

DOCKET SECTION

ORIGINAL

OFFICIAL TRANSCRIPT OF PROCEEDINGS
BEFORE THE
POSTAL REGULATORY COMMISSION

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POSTAL REGULATORY
COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)

SIX-DAY TO FIVE-DAY STREET)
DELIVERY AND RELATED SERVICE)
CHANGES 2010)

Docket No.: N2010-1

VOLUME V

Pages: 1036 through 1351

Place: Washington, D.C.

Date: July 21, 2010

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POSTAL REGULATORY COMMISSION

In the Matter of:)
)
 SIX-DAY TO FIVE-DAY STREET) Docket No.: N2010-1
 DELIVERY AND RELATED SERVICE)
 CHANGES 2010)

Main Hearing Room
 Postal Regulatory Commission
 901 New York Avenue, N.W.
 Washington, D.C.

Volume V
 Wednesday, July 21, 2010

The above-entitled matter came on for a
 hearing, pursuant to notice, at 9:32 a.m.

BEFORE:

HON. RUTH Y. GOLDWAY, Chairman
 HON. TONY HAMMOND, Vice Chairman
 HON. DAN G. BLAIR, Commissioner
 HON. NANCI E. LANGLEY, Commissioner
 HON MARK ACTON, Commissioner

APPEARANCES:

On Behalf of United States Postal Service:

KENNETH N. HOLLIES
 MICHAEL T. TIDWELL
 BRIAN REIMER
 JAMES MECONE
 ERIC KOETTING
 United States Postal Service
 475 L'Enfant Plaza West, S.W.
 Washington, D.C. 20260
 (202) 268-3084

APPEARANCES:

On Behalf of the American Postal Workers Union, AFL-CIO (APWU):

DARRYL J. ANDERSON
Counsel for American Postal Workers Union, AFL-CIO
O'Donnell, Schwartz & Anderson, P.C.
1300 L Street, N.W., Suite 1200
Washington, D.C. 20005-4126
(202) 898-1707

On Behalf of Greeting Card Association (GCA):

DAVID F. STOVER
2970 S. Columbus Street, Suite 1B
Arlington, Virginia 22206-1450
(703) 998-2568

On Behalf of Alliance of Nonprofit Mailers (ANM):

ANTHONY W. CONWAY,
Executive Director
Alliance Nonprofit Mailers
1211 Connecticut Avenue, N.W. Suite 620
Washington, D.C. 20036-2701
(202) 462-5132

On Behalf of Saturation Mailers Coalition:

JOHN M. BURZIO
THOMAS W. MCLAUGHLIN
Burzio & McLaughlin
Canal Squire
1054 31st Street, N.W., Suite 1054
Washington, D.C. 20007-4403
(202) 965-4555

On Behalf of Valassis Direct Mail, Inc. (VDM):

JOHN M. BURZIO
THOMAS W. MCLAUGHLIN
Burzio & McLaughlin
Canal Square
1054 31st Street, N.W., Suite 1054
Washington, D.C. 20007-4403
(202) 965-4555

APPEARANCES: (Continued)

On Behalf of National Association of Postmasters of
The United States (NAPUS):

ROBERT M. LEVI
Director of Government Relations
National Association of Postmasters of the U.S.
8 Herbert Street
Alexandria, Virginia 22305
(703) 683-9027

On Behalf of Pharmaceutical Care Management Association
(PCMA):

BARBARA LEVY
Vice President and General Counsel
Pharmaceutical Care Management Association
601 Pennsylvania Avenue, N.W., Suite 740
Washington, D.C. 20004
(202) 207-3610

On Behalf of Magazine Publishers of America (MPA):

DAVID M. LEVY
Partner
Venable, LLP
575 7th Street, N.W.
Washington, D.C. 20004
(202) 344-4732

On Behalf of Mail Order Association of America (MOAA):

DAVID C. TODD
Patton Boggs, LLP
2550 M Street, N.W.
Washington, D.C. 20037-1350
(202) 457-6410

On Behalf of Association of Postal Commerce (PostCom):

MATTHEW D. FIELD
Venable, LLP
575 7th Street, N.W.
Washington, D.C. 20004-1601
(202) 344-4814

APPEARANCES: (Continued)

On Behalf of National Association of Letter Carriers
(NALC):

PETER D. DECHIARA
BRUCE H. SIMON
Cohen Weiss & Simon LLP
330 West 42nd Street
New York, New York 10036
(212) 563-4100

on Behalf of Time Warner Inc. (TW):

JOHN M. BURZIO
THOMAS W. MCLAUGHLIN
Burzio & McLaughlin
Canal Square
540 31st Street, N.W., Suite 540
Washington, D.C. 20007-4403
(202) 965-4555

On Behalf of Alliance of Nonprofit Mailers (ANM):

DAVID M. LEVY
Partner
Venable, LLP
575 7th Street, N.W.
Washington, D.C. 20004
(202) 344-4732

On Behalf of Pitney Bowes Inc. (Pitney Bowes):

MICHAEL SCANLON
K&L Gates LLP
1601 K Street, N.W.
Washington, D.C. 20006
(202) 661-3764

On Behalf of American Business Media (ABM):

DAVID R. STRAUS
Thompson Coburn, LLP
1909 K Street, N.W., Suite 600
Washington, D.C. 20006-1167
(202) 585-6921

APPEARANCES: (Continued)

On Behalf of Time Warner Inc. (TW):

JAMES R. O'BRIEN
Director, Distribution & Postal Affairs
Time Inc.
Time & Life Building, 38th Floor
Rockefeller Center
New York, New York 10020-1393
(212) 522-3036

On Behalf of Newspaper Association of America (NAA):

PAUL BOYLE
Vice President/Governmental Affairs
National Press Building
529 14th Street, N.W., Suite 440
Washington, D.C. 20006
(202) 638-4784

On Behalf of Newspaper Association of American (NAA):

WILLIAM B. BAKER
Wiley, Rein LLP
1776 K Street, N.W.
Washington, D.C. 20006-2304
(202) 719-7255

TONDA RUSH
King & Ballou
PO Box 50301
Arlington, Virginia 22205
(703) 237-9801

On Behalf of Association of Priority Mail Users, Inc.
(APMU):

