

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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO INTERROGATORIES OF
GREETING CARD ASSOCIATION
GCA/USPS-T9-1-8
(June 2, 2010)

The United States Postal Service hereby files the responses of witness Whiteman to the following interrogatories of Greeting Card Association, GCA/USPS-T9-1-8, filed on May 19, 2010. Parts (b-d) of interrogatory GCA/USPS-T9-5 were redirected to witness Elmore-Yalch.

The interrogatories are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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GCA/USPS-T9-1:

Please provide a copy of the contract(s) USPS entered into with Opinion Research Corporation (ORC) regarding the proposed six-day to five-day reduction in delivery service. You may redact financial aspects of the contract(s) in your production of the requested document.

RESPONSE:

The Postal Service has contracts with six approved market research suppliers; individual research assignments are then awarded to individual suppliers based on a Statement of Work issued for a specific research assignment. A copy of the contract with Opinion Research Corporation is included in Library Reference-N2010-1/15, Market Research Response to GCA Interrogatories. The Statement of Work for the market research on five-day delivery also appears in LR-N2010-1/15. Based on the Statement of Work, Opinion Research submitted a proposal which was approved by the Postal Service on July 28, 2009. This proposal is also included in LR-N2010-1/15.

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GCA/USPS-T9-2:

Please provide copies of all other communications and documentation between yourself or those acting for you and Opinion Research Corporation that relate to what USPS asked ORC to do in this survey.

RESPONSE:

Copies of the emails sent from Greg Whiteman, Bob Michelson, Manager, Product Management and Support, Mailing and Shipping services and Bob Smith, am member of my staff, to Opinion Research and from Opinion Research to Greg Whiteman, Bob Michelson, and Bob Smith which relate to “what the USPS asked ORC to do in this survey” are included in LR-N2010-1/15, Market Research Materials Responsive to GCA Interrogatories.

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GCA/USPS-T9-3:

Please provide copies of all communications including, but not limited to, e-mail correspondence between yourself and ORC after the contract was signed. Please include with this response logs of telephone calls and personal meetings with ORC and notes taken therein, including dates.

RESPONSE:

Copies of emails from me to Opinion Research and from Opinion Research to me relating to the five-day delivery research that were not already included in LR-N2010-1/15 (Market Research Materials Responsive to GCA Interrogatories) thanks to GCA/USPS-T9-2 are now also included in that library reference. No other responsive documents relating to the market research have been located.

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GCA/USPS-T9-4

Please provide copies of all data and other information, not provided in response to GCA/USPS-T9-3, considered by you in forming your expert opinion presented in USPS-T9.

RESPONSE:

It is impossible for me to answer this question comprehensively given its breadth.

My testimony in this case presents my assessment of the results of the qualitative and quantitative research conducted by Opinion Research and reflects my experience as a marketing executive with the Postal Service for almost 30 years. The insights and conclusions I cover in my testimony relate directly to what we learned from the market research. Appendix B of my testimony provides in detail the bases for the volume and revenue estimates.

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GCA/USPS-T9-5:

- a. Did you or anyone acting for you ask ORC to conduct any tests of the focus survey instrument or interview questionnaires before conducting its surveys of businesses and consumers?
- b. Did ORC conduct any tests of the focus survey instrument or interview questionnaires before conducting its surveys of businesses and consumers?
- c. If your answer to (b) is not an unqualified "no," please provide copies of any such test results.
- d. If your answer to (b) is not an unqualified "no," please provide changes to the instrument or questionnaires that resulted from the tests.
- e. If your answer to (a.) is not an unqualified "yes," please explain the reasons for it.

RESPONSE:

- a. Yes.
- b-d. Redirected to witness Elmore-Yalch.
- e. N/A

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GCA/USPS-T9-6:

In the course of preparing the focus group materials, did you, or anyone else to your knowledge, advise ORC that the Postal Service's plan was to seek *both* a rate increase this year via an exigent rate case as well as a change from six- to five-day delivery, and not one change *or* the other? If not, why not?

RESPONSE:

No. When the market research was initiated in August 2009 through its completion in December 2009, I was not aware of any approved plan to seek a price increase through the exigent rate process or any other regulatory approach. I was aware of discussion that a price increase was possible but was not involved in the planning or execution.

However, as part of the qualitative market research, we did want to assess how customers would react to the implementation of five-day delivery as an alternative to a significant price increase.

The March 2 materials setting forth the Postal Service's response to its ongoing financial situation (filed as USPS-FY09-43 on March 5, 2010 in Docket No. ACR2009) indicate an intent to seek both a moderate exigent rate increase effective in 2011 and the authority to move to five-day delivery. To the extent that those are the Postal Service's *current* plans, these elements were not discussed in the planning of the qualitative or quantitative market research. Further, it is my understanding that the determination to include both of those elements in the Postal Service plans was not made until after the focus groups were concluded. Therefore, when the research was undertaken, no one could

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have advised ORC that both five-day delivery and an exigent case would subsequently become Postal Service plans.

