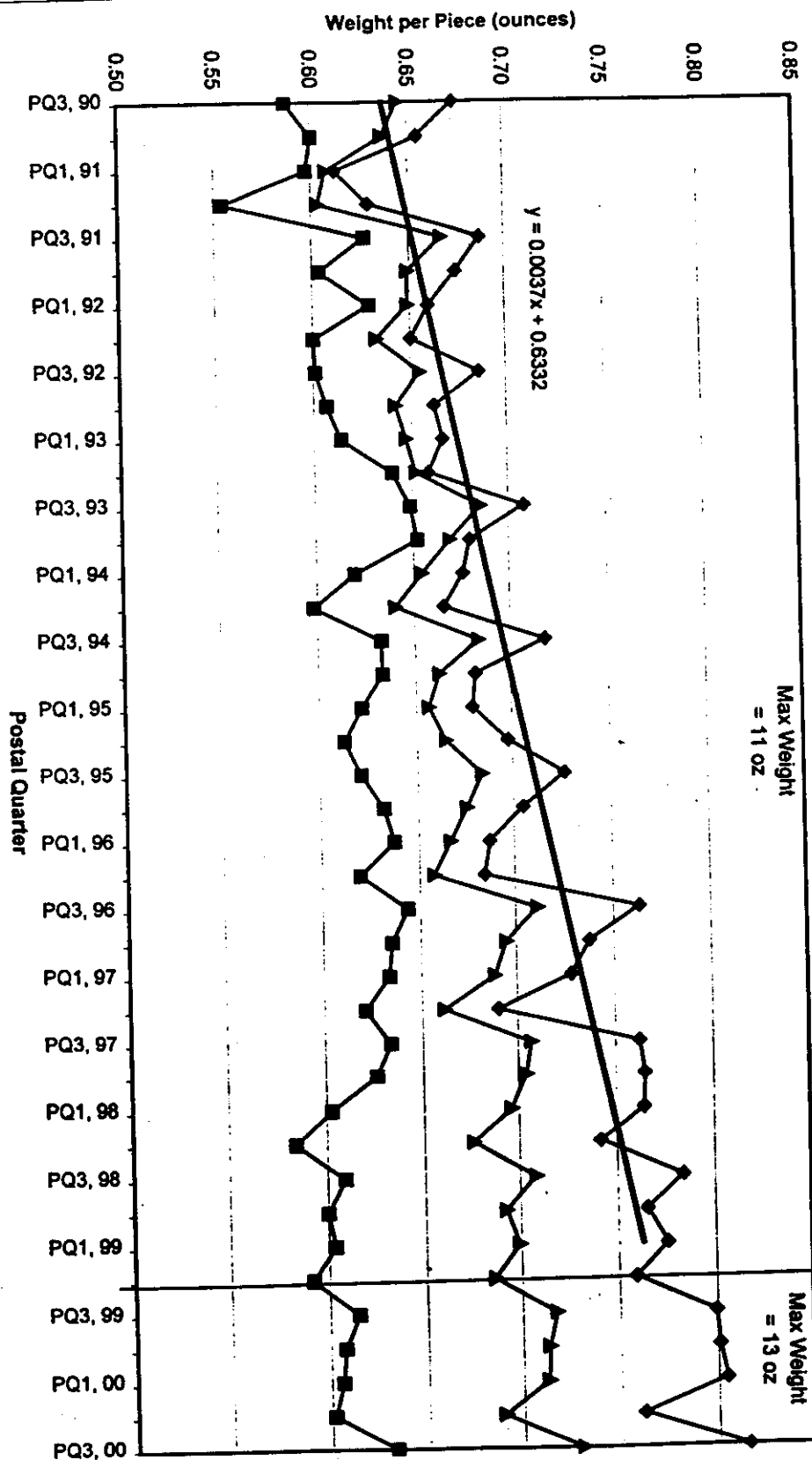
18 CHAIRMAN GLEIMAN: Most certainly.

19 [OCA-XE-NOI3-1 was received in  
20 evidence and transcribed in the  
21 record.]

22  
23  
24  
25

**Quarterly Weight per Piece**  
**First-Class Letters (with Trend Line)**  
 (Source: USPS Revenue, Pieces, and Weight Report)

10-Jan-99



1 BY MR. COSTICH:

2 Q Mr. Fronk, what I've distributed is again  
3 Attachment 2 from the NOI, but I have broken it into two  
4 parts, and there are trend lines running through the single  
5 piece observations in the two different parts. Do you see  
6 that?

7 A I do see the chart. Again, it appears to be  
8 plotting statistics and regression equations and I haven't  
9 had any chance to see what that is. But I understand the  
10 representation you're trying to make, yes.

11 Q Do you see that the slopes of the two lines are  
12 different?

13 A I see that the right-most of the two lines appears  
14 to be steeper.

15 Q And a steeper slope would indicate a more rapid  
16 rate of growth?

17 A I'm not sure I would agree with that. The steeper  
18 line seems to -- well, in what sense? I mean, that the  
19 weight per piece -- can you rephrase, please?