WILLIAM J. OLSON
JOHN S. MILES
William J. Olson, P.C.
370 Maple Avenue West, Suite 4
Vienna, Virginia 22180-5615
(703) 356-5070

APPEARANCES: (Continued)

On Behalf of National Postal Mail Handlers Union (NPMHU):

PATRICK JOHNSON
Paralegal Administrator
Bredhoff & Kaiser, P.L.L.C.
805 15th Street, N.W. Suite 1000
Washington, D.C. 20005
(202) 842-2600

On Behalf of DMA Nonprofit Federation (DNANF):

CHRISTOPHER QUINN
Executive Director
DMA Nonprofit Federation
1615 L Street, N.W., Suite 1100
Washington, D.C. 20036
(202) 861-2410

On Behalf of Khaled Ghamraoui (Ghamraoui):

KHALED GHAMRAOUI
17500 Oakwood Boulevard
Allen Park, Michigan 48101
(313) 337-2110

On behalf of David B. Popkin (Popkin):

DAVID B. POPKIN
Post Office Box 528
Englewood, New Jersey 07631-0528
(201) 569-2212

On Behalf of National Postal Policy Council, Inc. (NPPC):

WILLIAM B. BAKER
Wiley, Rein LLP
1776 K Street, N.W.
Washington, D.C. 20006-2304
(202) 719-7255

On Behalf of Association for Postal Commerce (PostCom):

GENE DEL POLITO
President
Association for Postal Commerce
1901 N. Fort Meyer Drive, Suite 401
Arlington, Virginia 22209-1609

Heritage Reporting Corporation
(202) 628-4888

APPEARANCES: (Continued)

On Behalf of Association for Postal Commerce (PostCom)

IAN D. VOLNER
Venable, LLP
575 7th Street, N.W.
Washington, D.C. 20004-1601
(202) 344-4814

On Behalf of National Association of Letter Carriers
(NALC):

JAMES SAUBER
Chief of Staff
National Association of Letter Carriers
100 Indiana Avenue, N.W.
Washington, D.C. 20001
(202) 662-2871

On Behalf of Douglas F. Carlson (Carlson):

DOUGLAS F. CARLSON
Post Office Box 191711
San Francisco, California 94119-1711
(415) 956-9567

On Behalf of Direct Marketing Association, Inc. (DMA):

JERRY CERASALE
Senior Vice President
Direct Marketing Association
1615 L Street, N.W., Suite 1100
Washington, D.C. 20036
(202) 861-2423

On Behalf of National Postal Policy Council, Inc. (NPPC):

ARTHUR B. SACKLER
Executive Director
National Postal Policy Council
7113 Deer Crossing Court
Bethesda, Maryland 20817
(301) 469-2078

APPEARANCES: (Continued)

On Behalf of Bank of America Corporation (BAC):

MICHAEL SCANLON
K&L Gates LLP
1601 K Street, N.W.
Washington, D.C.
(202) 661-3764

On Behalf of Postal Regulatory Commission:

MICHAEL RAVNITSKY
KIRSINE DEBRY
APRIL BOSTON
DARCIE TOKIOKA
PAUL HARRINGTON
STEPHEN L. SHARFMAN

On Behalf of the Public Representative:

PATRICIA GALLAGHER
KENNETH MOELLER
LAWRENCE FENSTER

C O N T E N T S

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
<u>For the Postal Service:</u>					
Rebecca Elmore-Yalch					
By Mr. Hollies	1048	----	1169	----	----
By Mr. Stover	----	1104	----	1138	----
By Ms. Gallagher	----	1115	----	----	----
By Mr. Anderson	----	1121	----	----	----
	----	1164	1178	----	----
Gregory M. Whiteman					
By Mr. Hollies	1180	---	---	---	---
By Mr. Anderson	---	1254	---	---	---
By Mr. Stover	---	1271	---	---	---
By Mr. Dechiara	---	1277	---	---	---
By Ms. Gallagher	---	1312	---	---	---

<u>DOCUMENTS TRANSCRIBED INTO THE RECORD</u>	<u>PAGE</u>
Written Cross-Examination of United States Postal Service Witness Rebecca Elmore- Yalch, USPS-T-8	1053
Written Cross-Examination of United States Postal Service Witness Gregory M. Whitman, USPS-T-9	1184

E X H I B I T S

<u>EXHIBITS AND/OR TESTIMONY</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
Direct Testimony of Rebecca Elmore-Yalch on Behalf of the United States Postal Service, USPS-T-8	1050	1050
APWU 4	1125	----
APWU 5	1129	----
APWU 6	1129	----
APWU 7	1129	----
Direct Testimony of Gregory M. Whiteman on Behalf of the United States Postal Service, USPS-T-9	1180	1181

P R O C E E D I N G S

(9:32 a.m.)

CHAIRMAN GOLDWAY: The meeting of the Postal Regulatory Commission's hearing on Docket No. 2010-1 on July 21, 2010, will come to order. Good morning.

Today we continue hearings for the Commission to receive the Postal Service's evidence in support of its plan to move from six- to five-day delivery and other related service changes.

For the record, I am Ruth Goldway, Chairman of the Postal Regulatory Commission, and joining me on the dias again this morning are Vice Chairman Hammond, and Commissioners Acton, Blair and Langley.

Two witnesses are scheduled to appear here today. I have two procedural matters to address before we begin.

First, I am adjusting the schedule of appearances for tomorrow's witnesses for the convenience of both the witnesses and the Commission. Tomorrow our first witness will be Thomas Day. Our second witness will be Luke Grossmann. Our final witness tomorrow will be Frank Neri. We will convene as usual at 9:30 a.m.

The second procedural matters concerns two Greeting Card Association's motions. The first sought

1 leave to designate written cross-examination for
2 Witnesses Whiteman and Elmore-Yalch one day late.
3 Those requests were both filed on July 19, 2010.
4 These motions are granted. The designated discovery
5 answers are included within the packet of written
6 cross-examination our docket section prepared for
7 those two witnesses.

8 GCA also filed on July 19th an amended
9 notice of intent to conduct cross-examination to
10 include Witness Whiteman. That amendment notice is
11 accepted.

