

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

SIX-DAY TO FIVE-DAY CARRIER DELIVERY
AND RELATED SERVICE CHANGES, 2010

Docket No. N2010-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO INTERROGATORIES OF
GREETING CARD ASSOCIATION
GCA/USPS-T8-1-9
(May 11, 2010)

The United States Postal Service hereby files the responses of witness Elmore-Yalch to the following interrogatories of the Greeting Card Association: GCA/USPS-T8-1-3, filed on April 27, 2010.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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GCA/USPS-T8-1.

- a) Please refer to pages 76 and 81 of your prefiled testimony. Please confirm that the eighteen focus group discussions of USPS' "Current Situation" included a question (to small business and consumer respondents, respectively) asking what would be the best ways for the Postal Service to address its deficit if the respondent were the CEO of USPS.
- b) Please confirm that in each case the next question asked the focus group: (1) what changes to address the deficit would you as a business (or consumer) be willing to accept; (2) would you prefer service changes or a 10% across the board rate increase.
- c) Please confirm that the set of questions immediately following those referenced in (a.) and (b.) above referred to the change to five-day service, and ended with a scale asking whether the respondent(s) preferred such a change in delivery or a 10% across the board rate increase (i.e. one or the other, not both).
- d) Please provide each small business or consumer CEO respondent's answers individually to questions a., b. 1. and 2. and c. above.

RESPONSE:

- a) Confirmed. Participants were read a brief paragraph describing the current situation and then asked "If you were the CEO of the Postal Service what do you think would be the best ways for the Postal Service to address this deficit?" Follow-up probes included: "What changes in services would you suggest? What other changes do you think you would recommend?". Because of the nature of focus group discussions the exact wording of the question and the extent of the follow-up probing may have varied slightly for each group.

The purpose of this question was to determine if on an unaided basis, consumers and small businesses would recommend a 5-day delivery schedule as a potential solution to the situation and if mentioned what other participants' responses to this proposal were prior to it being discussed in-depth later in the group discussion.

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b) It is correct that following the discussion of what consumers and businesses would recommend if they were the CEO of the Postal Service, they were asked to indicate as a consumer or small business what changes they would be willing to accept to help the USPS address this deficit. Again, as with the previous question, the exact wording of this question may have varied slightly across the groups.

The second question – “would you prefer service changes or a 10 percent across the board rate increase” – was not consistently asked at this point in all groups. Whether this question was asked here or at another point in the group discussion was based on the general flow of the discussion. Based on the flow of the group, this question may have been included at this point. In other groups, it may have been asked later in the discussion and in conjunction with the written exercise in which participants recorded their preference on a scale.

It is not uncommon in focus group discussions for the wording and order of questions to change across the groups based on the flow of the discussion. As noted in my testimony on page 6, the time spent on each topic area and question varied by group and was largely guided by the nature and depth of the group discussion as well as the moderator’s need to control the amount of time spent on any given topic area. In addition, the flow of the questions varied by group. The moderators used significant discretion in asking the questions and guiding the conversation to encourage an open and in-depth discussion.

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c) As noted in responses to parts (a) and (b), the flow and wording of the questions was not the same in every group. It is correct, however, that after the discussion about what consumers or businesses as the CEO of the Postal Service would do and then what they would accept in terms of changes, they were read a statement that the Postal Service had requested a change to existing federal law and to approve a reduction in service to five days a week. Discussion regarding participants' immediate reactions to the proposal was elicited. This was followed by providing participants with a written statement about the changes in service (generally also read by the moderator) and additional discussion.

In most groups, after this discussion participants were asked to respond to a written exercise using a scale asking participants to choose between two options: (1) 5-day week service delivery or (2) a 10 percent across the board rate increase. Instructions from the moderator were to make a choice between these two options and to indicate on the scale the strength of that choice. In several groups, participants indicated that they wanted to choose both options. In these instances, the moderator allowed participants to choose both if they so wished. There was never any intention to quantify these results or present them in such a way as to suggest that they could be projected to the general population of consumers or small businesses. Rather than run the risk of stifling subsequent discussion, the moderators were given discretion as to whether to force

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participants to make a choice or to allow them to choose both and provide their insights as to why.

d) Small business and consumer responses to these questions are contained in the focus group transcripts. A tally of the responses participants gave on the written scale exercise is included in the focus group report. The focus group report also contains a sampling of their subsequent comments giving reasons for making their choice. All comments giving reasons for their selection on this written exercise are contained in the focus group transcripts.