20 Q Sure. Since we have the equation there, we can  
21 see that for each quarter, that straight line indicates an  
22 increase in weight per piece of about 4/100ths of an ounce,  
23 correct? Excuse me. 4/1000ths of an ounce.

24 A That's what the statistical equation here would  
25 indicate.

1 Q So can we agree that more recent data indicates a  
2 more rapid increase in weight per piece in first-class  
3 single-piece?

4 A I can't accept that characterization. What this  
5 graph is doing is it appears to be dividing the time period  
6 from 1990 through 2000 into two pieces. I'm not sure why.  
7 Then there's two equations, statistical equations plotting  
8 trend lines. I accept the fact that one trend line is  
9 steeper than the other trend line, but what this analysis  
10 ultimately means for the overall weight of single piece, I  
11 don't know. And again, my focus would be on additional  
12 ounces per piece rather than weight per piece, which I feel  
13 is more relevant to exploring the issues that the Commission  
14 set forth in the NOI.

15 Q And are you saying that increasing weight per  
16 piece tells you nothing about what you could expect with  
17 respect to additional ounces per piece?

18 A No, I couldn't make that statement. I've told you  
19 what my focus was on in the NOI response and what I studied,  
20 additional ounces per piece. I didn't study that.

21 MR. COSTICH: Mr. Chairman, could I move the  
22 admission of OCA-XE-NOI3-2?

23 CHAIRMAN GLEIMAN: You could. Are you?

24 MR. COSTICH: Yes, sir.

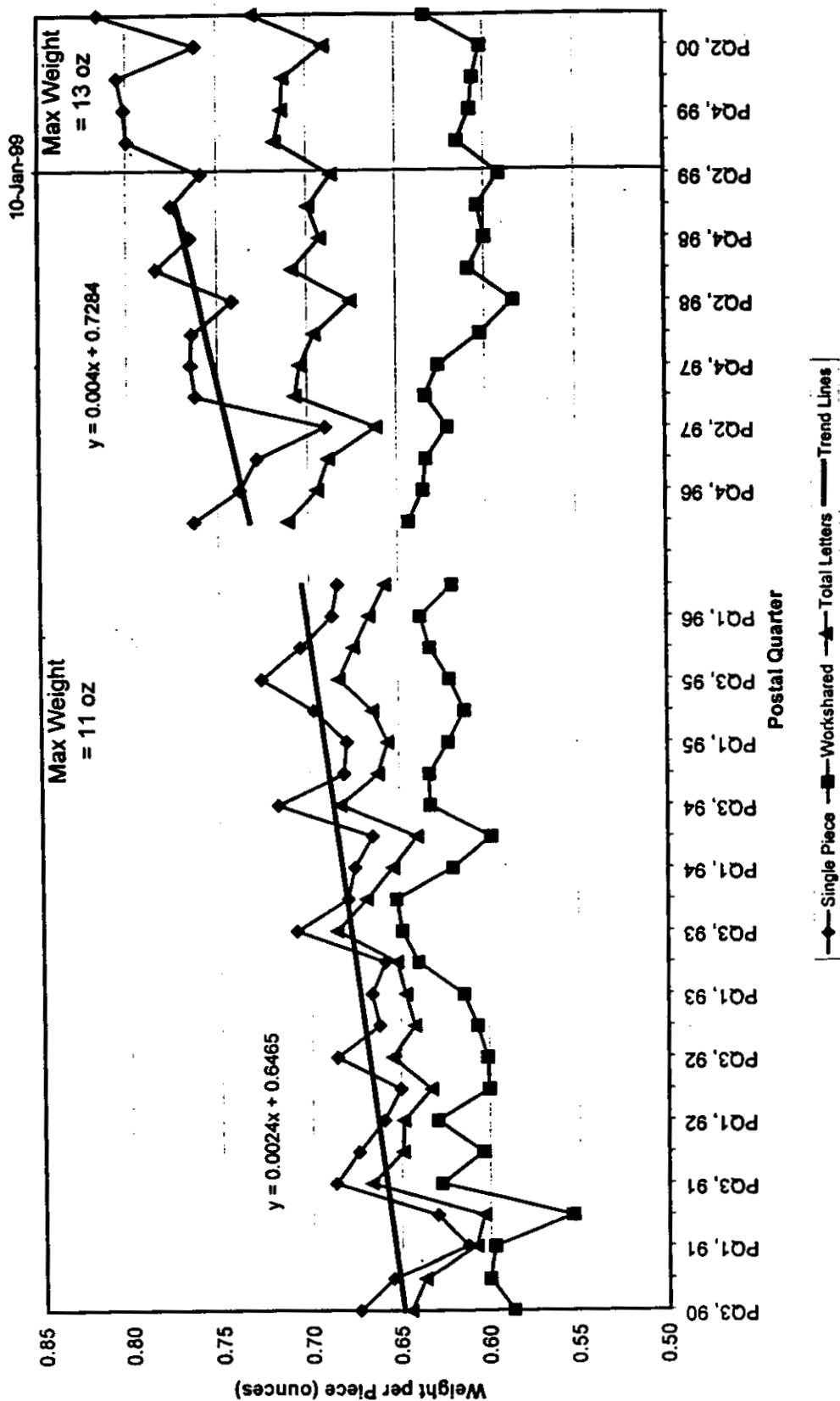
25 CHAIRMAN GLEIMAN: It is admitted into evidence.