12 Does any participant have a procedural
13 matter to discuss before we begin?

14 Mr. Hollies?

15 MR. HOLLIES: Good morning, Madam Chairman.

16 CHAIRMAN GOLDWAY: Call your first witness
17 and swear her in, and identify yourself for the
18 record.

19 MR. HOLLIES: I am Kenneth Hollies for the
20 Postal Service.

21 Our first witness this morning is Ms.
22 Rebecca Elmore-Yalch and we hereby call her to the
23 stand.

24 //

25 //

1 Whereupon,

2 REBECCA ELMORE-YALCH

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

5 CHAIRMAN GOLDWAY: Thank you.

6 DIRECT EXAMINATION

7 BY MR. HOLLIES:

8 Q Ms. Elmore-Yalch, would you identify
9 yourself and your position at this time?

10 You have to press the button on the
11 microphone, please.

12 A I'm Rebecca Elmore-Yalch, and I am a Senior
13 Vice President of Opinion Research Corporation.

14 Q Beside you to your left are two copies of a
15 document that has been labeled as Direct Testimony of
16 Rebecca Elmore-Yalch on Behalf of the United States
17 Postal Service. It's identified as USPS-T-8.

18 Are you familiar with that document?

19 A Yes, I am.

20 Q And what is it?

21 A It is our written testimony for the research
22 that we conducted on behalf of the U.S. Postal
23 Service.

24 Q And if you were to testify orally today,
25 would that be your testimony?

1 A Yes, it would be.

2 Q We had a recent change to that testimony.
3 Specifically, we found on page 29 or page 30,
4 depending on how you look at it, the absence of two
5 lines and they read as follows. They should be at the
6 bottom of page 29 after the words "did not equal", and
7 the words are, "The total number of items they
8 originally reported sending in the past 12 months.
9 Because this was included as part of," and that's the
10 end of it.

11 Do the copies of the testimony in front of
12 you have that language in them?

13 A Yes.

14 MR. HOLLIES: Madam Chairman, the Postal
15 Service discovered this error after close of business
16 yesterday, and we filed the revision electronically
17 last night. It does not yet appear on the daily
18 listing's page. We will resolve that at some point
19 today.

20 I do, however, have 15 to 20 copies of what
21 are both pages 28 and 29 in a duplex form so that if
22 anybody in the hearing room would like to have that
23 page they are available.

24 CHAIRMAN GOLDWAY: How significant is the
25 difference? How many words and paragraphs are we

1 adding?

2 MR. HOLLIES: There are two lines at the
3 bottom of page 29.

4 CHAIRMAN GOLDWAY: Okay.

5 MR. HOLLIES: And those are now apparent. I
6 will say that the alignment on each page doesn't quite
7 look right, the second line end a bit early. That is
8 an artifact of measures I undertook to make it fit on
9 the page.

10 CHAIRMAN GOLDWAY: Oh, I see. I have the
11 corrected one up here. Hearing no objection, we will
12 allow the corrections.

13 MR. HOLLIES: Okay, and with that the Postal
14 Service moves for the admission of the testimony of
15 Rebecca Elmore-Yalch into the evidentiary record.

16 CHAIRMAN GOLDWAY: Any other objections? I
17 then therefore direct counsel to provide the reporter
18 with two copies of the corrected testimony of Rebecca
19 Elmore-Yalch. That testimony is received into
20 evidence. However, as is our practice, it will not be
21 transcribed.

22 (The document referred to was
23 marked for identification as
24 Exhibit No. USPS-T-8, and was
25 received in evidence.)

1 CHAIRMAN GOLDWAY: Ms. Elmore-Yalch, have
2 you had an opportunity to examine the packet of
3 designated written cross-examination that was made
4 available to you in the hearing room this morning?

5 THE WITNESS: Yes.

6 CHAIRMAN GOLDWAY: If the questions
7 contained in that packet were posed to you orally
8 today would your answers be the same as those you
9 provided previously in writing?

10 THE WITNESS: Yes, they would.

11 CHAIRMAN GOLDWAY: Are there any corrections
12 or additions you would like to make to those answers?

13 MR. HOLLIES: For the record, Madam
14 Chairman, there are two changes. The first is to the
15 response to the response to NNA/USPS-T8-1, and the
16 change is to insert the word "not confirmed" at the
17 very beginning of the response. That change is also
18 applicable to NNA/USPS-T8-10, again to insert the
19 words "not confirmed" at the beginning of the
20 response.

21 BY MR. HOLLIES:

22 Q Ms. Elmore-Yalch, are those changes in the
23 copies that you have?

24 A Yes, they are.

25 Q While I have the microphone, Madam Chairman,

1 there was also a Category 2 library reference
2 associated with your testimony, was there not?

3 A Yes, there was.

4 Q And that's identified as USPS-LR-N2010-
5 1/NP2, is that correct?

6 A That's correct.

7 MR. HOLLIES: Thank you.

8 CHAIRMAN GOLDWAY: Given those corrections
9 and additions, counsel, would you provide two copies
10 of the designated written cross examination of Witness
11 Elmore-Yalch to the reporter? That material is
12 received into evidence and it is to be transcribed
13 into the record.

14 (The document referred to was
15 marked for identification as
16 USPS-T-8, and was received in
17 evidence.)