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GCA/USPS-T8-2. Please refer to your prefiled testimony at page 8. You there state that participants were asked to show and explain their preference for either reduction to five delivery days or a ten-percent rate increase, and reproduce the scale on which participants were asked to record their responses.

a. Please explain why and how ten percent was chosen as the magnitude of the postulated rate increase, and furnish all documents describing, commenting on, or analyzing that choice.

b. The scale provided to participants for recording their views frames the question as "If these were the only two options to reduce the deficit the USPS is facing which would you choose?" Please explain fully the reasons for presenting participants with only these two options, and furnish all documents describing, commenting on, or analyzing the decision to do so.

RESPONSE:

a. The 10 percent figure was provided by the Postal Service, although my understanding is that it loosely approximates the value that five-day delivery means to the Postal Service. See *also*, the response to DFC/USPS-T9-4 (May 8, 2010).

b. This scale was chosen to gain a sense of the strength of participants' feelings in regards to five-day delivery. It was believed that giving participants a choice between two options would (1) provide a sense of how strongly participants felt about the proposal to reduce delivery to five days a week and (2) would encourage a candid discussion as to their reasons for supporting / not supporting five-day delivery. A rate increase was chosen because it was something that participants could easily relate to.

To the best of my knowledge, there are no documents describing, commenting on, or analyzing the decision to present participants with only these two options.

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As reflected in the response to GCA/USPS-T8-1, moreover, participants were not actually forced to choose between those two options.

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GCA/USPS-T8-3. Please refer to Appendix C, Part 2 of your prefiled testimony, and specifically to pages 81-82 (“Current Situation”), and to Appendix D, Part 3.

- a. What indication (apart from the hypothesized ten-percent across-the-board increase, presented as part of the scale referred to in GCA/USPS-T8-1) was given to participants that the Postal Service has legal authority to increase its revenues by raising rates.
- b. What, if any, indication was given to participants that recovery from the current economic recession could result in recovering some mail volume?
- c. What, if any, indication was given to participants that the Postal Service has excess capacity in mail processing and other upstream functions?.
- d. Please furnish all documents describing, commenting on, or analyzing the matters covered by parts (a) – (c) above.

RESPONSE:

- a. Participants were not given any information as to whether the Postal Service has legal authority to increase its revenues by raising rates. In some instances, participants asked questions about what the Postal Service could or could not do. The moderator typically did not answer these questions as the purpose of the groups was to elicit unbiased and spontaneous participant responses. In some groups at the very end when the discussion had ended, the moderator occasionally answered some specific questions posed by participants about the Postal Service.
- b. To the extent that I can recall and after a brief review of the transcripts, there may have been one or two groups where participants were told that recovery from the economy might result in recovery of some mail volume. However, participants also generally recognized that full mail volume would not be recovered due to the use of the Internet and other technologies.

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c. To the extent that I can recall and after a brief review of the transcripts, I did not find any specific instance where participants were told that the Postal Service has excess capacity in mail processing and other upstream functions.

d. The transcripts provide complete documentation of what was recorded in the focus group discussions. How those issues may have been addressed in other contexts exceeds the scope of my testimony.

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GCA/USPS-T8-4. On page 11 of your testimony, you state: “As with the focus groups, an interview guide was developed to direct the flow of the conversation. A copy of the interview guide is included as Appendix E.”

- a. Please confirm that the *quantitative* part of your survey, which is included as Appendix E did not ask the respondent, whether large, medium, or small business, or the consumer if it would prefer five-day delivery to a rate increase.
- b. Please confirm that the *quantitative* part of your survey, which is included as Appendix E did not ask the respondent, whether large, medium, or small business, or the consumer what changes they would suggest or support to address the USPS deficit.