1 MR. COSTICH: And could I have it transcribed?

2 CHAIRMAN GLEIMAN: Certainly. It will be  
3 transcribed into the record.

4 [OCA-XE-NOI3-2 was received in  
5 evidence and transcribed into the  
6 record.]  
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# Quarterly Weight per Piece First-Class Letters (with Trend Lines) (Source: USPS Revenue, Pieces, and Weight Report)



1 MR. COSTICH: Thank you, Mr. Chairman.

2 I have no further questions.

3 CHAIRMAN GLEIMAN: Is there follow-up? Is there  
4 follow-up?

5 There doesn't appear to be any follow-up. I want  
6 to make sure everybody has an opportunity.

7 Mr. Tidwell, would you like some time?

8 MR. HALL: I have just one question.

9 CHAIRMAN GLEIMAN: Certainly. Please go ahead.

10 CROSS EXAMINATION

11 BY MR. HALL:

12 Q Just a clarification. I believe in response to  
13 one of OCA counsel's questions, you indicated that the  
14 response to OCA-USPS-106-D was your response. That was an  
15 institutional response, wasn't it?

16 A If I said it was mine, I misspoke. It is an  
17 institutional question and an institutional response.

18 MR. HALL: Thank you.

19 MR. COSTICH: Mr. Chairman, if I could follow up  
20 on that.

21 CHAIRMAN GLEIMAN: Certainly.

22 FURTHER CROSS EXAMINATION

23 BY MR. COSTICH:

24 Q You have been here before, haven't you, Mr. Fronk?

25 A Yes.



1 Q Sometime shortly after April 17th.

2 A April 26th.

3 Q Do you recall at that time being questioned about  
4 the response to 106-D?

5 A Yes.

6 Q And did you indicate that you had some involvement  
7 in its preparation?

8 A Yes.

9 MR. COSTICH: Thank you.

10 No further questions, Mr. Chairman.

11 THE WITNESS: Can I add to that?

12 CHAIRMAN GLEIMAN: If counsel wants to allow you  
13 to add to it.

14 THE WITNESS: I'm not an attorney, I'm not sure  
15 that I understand the procedural distinction that was just  
16 being made. OCA-106-D was an institutional interrogatory  
17 and the response came back from the institution. That  
18 doesn't mean that I didn't help prepare it. That's a  
19 different question.

20 CHAIRMAN GLEIMAN: Thank you, Mr. Fronk.

21 Mr. Tidwell, would you like some time with your  
22 witness to prepare for redirect?

23 MR. TIDWELL: If we could have five minutes.

24 CHAIRMAN GLEIMAN: Well, I'll tell you what we're  
25 going to let you do. We're going to let you have ten, maybe

1 15 minutes, because we're going to go hold our Commission  
2 meeting which was scheduled to begin two hours and ten  
3 minutes ago, and while you're preparing, we'll hold our  
4 meeting, and hopefully we won't hold everybody up in the  
5 room for too long while we're doing our meeting, and then  
6 we'll be back. So don't start without us.

7 [Recess.]

8 CHAIRMAN GLEIMAN: Mr. Tidwell, do you have  
9 redirect?

10 MR. TIDWELL: Mr. Chairman, there is no redirect.

11 CHAIRMAN GLEIMAN: That being the case, Mr. Fronk,  
12 that completes your testimony here today. We appreciate  
13 your appearance and your contribution to our record. You're  
14 excused.

15 [Witness excused.]

16 CHAIRMAN GLEIMAN: Mr. Hall, you have an  
17 outstanding objection which we will rule on. I just want  
18 you to know that in the interest of ensuring that we have  
19 all the arguments that you might wish to make, that you have  
20 until close of business Monday to supplement in writing your  
21 oral motion today, your objection and motion that we not  
22 allow this material to remain in the record as evidence, and  
23 you may avail yourself of the opportunity to submit  
24 additional written remarks by close of business Monday if  
25 you wish to do so.

1 Does anyone else have anything else they would  
2 like to say at this point?

3 [No response.]

4 CHAIRMAN GLEIMAN: If not, that concludes this set  
5 of hearings. Our current schedule calls for us to reconvene  
6 on August the 3rd to receive evidence provided by the Postal  
7 Service in response to Order 1294. A schedule of specific  
8 dates for appearances of witnesses will be issued shortly.

9 This hearing is adjourned. Thank you all. You  
10 have a good weekend.

11 [Whereupon, at 1:05 p.m., the hearing recessed, to  
12 reconvene on August 3, 2000, at 9:30 a.m.]