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

BEFORE THE
 POSTAL REGULATORY COMMISSION
 WASHINGTON, DC 20268-0001

Six-Day to Five-Day Street Delivery and
 Related Service Changes, 2010

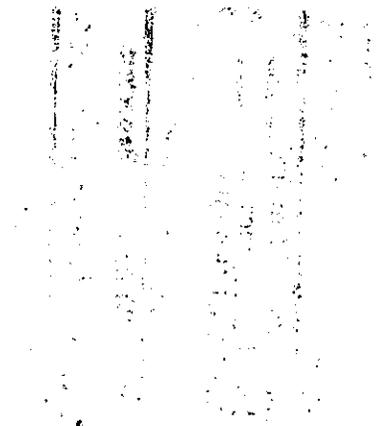
Docket No. N2010-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
 OF UNITED STATES POSTAL SERVICE
 WITNESS REBECCA ELMORE-YALCH
 (USPS-T-8)

<u>Party</u>	<u>Interrogatories</u>
Greeting Card Association	GCA/USPS-T8-1-10
National Newspaper Association	NNA/USPS-T8-1-6, 8-11
Postal Regulatory Commission	APWU/USPS-T8-1-3 DFC/USPS-T8-1-2, 4-12 GCA/USPS-T8-1-10 NNA/USPS-T8-7
Public Representative	APWU/USPS-T8-1, 3 DFC/USPS-T8-1-2, 4-6, 8-10 GCA/USPS-T8-1-10 NNA/USPS-T8-1-11

Respectfully submitted,


 Shoshana M. Grove
 Secretary



INTERROGATORY RESPONSES OF
 UNITED STATES POSTAL SERVICE
 WITNESS REBECCA ELMORE-YALCH (T-8)
 DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

APWU/USPS-T8-1	PR, PRC
APWU/USPS-T8-2	PRC
APWU/USPS-T8-3	PR, PRC
DFC/USPS-T8-1	PR, PRC
DFC/USPS-T8-2	PR, PRC
DFC/USPS-T8-4	PR, PRC
DFC/USPS-T8-5	PR, PRC
DFC/USPS-T8-6	PR, PRC
DFC/USPS-T8-7	PRC
DFC/USPS-T8-8	PR, PRC
DFC/USPS-T8-9	PR, PRC
DFC/USPS-T8-10	PR, PRC
DFC/USPS-T8-11	PRC
DFC/USPS-T8-12	PRC
GCA/USPS-T8-1	GCA, PR, PRC
GCA/USPS-T8-2	GCA, PR, PRC
GCA/USPS-T8-3	GCA, PR, PRC
GCA/USPS-T8-4	GCA, PR, PRC
GCA/USPS-T8-5	GCA, PR, PRC
GCA/USPS-T8-6	GCA, PR, PRC
GCA/USPS-T8-7	GCA, PR, PRC
GCA/USPS-T8-8	GCA, PR, PRC
GCA/USPS-T8-9	GCA, PR, PRC
GCA/USPS-T8-10	GCA, PR, PRC
NNA/USPS-T8-1	NNA, PR
NNA/USPS-T8-2	NNA, PR
NNA/USPS-T8-3	NNA, PR
NNA/USPS-T8-4	NNA, PR
NNA/USPS-T8-5	NNA, PR
NNA/USPS-T8-6	NNA, PR
NNA/USPS-T8-7	PR, PRC

Interrogatory

Designating Parties

NNA/USPS-T8-8
NNA/USPS-T8-9
NNA/USPS-T8-10
NNA/USPS-T8-11

NNA, PR
NNA, PR
NNA, PR
NNA, PR

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO INTERROGATORY
OF AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T8-1. According to your testimony, the focus group studies ORC conducted took place in Chicago, IL; Seattle, WA; New York, NY; and Atlanta, GA. Please explain how these locations were selected. Why were no locations in less urban areas selected?

RESPONSE:

The objective in recruiting consumers and small businesses for the five-day delivery focus groups was to enable discussion among a cross section of respective consumer and small business customer segments.

For consumer groups we used three selection criteria: income, locale (city, suburban or rural), and CEO of the Mail (see USPS-T-8, p. 4). We also used three criteria for selecting small business customers: fewer than 100 employees; use of shipping services (Standard Mail or First-Class Mail); and responsibility for that business' mailing and shipping services. See USPS-T-8, p. 5.

We selected locations from different regions so as to have a reasonable geographic distribution: New York City in the northeast, Atlanta in the south/southeast, Chicago in the Midwest and Seattle in the west. In New York, groups were held in Manhattan as well as in suburban Westchester County. Therefore, in this market we were able to reach both inner city and suburban participants. In Atlanta, one group represented low-income center city residents. Then because the facility location was outside the central business district, we were able to recruit from the more rural areas surrounding Atlanta. In Seattle, two groups were held in downtown Seattle and the balance were held at a facility in East King County, where we were able to recruit one group of suburban

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO INTERROGATORY
OF AMERICAN POSTAL WORKERS UNION, AFL-CIO

residents and another representing residents of the rural regions north and east
of Seattle.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO INTERROGATORY
OF AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T8-2. In the chart on page 64 of Appendix B of your testimony titled "Atlanta Standard Mail" five boxes in the "Types of Business" column are highlighted. Please explain why these boxes are highlighted.

RESPONSE:

There are no particular reasons why these cells are highlighted. These sheets were used during the recruiting process when these cells are sometimes highlighted to facilitate procedural discussion.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO INTERROGATORY
OF AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T8-3. On page 7 of your testimony you discuss a one page document provided to focus group participants for review and indicate that the document had been modified throughout the groups. You include a "final" version of this document in Appendix D of your testimony. Please provide all other versions of this document used in the focus groups and specify which focus group used each version.

RESPONSE:

Two versions of this document were used. The first was created on September 1, 2009 and used in two business groups in Chicago. The second was updated and used in the remaining groups held in Seattle, New York, and Atlanta. The updates were made to simplify the information being presented and were based on comments provided in these initial groups. Copies are attached below in chronological order.

USPS Saturday Service Concept

- Delivery of First- Class Mail, direct mail, magazines, newspapers, Priority Mail, and packages to street addresses or businesses will be Monday – Friday only.
- There will be **no** delivery to street addresses or businesses on Saturday.
- Mail will continue to be delivered to PO Boxes Monday – Saturday.
- There will be no mail collected from street addresses, businesses, collection boxes, or Post Offices on Saturday.
- Post Offices will remain open on Saturday as they are today to accept mail. However, mail accepted at a post office on Saturday will not be processed until Monday.
- All mail dropped off in a collection box after the last scheduled pickup on Friday will be collected and processed on Monday.
- Mail dropped off at a Post Office or in a collection box before the last Friday scheduled pickup time will be collected and processed on Friday and will be delivered the following week to street addresses and businesses. The day of delivery will depend on the class of mail used.
- There will be no pickup of Express or Priority Mail on Saturday. However, Express Mail will continue to be collected from Post Offices on Saturday – i.e., it must be dropped off at a Post Office.
- Express Mail will continue to be delivered 7 days a week..