RESPONSE:

Again I apologize for the confusion that may have resulted from mislabeling the Appendices. The qualitative IDI guide is included in the now re-labeled Appendix E, in the revision to my testimony that will soon be filed, while the quantitative survey instruments are in Appendix F (business questionnaires) and Appendix G (consumer questionnaire).

It is confirmed that we did not ask in the quantitative surveys whether large, medium or small businesses or the consumer would prefer five-day delivery to a rate increase. Neither were large, medium, or small businesses or the consumer asked what changes they would suggest or support to address the USPS deficit.

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GCA/USPS-T8-5.

- a. Please confirm that the in-depth-interviews (IDI) that you conducted solely with national or premier accounts as part of your *qualitative* survey (Appendix D) did *not* ask the respondent if it would prefer five-day delivery to a rate increase.
- b. Please confirm that the in-depth-interviews (IDI) that you conducted as part of your *qualitative* survey did not ask the respondent what changes it would suggest or support to address the USPS deficit.

RESPONSE:

- a. Confirmed. IDI respondents were not asked if they would prefer five-day delivery or a rate increase. Please note that the appendix containing the IDI guide was mislabeled in the testimony. A corrected testimony is being submitted. The correct reference is Appendix E.
- b. Confirmed. IDI respondents were not asked what changes it would suggest to address the USPS deficit.

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GCA/USPS-T8-6. Please confirm that your quantitative survey in Appendix E only asked questions pertaining to how the respondent would react to five-day delivery, Monday – Friday, and not whether the respondent supported five-day delivery or five-day delivery compared to an alternative.

RESPONSE:

Confirmed. The quantitative survey only asked about changes in volume that would be likely to occur with five-day delivery. Note that the corrected testimony being filed has this appendix relabeled correctly as Appendix F.

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GCA/USPS-T8-7.

- a. Were the questions and materials in Appendix C developed before those in Appendices D and E?
- b. Were the results from any of the focus groups used or considered in any way before the questions and materials in Appendices D and E were initiated, completed, or changed? If your answer is not an unqualified "no", please explain fully.

RESPONSE:

The focus groups were conducted prior to the quantitative survey. Often results from qualitative research are used to develop materials for a quantitative survey.

The timeline for this project did not allow for completing all of the focus groups prior to launching the quantitative survey, so results from the first several groups were used to refine the concept statement that was presented to respondents in the quantitative survey.

Note that Appendix D and E are labeled correctly as Appendix E and F in the revised testimony being filed.

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GCA/USPS-T8-8. Did any of the individuals or organizations participating in the IDI or the focus groups, also participate in the telephone survey described in Appendix E? For each such entity, please provide their answers to GCA/USPS-T8-1-a. through d., and/or their answers to the in depth interview, followed by their answers to the questions in Appendix E.

RESPONSE:

None of the individuals or organizations that participated in the IDIs were included in the telephone sample frames. To the best of our knowledge none of the individuals in the focus groups also participated in the telephone survey. This would be impossible for us to know due to the source of the sample (an RDD telephone sample frame in the case of consumers and a panel in the case of small businesses). We believe however that given the size of the respective populations, it is unlikely that we would have had any participants from the qualitative research (conducted in only four metro areas) also participate in the telephone or web surveys (conducted nationwide).

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GCA/USPS-T8-9: Please refer to Appendix F of your prefiled testimony, headed "Consumer Questionnaire."

- a. Please explain why, in item Q1 (pages 169-170), consumers were asked for 6 piece volume sent in amounts up to the billions.
- b. Please explain why, in item Q2k (page 171), consumers were asked about their use of Regular and Nonprofit Standard Mail.
- c. Please explain why, in the same item (page 172), consumers were asked about their use of Regular and Nonprofit Periodicals mail.
- d. Please refer to Appendix F at page 179. Please explain why consumers were informed to the Postal Service's plans with respect to bulk mail entry units, Detached Mail Units, and the drop-shipment of destinating entry bulk mail at plants.
- e. Please refer to Q11 and Q12 (page 184). Please explain why questions addressed to consumers referred to "your firm."

RESPONSE:

We apologize for the confusion here. The National Accounts questionnaire was mistakenly placed for a second time in the Appendix reserved for the Consumer Questionnaire. The revised testimony being submitted corrects this error and also accurately relabels this appendix as Appendix G.