

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO  
GCA WITNESS MARTIN  
(USPS/GCA-T2-1-14)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories to GCA witness Martin: USPS/GCA-T2-1-14.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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September 15, 2006

USPS/GCA-T2-1. At page 1, lines 22 – 25, you state, “In my review of discussions of other survey and market research studies I noted that they focused on business and consumer attitudes toward electronic methods for bill rendering and payment. However, I also noted there appears to be no attention to the impact of future First Class postal price increases in those studies.”

- a. Is it your understanding that a purpose of these studies is to identify the key factors that determine whether consumers choose to use electronic methods for bill rendering and payment? If not, what is your understanding of the purpose of these studies?
- b. Do you believe that the fact that these studies gave no attention to the impact of future First Class postal price increases indicates that the authors of these studies do not consider postal price increases to be a key factor determining whether consumers choose to use electronic methods for bill rendering and payment? If not, why do you think the authors of these studies neglected to mention the role of postal prices in their analyses?

USPS/GCA-T2-2. Please refer to your Table 2 at page 18 which shows the education level of the bill paying participants of your telephone survey.

- a. Please confirm that 32.9 percent of the bill paying participants in your survey do not have a high school diploma. If you cannot confirm, what is the correct percentage?
- b. Please confirm that the percentage of the survey respondents without a high school diploma is much higher than for the US population as a whole. If you cannot confirm, please explain fully.

USPS/GCA-T2-3. Please refer to page 21 of your testimony where you present the following survey question:

If you had reason to believe or knew that the postal service was planning regular increases in the price of postage for paying your bills, such as every year, what effect would this have on you switching to electronic payment of your bills?

- a. Is it your position that the Postal Service currently has a policy of annual rate increases? If so, what is the basis for that view?

- b. Please confirm that your question does not ask about the magnitude of the regular increase in postage prices. If you cannot confirm, please explain fully.
- c. Do you believe that the response of mailers to regular one cent increases in postage rates would be less than the response of mailers to regular five cent increases in postal rates? If your answer is no, please explain fully.

USPS/GCA-T2-4. Your testimony reports the percentage of different types of mailers who would “seriously consider” switching to a form of electronic payment, given certain hypothetical levels of future postal rates.

- a. Do you believe that some mailers switch to forms of electronic payment in the absence of postal rate increases? Please explain fully.
- b. Did you ask mailers if they would “seriously consider” switching to a form of electronic payment if there were no increase in postal rates? If so, what was the result of this question? If not, why did you not ask this question?

USPS/GCA-T2-5. Please again refer to pages 22, 25, and 29 where you report, respectively, the percentage of *major mailers*, *minor mailers*, and *hardcore mailers* who would “seriously consider” switching to a form of electronic payment if the price of a First-Class letter rose to 42 cents.

- a. What percentages of *major mailers*, *minor mailers*, and *hardcore mailers* would not just seriously consider switching, but actually switch to a form of electronic payment in response to an increase in the price of postage to 42 cents? Please provide all documentation that you used to derive this result?
- b. What percentage of bills currently mailed by *major mailers*, *minor mailers*, and *hardcore mailers* would be switched to electronic payments in response to an increase in the price of postage to 42 cents? Please provide all documentation that you used to derive this result?
- c. If you cannot provide answers to sub-parts a and b, please confirm that the results of these survey questions do not provide a basis for calculating the impact on First-Class Mail volume resulting from an increase in postage rates to 42 cents?

USPS/GCA-T2-6. Please again refer to pages 22, 25 and 29 of your testimony where you report the percentages of *major mailers*, *minor mailers*, and *hardcore mailers* who would seriously consider switching to a form of electronic payment if the price of First-Class Mail increased to 50 cents.

- a. Please confirm that there is no time frame presented in your question, i.e., whether the hypothetical 50 cent rate occurs next year, or in five years, or in ten years?
- b. Do you believe the response to a 50 cent rate would be less if it were to occur in ten years as opposed to if it were to occur next year? If your answer is anything but “yes,” please explain fully.

USPS/GCA-T2-7. Please refer to your testimony at pages 22 and 26 that lists ten attributes that mailers might consider in deciding whether to use some electronic method for paying bills.

- a. Please confirm that *major mailers* consider future postal rate increases to be the least important of the ten attributes they might consider in deciding whether to use electronic payments. If you cannot confirm, please explain why.
- b. Please confirm that *minor mailers* consider future postal rate increases to be the least important of the ten attributes they might consider in deciding whether to use electronic payments. If you cannot confirm, please explain why.