USPS Saturday Service Concept

- No Saturday delivery of mail to homes and businesses. Delivery of mail will be Monday – Friday only.
- Mail will continue to be delivered to PO Boxes Monday – Saturday.
- Post Offices currently open on Saturday will remain open.
- No mail collected from street addresses, businesses, collection boxes, or Post Offices on Saturday. Mail dropped off at a Post Office or in a collection box after the last Friday scheduled pickup time will be collected and processed on Monday.
- Elimination of Saturday collection, processing and delivery will generally add a day to the delivery of mail that is currently collected and processed or scheduled to be delivered on Saturday.
- Express Mail will continue to be delivered 7 days a week. Express Mail will continue to be accepted and processed on Saturday at Post Offices. However, there will be no pickup of Express or Priority Mail on Saturday.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ELMORE-YALCH
TO INTERROGATORY OF DOUGLAS CARLSON

DFC/USPS-T8-1. Please provide all documents, notes, and other records relating to any customer's need for collection service on any day of the week that the Postal Service obtained, retained, or recorded during market research for the proposal pending before the Commission in this docket. This request specifically encompasses, and is not limited to, survey questions, responses to survey questions, comments of customers participating in focus groups, video and audio recordings in which customers participating in focus groups discussed collection service, and notes that Postal Service employees, contractors, or agents took of conversations during focus groups, surveys, or market research. For purposes of this interrogatory, the term "collection service" relates to and includes the terms blue collection boxes, post office lobby drops, post office retail window counters, leaving mail in an office, a home mail receptacle, or a cluster box for a letter or rural carrier to pick up, and mailing letters.

RESPONSE:

The Postal Service filed a partial objection to this interrogatory on the grounds of undue burden (thus limiting this response to the research described in my testimony), the lack of materiality (for other research I have conducted), the fact that it is duplicative (because it asks for materials such as questions and responses that have already been provided), and research confidentiality (revealing the identity of respondents or their firms).

However, the interest in determining what respondents said can be satisfied by reviewing the transcripts that will soon be filed . I am advised that transcripts of the focus groups and in depth interviews will be filed in two forms. The non-public version (USPS-LR-N2010-1/NP3) will contain complete transcripts while the public version (USPS-LR-N2010-1/12) redacts discussion of competitive products and perhaps some details that would identify respondents.

Certain other materials have also been identified as responsive to this interrogatory and will be provided; these include some notes made by witness Whiteman, text he prepared for presentation to the Postal Service's Executive Committee, and the final report on the qualitative research that Opinion Research Corporation prepared for its client, the United States Postal Service. Matters such as survey questions and responses are in my testimony and the cited library reference USPS-LR-N2010-1/NP2. See *a/so*, USPS-T-8 at 30, n.1.

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DFC/USPS-T8-[2]¹. For every market research activity, including opinion surveys, polls, and focus groups, that asked whether individual postal customers would be willing to pay higher postage rates in exchange for retaining Saturday delivery service, please explain whether those postal customers were provided an estimate of the amount of additional postage they would pay.

RESPONSE:

My testimony only addresses research undertaken for the Postal Service to evaluate qualitative response to five-day delivery in focus groups and in depth interviews, plus quantitative research to estimate mail volume impacts of five-day delivery upon respective customer groups. In neither of these were "customers provided an estimate of the amount of additional postage they would pay ... in exchange for retaining Saturday delivery service."

In the qualitative focus groups, however, we did use a scale with polar extremes of "Strongly Choose 5-Day Week Service Delivery" at one end and "Strongly Choose 10 Percent Across-The-Board Rate Increase" at the other to encourage discussion and elicit respective preferences between those two options. This is explained on page 8 of my testimony. See *also*, USPS-T-8 at 76, 77, 81, 82, and 84.

¹ The cover page filed with the second and third interrogatories designated for me identified the questions as "2" and "3", while the questions themselves were labeled as "3" and "4". I use what I understand are the correct numbers from the cover page, with square brackets delimiting the change from original.

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DFC/USPS-T8-4. Please confirm that all the Postal Service's market research advised respondents that eliminating collection and processing of outgoing mail on Saturdays would "generally add a day to the delivery" of mail deposited in a collection box after the final collection time on Friday. If you do not confirm, please explain and specifically identify how the Postal Service described the delay.

RESPONSE:

Confirmed that the quoted language was used (USPS-T-8 at 8, 15, 27, 84, 89, 103, 122, 141, 160 and 179), but only as part of the following two statements:

No mail collected from street addresses, businesses, collection boxes, or Post Offices on Saturday. Mail dropped off at a Post Office or in a collection box after the last Friday scheduled pickup time will be collected and processed on Monday.

Elimination of Saturday collection, processing and delivery will generally add a day to the delivery of mail that is currently collected and processed or scheduled to be delivered on Saturday.

These statements were part of a larger description of the proposed five-day delivery concept and were read to and read by participants in the focus groups. These two statements were also included as part of a more complete description of the proposed-five delivery concept that was read to respondents in the quantitative research. The full concept statement used in the qualitative research is contained in Appendices D, Part 1 (Description of Five-Day Delivery Concept), F (Business Segments Questionnaires), and G (Consumer Questionnaire) in USPS-T-8.

As such, the language quoted in the question is not limited to "mail deposited in a collection box after the final collection time on Friday". The term "generally" was

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used in the concept statement because it was easily understood by consumers and small business respondents. It was meant to cover most situations for most mailers that eliminating Saturday delivery and collections would generally add a delivery day to the delivery time they now experienced. The qualitative research clearly showed that participants recognized and accepted that there would generally be an additional delivery day added to the delivery time for those items placed into collection boxes or at a Post Office after the last scheduled Friday pick-up through Sunday evening: delivery would occur on Tuesday rather than Monday for mail with a one-day service standard.

Customers involved in the research readily understood this reference as 'delivery day' since customers already understand that the Postal Service does not routinely delivery mail on Sundays or holidays. They accordingly had no difficulty understanding that the five-day proposal does not entail commencement of delivery on those days.