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GCA/USPS-T9-7.

On page 7 of USPS witness Elmore-Yalch's testimony, she states questions for ORC's focus groups were based in part on "a working document that was developed by Postal Service staff".

- (a) Were you, or any person in your organizational unit, part of the Postal Service staff to which witness Elmore-Yalch refers?
- (b) If your answer to (a) is not an unqualified "no," please (i) identify the individuals involved in developing the working document, and (ii) describe fully their contribution to the working document.
- [c] Please provide a copy of the working document to which witness Elmore-Yalch refers.

RESPONSE:

- a. Yes.
- b. Both I and Bob Michelson, Manager, Product Management and Support, Mailing and Shipping services, were involved in the writing of the document. Mr. Michelson prepared the documents and I conferred with him and provided suggestions for revisions to assist in finalizing the document.
- c. These documents were included in witness Elmore-Yalch's response to an interrogatory from the APWU, APWU/USPS-T8-3.

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GCA/USPS-T9-8:

Please refer to the discussion, in Appendix B of your prefiled testimony, of non-employee businesses (page 4, second paragraph, through page 5, last full paragraph), where you state, inter alia, that owners of businesses with no employees are treated as consumers for purposes of your testimony.

- (a) Please confirm that “owners,” as used in footnote 8 on page 4 of your Appendix B, includes both owners of “occasional businesses, which may or may not get external recognition as businesses” and owners of non-employee businesses not falling under the description just quoted. If you do not confirm, please explain fully the meaning of “owners” as used in this footnote.
- (b) Please confirm that the count of “businesses with no employees” referred to in the last full paragraph on page 5 of your Appendix B includes both (i) home-based businesses and (ii) businesses conducted in premises outside the home. If you do not confirm, please describe fully the scope of the term “businesses with no employees.”
- (c) In the paragraph cited in (b) you state that the adjustment for non-employee businesses assumes “that mailing patterns for owners of such businesses resemble those of consumers.”
 - (i) Considering only home-based businesses, is it your judgment that the mailing pattern of the owner of such a business would resemble that of a consumer? Please explain fully the grounds for your answer.
 - (ii) Please explain fully what variables (e.g., total volume sent and received, volume sent and received by day of the week, postal products used) are included in the term “mailing pattern” as used in the paragraph cited in (b).
- (d) In the design of any part of the survey research, was consideration given to the number of home-based businesses in the United States? If your answer is not an unqualified “no,” please provide all documents consulted or relied on in the course of any such consideration.

RESPONSE:

a. Confirmed, since businesses with no employees may be “occasional” businesses for which the business is not the primary source of income for the owner but they also can be a full time business for the owner. However, my judgment is that most, if not all, businesses with no employees are very small as it relates to volume of mailing and shipping services used and their basic mailing and shipping practices would be more comparable to consumers.

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As noted in my testimony (Appendix B, page 5), “While some such owners undoubtedly enter more mail than the average household, others likely enter less.” Thus, we had to determine whether, on average, to treat businesses with no employees as more comparable to small businesses with employees or consumers. I made the judgment to consider them, on average, as more comparable to consumers since it has been my experience that businesses with no employees do not tend to have much mail volume.

b. As noted on page 4 of Appendix B, we used the count of “the number of businesses that Equifax reports as having no employees.” As such, we do not have information on the percentage and associated count of those businesses with no employees which are “home-based businesses” or which are “businesses conducted in premises outside the home.” However, based on my experience, I find it reasonable to assume that most businesses with no employees would be “home-based businesses.”

c. (i) As the Postal Service does not have internal data to profile the mailing pattern of small businesses with no employees, it became necessary to make a reasonable assumption about the mailing pattern of small businesses with no employees. I made the judgment that the mailing pattern of businesses with no employees could not be correlated to the size of the small businesses, defined by the number of employees. I also made the judgment, based on my experience, that larger small businesses would mail more and use mail for more purposes, i.e., billing,

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advertising, fulfillment, *etc.*, than would small businesses with no employees.

I made the judgment that a small business with no employees typically would use mail in a limited manner and that their total volume of mail and the products used would better resemble the mailing pattern of consumers than larger small businesses. Small businesses would have fewer customers and thus would mail fewer bills, fewer advertising mail pieces and ship less. Given, as noted in response to part (b), above, the reasonable assumption that most businesses with no employees would be home-based businesses, the judgment that a small business with no employees would typically use mail in a limited manner that resembles use by consumer households is eminently reasonable.

(ii) The term “mailing pattern” is used to reflect their total volume of mail and the products used.

d. While we recognized that the small business market would include home-based businesses, we did not design either the questionnaires or the sampling plan with any consideration of the number of home-based businesses. As noted in my testimony in Appendix B, pages 4 and 5, we used the number of businesses with no employees in the calculation of the volume for both “small businesses” and “consumers,” subsequent to the completion of the research.