USPS/GCA-T2-8. Please refer to page 43, lines 16 – 18 of your testimony. Please confirm that 44.4 percent of surveyed businesses said that annual future postal rate increases would have no effect on their decision to convert to electronic billing. If you cannot confirm, please explain why.

USPS/GCA-T2-9. Please refer to your testimony at pages 44 and 47 where you show the percentage of business-to-consumer (b2c) and business-to-business (b2b) billers who would “seriously consider: switching to some form of electronic payment at different hypothetical levels of First-Class letter rates.

- a. Please confirm the result that only 5.8 percent of b2b billers surveyed and only 6.0 percent of b2c billers surveyed reported that

an increase in postage rates to 42 cents would cause them to “seriously consider” switching to some form of electronic payment.

- b. What percentage of b2b and b2c billers would not just seriously consider switching, but actually switch to a form of electronic payment in response to an increase in the price of postage to 42 cents? Please provide all documentation that you used to derive this result?
- c. What percentage of bills currently mailed by b2b and b2c billers would be switched to electronic payments in response to an increase in the price of postage to 42 cents? Please provide all documentation that you used to derive this result?
- d. If you cannot provide answers to sub-parts a and b, please confirm that the results of these survey questions do not provide a basis for calculating the impact on First-Class Mail volume resulting from an increase in postage rates to 42 cents?

USPS/GCA-T2-10. Please refer to your Table 11 at page 47 which shows how business mailers evaluated the importance of nine different factors in their decision to use paper or electronic billing to consumers. Please confirm that future annual postal rate increases was the least important of the nine factors presented in Table 11.

USPS/GCA-T2-11. Please refer to your Table 12 where you calculated the number of vulnerable First-Class Mail pieces.

- a. Please confirm that your calculations for b2b payments, b2c payments, b2c statements, and b2b statements are based on responses to questions that do not specifically ask about the impact of postage rates. See, for example, the following from lines 25-28 of your testimony.

The business survey respondents were asked:

I would like know how receptive you would to paying all of your regular bills electronically? Uses a seven-point receptivity scale.

The data show 43.4 percent responded with a score of 5 or more on the scale.

- b. Given that your calculations in Table 12 are largely based on results from questions that do not address the role of postage rates,

what is the basis for your statement on page 51, lines 1-3, “I conclude there are 14.7 billion annual pieces of First Class billing and statement mail that are vulnerable to diversion because of a triggering from postal rate increases.”

USPS/GCA-T2-12. Please refer to your testimony at page 54, lines 27 – 29 where you state, “Based on data from the surveys and from the other insights I have offered, it is safe to say that diversion is occurring and will at an increasing rate.”

- a. Does your testimony present any analysis of historical levels of the diversion of First-Class Mail? If yes, please identify where these measures are presented.
- b. If your testimony does not present any analysis of historical levels of diversion, what is the basis for your conclusion that diversion will in the future occur at an increasing rate?

USPS/GCA-T2-13. Please refer to your testimony at page 55 where you state, “A good example of how the slope of diversion can be steepened is the airline industry. Only a few years ago we were using paper tickets and largely manual check-ins at an airport counter. Then airlines began the transition to electronics is generally not available today.”

- a. Do you believe that the quantity of airline tickets that are sent through the mail is considerably smaller than it was a few years ago?
- b. If your answer to part (a) is yes, does that mean that the future level of the diversion of mailed airline tickets will be much smaller than the historical level of diversion of mailed airline tickets.
- c. Would you conclude based on the experience of the airline industry that the future diversion of First-Class Mail will be smaller than in the past? If not, why not?

USPS/GCA-T2-14. Please refer to Table 25 at page 51 of witness Bernstein’s testimony, and page 1a of USPS-LR-L-73 (Domestic Rate History). If you cannot confirm any of the following, please explain.

- a. Please confirm that from 2000 to 2003, during which time the rate for First-Class single piece mail increased from 33 cents to 37

cents, the share of household bill payments made by mail decreased from 79.4 percent to 73.5 percent.

- b. Please also confirm that from 2003 to 2005, during which time the rate for of First-Class single piece mail remained constant at 37 cents, the share of household bill payments made by mail decreased from 73.5 percent to 66.6 percent.
- c. Please confirm that the decline in the mail payment share was greater during the latter period in which nominal postage rates were unchanged than it was during the earlier period in which nominal postage rates increased by four cents.

## CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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