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DFC/USPS-T8-5. At the time when you designed, supervised, or conducted the market research for the plan for five-day service that the Postal Service has presented in this docket, were you aware that mail deposited on a Saturday and destined to a city for which the First-Class Mail service standard is two days or more would be delayed for two days if the Postal Service eliminated collection and processing of outgoing mail on Saturdays? Please explain your response.

RESPONSE:

Members of the research team were aware that under the five-day delivery concept tested in the market research, mail placed in a collection box on Saturday whether on the street or at a Post Office would not be processed until Monday. We were also aware that currently mail placed in a collection box or deposited at a Post Office on Saturday is processed on Saturday (assuming that collection and dispatch have not concluded that day). Therefore, members of the research team understood that the change in processing would add one delivery day if placed into the system on Saturday. Since it was clear that mail put into the system between the last collection on Friday evening through Monday morning would be delayed by one delivery day; this was included as part of the concept statement. It was clear in the focus groups all participants understood that mail would be delayed by one delivery day.

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DFC/USPS-T8-6. If you were asked to measure public support for a plan that caused mail to be delayed by two days, please explain whether you would advise respondents that the mail would be delayed by two days or by some other number of days.

RESPONSE:

The market research I conducted was not a public opinion poll. It was a market research study designed to obtain customers' reaction to five-day delivery by obtaining key insights into potential attitudes and behaviors through qualitative research and to develop a forecast of the changes in their mailing behavior through quantitative research. A concept statement was developed and tested for use in the qualitative and quantitative research that outlined the different components of the proposal.

The hypothetical put forward in this interrogatory was not the objective of the market research that I conducted for this docket.

I cannot answer this hypothetical as phrased because there is no context of the purpose of the research, whether the research would be qualitative or quantitative, and who would be sampled as part of this research (consumers, small businesses, large businesses, etc).

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DFC/USPS-T8-7. Please provide the percentages of outgoing First-Class Mail for which the service standard for delivery is one day, two days, three days, four days, and five days.

RESPONSE:

I do not have that information since it was not needed for the research I conducted.

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DFC/USPS-T8-8. During the market research, did the Postal Service provide to or discuss with respondents the service standards for First-Class Mail? Please explain.

RESPONSE:

No. Five-day delivery does not change service standards so it was not part of the research. However, discussion did sometimes reach to customers' assumptions about these standards and their experience. Specifically, the moderator of the focus groups (1) asked what participants currently assumed was the time of delivery under different distance scenarios and then (2) what their assumptions would be under 5-day delivery. We started doing this after the first couple of groups in Chicago based on voluntary feedback given by participants in these initial groups. As noted in the Five-Day per Week Delivery Schedule Qualitative Research Results Final Report (provided in Library Reference USPS-LR-N2010-1/12), participants had reasonable expectations about how much time mail spent in transit that exceeded Postal Service standards. For example, when sending something within the same area where they live or do business, participants' expectations were that it would take two to three days from the time it was mailed until it was received. When sending something across the country participants' general expectations were that it would take three to five days.

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DFC/USPS-T8-9. During the market research, did the Postal Service explain to respondents that some First-Class Mail normally will be delivered in two to five days?

RESPONSE:

No, but some respondents described their expectations for delivery of letters using time frames consistent with this question. See the response to DFC/USPS-T8-8.

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DFC/USPS-T8-10. For First-Class Mail delivered to a street address that currently would be delivered on a Saturday (e.g., the letter was mailed on Friday from the same city as the delivery address), please provide a specific example of how the elimination of Saturday delivery would cause this mail to be delayed only one day if the Postal Service delivered the mail in exactly the number of days that the service standard prescribed.

RESPONSE:

The concept statement presented to qualitative research participants and respondents in the quantitative research specified elimination of Saturday collection, processing and delivery will generally add a day to the delivery of mail that is currently collected and processed or scheduled to be delivered on Saturday. Participants and respondents understood that the additional day added to delivery commenced on Monday and that we were specifying the number of delivery days as opposed to the number of calendar days. See response to DFC/USPS-T8-4.

DFC/USPS-T8-11. Please confirm that, under the plan that the Postal Service has proposed in this docket, mail that currently would be delivered on a Saturday always would be delayed for two days (assuming Monday is not a holiday). If you do not confirm, please explain.

RESPONSE:

See the response to DFC/USPS-T8-10.

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DFC/USPS-T8-12. Please confirm that all the Postal Service's market research advised respondents that eliminating carrier delivery of mail on Saturday would "generally add a day to the delivery" of this mail. If you do not confirm, please explain and specifically identify how the Postal Service described the delay.

RESPONSE:

See the response to DFC/USPS-T8-4.

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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-T8-9: 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.

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GCA/USPS-T8-10

Please refer to the first paragraph on page 26 of your prefiled testimony, where you state that qualified respondents to the consumer questionnaire "were asked to identify the applications used for personal purposes over the past 12 months."

(a) Was the intent of the quoted inquiry to have the respondent exclude from his or her responses to all items in the questionnaire any information regarding use of an application for purposes of a home-based business (as distinguished from "personal" purposes)?

(b) If your answer to (a) is not an unqualified "yes," please explain the intended meaning of "personal purposes" in the quoted passage.

RESPONSE:

Yes. The consumer questionnaire was intended to include volume estimates only for the personal household mail.

Respondents were initially screened to ensure that they were the individuals in their households with primary responsibility for handling the receipt, sorting, and other management of household mail. Qualified respondents were then asked to identify the applications used for personal purposes over the past 12 months.

Following are the questions from the questionnaire:

- S1 Are you the person in your household that is primarily responsible for handling the receipt, sorting and other tasks related to your household's mail?
- S4 Which of the following types of mail and/or packages have you sent for personal purposes in the Past 12 Months?

As noted on page 30 of my testimony, data from two respondents were dropped because they reported sending more than 500 pieces of mail or packages in the past 12 months. This volume is atypical for a consumer and suggests that the respondent may be operating a business at home.

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NNA/USPS T8-1

In the introduction to your testimony you state: "Five-Day Delivery (2009): Quantitative research was conducted to assist in developing forecasts of how the proposed changes would affect the volume for the following Postal Service products: Single Piece First-Class Mail, PreSort First-Class Mail, Regular Standard Mail, Nonprofit Standard Mail, Priority Mail, Express Mail, Regular Periodicals Mail, and Nonprofit Periodicals Mail."

- a. Please confirm that this quantitative research did not include Within County Periodicals mail. If not, why not?
- b. Did the research include local newspaper Enhanced Carrier Route Presort Standard mail?
- c. Did any of the research techniques used for volume forecasts include data from local newspaper Periodicals or Enhanced Carrier Route Presort Standard Mail?

RESPONSE: NOT CONFIRMED

The qualitative and quantitative research collected data by major applications. Those terms are defined in my testimony (p. 2). In addition, the quantitative research collected data on which major Postal Service products are used for each application, again as these terms are defined in my testimony (p. 2). The major applications and product lines were provided to ORC by the Postal Service. It is my understanding that the applications are comparable to those described in the household diary survey conducted by the Postal Service and the major Postal Service products used to mail or ship an application are consistent with those reported in the Revenue, Pieces and Weight system. My further understanding is that the specific product sub-categories (e.g., Within County Periodicals and Enhanced Carrier Route Presort Standard Mail) identified in question NNA/USPS T8-1 are encompassed by the major Postal Service product categories and applications that define the structure of the market research.

This research was not designed to examine every price category in each class, nor did our objectives require volume estimates at that level. Had we attempted to produce price category estimates, the resulting sample sizes would have been so small as to be unreliable, and/or the budget and time frame would need to have been expanded tremendously.

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NNA/USPS T8-2

Did your research to assess how the Postal Service could "mitigate the impact of five-day delivery on consumers" (Testimony p 12) include the consumers of local newspapers? If not, why not?

RESPONSE:

The discussion of mitigation strategies focused primarily on consumer and small business responses. We accordingly looked at expectations for adjusting mailing days, delivery of Priority Mail on Saturday perhaps with a surcharge, how mail and package delivery would be handled during peak holiday seasons, and how mail and package delivery would be handled over three-day holidays.

Participants were also asked if there are specific times of the year / month or are there specific situations where five-day delivery would have a greater / more negative impact on their lives / businesses. Additional strategies were discussed only if they were brought up by focus group participants. None of the focus group participants indicated that five-day delivery would impact delivery of local newspapers. As such, mitigation strategies for this potential impact were not discussed.

We recruited consumers to represent the cross section of American households, based on the characteristics described in Appendix A, Part 2, of my testimony. Therefore, "consumers of local newspapers" likely were included as part of the overall recruiting, although we made no specific attempt to include or exclude them.

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NNA/USPS T8-3

The chart on Figure 1 describes two focus groups that you describe as "rural" in Seattle and Atlanta.

- a. Please explain how you defined "rural" for these groups?
- b. What geographical area in the Seattle and Atlanta areas did you use for the defined "rural" base from which to draw these participants?

RESPONSE:

While both Seattle and Atlanta are major metropolitan markets, they are often used as markets where my industry recognizes it is also possible to draw participants living in rural markets into a central facility. This is largely a function of their geography.

The subcontractors used in each market for recruiting were given names of communities and/or ZIP Codes in each market that we considered rural. In Seattle, for example, rural communities in Snohomish County were provided. In Atlanta, participants needed to live in communities outside of what is geographically defined as "ring" communities.

In addition, potential respondents were asked in the screening questionnaire to indicate which of the following best described where they live. Options given for these markets were (a) downtown Atlanta / Seattle, or (b) rural Atlanta / Seattle.

Rural participants in these groups were provided an additional incentive to compensate them for the distance they needed to travel to participate. In addition, facilities were selected that were in the suburban communities close to these more rural areas to minimize travel.

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NNA/USPS T8-4

On p. 14, you describe the small business focus groups. You state that the individual involved in the group must be the person primarily responsible for tasks related to that business's mail and shipping requirements.

- a. How many of these individuals members of their businesses' professional staffs;
- b. How many of these individuals were members of their businesses' clerical or administrative staffs? For purposes of this question, please consider these individuals to be any staff member likely to be considered non-exempt under Fair Labor Standards Act definitions.
- c. Were any of these individuals chief executive officers or chief operating officers of their businesses, or equivalent "C" level managers:
- d. Were any of these individuals owners of their businesses?
- e. If any of the individuals were owners or "C" level managers, did you separately evaluate their responses? If so, please describe the differences between their responses and those of individuals described in parts a. and b. of this question.
- f. If the moderators were instructed to discuss "participant recommended strategies for dealing with the deficit situation, did any of the small business focus group members describe changes in compensation or benefits that their businesses had faced, as a model for the Postal Service's solutions? If so, were these recommendations more likely from owners or "C" level managers than clerical or administrative staff?
- g. Were any of the small businesses included local newspaper companies?

RESPONSE:

Appendix B of my testimony provides profiles of the participants in all of the business groups. Job titles are provided in these profiles. All members of the small business focus groups were professionals and the majority were in manager, director, or C-level positions.

In some instances, participants were office or business managers. All participants were required to be the person in the business primarily responsible for the receipt, sorting, and other tasks related to business' mail and shipping (see Screeners in Appendix A). It would be impossible for us to identify whether

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any of these individuals were classified as exempt or non-exempt per FLSA standards.

A number of the individuals in the groups were small business owners. Again, titles are provided in Appendix B and it is possible to gain a sense of how many participants were owners based on their titles. Note that those giving title of President, CEO, etc., may also be owners.

The research was not designed to allow for separate analysis of responses by title or position in the company. Instead the research was designed to include a mix of different types and sizes of businesses within a single group. It is not possible to provide a definitive answer as to how a specific individual or group of individuals responded to specific questions. Qualitative research is not designed to provide this level of analysis. In addition, individual responses in the focus groups by name and hence their titles are protected and are not recorded in any of the transcripts.

In response to part (f), participants provided a wide range of recommendations as to how the Postal Service could address the deficit. In some instances, respondents did bring up issues related to salaries, hourly wages, and benefits paid and/or provided to Postal Service employees. Again, it is impossible, due to the nature of the transcripts and our obligations to protect respondent confidentiality, to provide any feedback on individual responses to these questions. In addition, it is not appropriate in qualitative research to conduct the

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level of subgroup analysis being suggested. None of the participants in the small business focus groups were representatives of local newspaper companies.

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NNA/USPS T8-5

Please refer to the questionnaire for the "updated Screener for New York and Atlanta."

- a. You asked business participants whether they used direct mail for advertising, including use of shared mail programs such as ValPak.
- i. Were you aware that users of shared mail programs do not directly pay postage, but rather pay a price for their messages to appear in a package of advertising?
 - ii. If so, were these types of mail participants included to calculate the possible effect upon lower participation in shared mail programs, as an indirect way of forecasting whether those programs would be weakened or cause companies like ValPak to change their mailing behavior? If your answer is no, please explain why these types of "mailers" were included?
 - iii. If participants advertised through newspapers traveling at Standard mail rates or any other mail rates, where they also pay a price for their messages to appear in a package of advertising, were they represented in this portion of the evaluation? If not, why not?

RESPONSE:

- a.i.) Yes I am aware that users of shared mail programs do not pay postage directly.
- a.ii.) The qualitative research was not designed to do any calculations or forecasting. Results from qualitative research cannot be quantified reliably. Objectives for the qualitative research are stated in my testimony on page 3.
- a.iii.) Questions regarding the types of advertising small businesses undertake through the mail were not this specific. Hence the research neither addressed the advertising identified in the question nor was it excluded. One could review the focus group transcripts (USPS-LR-N2010-1/12) to determine whether such advertising was mentioned in focus group discussion.

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NNA/USPS T8-6

Please refer to the tables of Focus Group mail sender/recipient behavior for New York, Chicago, etc.

- a. It appears that virtually all of the recipients reported sending or receiving a newspaper or magazine using First-Class mail [sic]. Is that true?
- b. Do you agree that publishers generally send newspapers and magazines by Periodicals mail? If so, please interpret the reporting of use of First-Class mail [sic] for these publications by your Focus Groups.

RESPONSE:

Nearly all participants in the consumer focus groups reported that that they send or receive magazines or newspapers via the mail. Such reports arose as part of a lengthier question that references bills / invoices / statements, payments, advertising or marketing materials, general correspondence, and greeting / holiday / birthday cards. The purpose of this screening question was to recruit participants who have different types of experiences with Postal Service products. Most consumers do not clearly distinguish between First-Class Mail and Standard Mail services. Therefore, for the purposes of recruiting, the list of different applications was included in a single question by which potential participants indicated whether they sent or received different types of mail. The screening question did not exclude those who sent or received mail through other classes of mail. But those who did not send or receive any mail were excluded from participation. If consumers are challenged to distinguish First-Class Mail from Standard Mail, it would seem most unlikely they could claim to send /receive Periodicals Mail via First-Class Mail. The header in the tables referenced by the question should accordingly not be read as asserting that all of the applications were sent or received by First-Class Mail. As stated, the primary purpose of the

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screening question was to obtain a mix of participants using the mail for different types of applications.

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NNA/USPS T8-7

Please refer to the description of the Postal Service's financial situation, used for in depth business interviews, beginning on p 76.

- a. Why did the explanation of the Postal Service's situation exclude any mention of labor costs?
- b. Did respondents seem to be aware of any aspect of the Postal Service's labor costs, such as the percentage such costs contribute to overall costs, the manner in which compensation is set, the degree of control USPS has over layoffs or any other aspect of the USPS labor component?
- c. Did any respondent inquire about any of the elements in part b or [sic] this interrogatory? If so, please describe how the interviewer responded.

RESPONSE:

- a) The explanation of the Postal Service's financial condition used in the qualitative research was developed to provide a general overview of the issues contributing to the Postal Service's financial situation and was not meant to be all inclusive. It was designed to be read by the moderators to initiate participant discussion of the situation to see what participants recommended / suggested in response.

- b-c) Participants in some groups did discuss the Postal Service's labor costs. A review of the focus group transcripts at USPS-LR-N2010-1/12 can be used to identify specific participant comments on those elements outlined in response to part (b) of this interrogatory.

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NNA/USPS T8-8

Please refer to p. 80 of your testimony when consumer interviewees were asked to think about the mail they receive.

- a. Please explain why newspapers were not included in the list.
- b. Please confirm that by excluding newspapers, these interviews were unlikely to detect consumer reactions to receiving newspapers after expected delivery dates.
- c. If you assume that in a 5 day delivery scheme, local newspapers with a Saturday publication date would not reach recipients on Saturday unless through Express Mail or a PO Box, did any aspect of your research gauge consumer reaction to this change?

RESPONSE:

- a) The list included the primary types of mail that most Postal Service customers send and receive. The list was not meant to be inclusive of all types of mail Post Service customers send and receive. Unlike magazines, most individuals receive their newspapers through home delivery services, retail purchases, or other means. Therefore, magazines as an example were better suited to initiation of discussion the types of publications consumers and small businesses receive in the mail.
- b) Not confirmed. Nothing was specifically excluded from the discussion. Participants addressed other examples of items they send and receive through the mail than those included in the page 80 list. As time permitted, the moderator often closed this discussion by asking if there were other things that participants send and receive through the mail not already discussed.
- c) Respondents and participants had no difficulty understanding that delivery would not occur on Saturdays in a five-day delivery scenario except via Express Mail or a P.O. Box. In fact the document provided to all participants (Appendix D,

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Part 1, page 84) for review and subsequent discussion clearly stated this..

Therefore it can be reasonably assumed that qualitative research participants understood the potential impact of five-delivery on newspapers received by mail.

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NNA/USPS T8-9

Please refer to the penultimate paragraph on p. 80. When referring to the advertising consumers receive, why were shopper, Penny-saver or similar publications not included?

RESPONSE:

Participants were asked to describe the types of advertising they receive at home. Very general examples – catalogs, flyers, coupons, etc. – were given to help initiate the discussion. Participants then indicated the types of advertising they received which could have included those items listed in the interrogatory and others as well. No types of advertising were excluded from the discussions nor was it the intention within the time constraints of the focus groups to include discussions of every single type of advertising.

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NNA/USPS T8-10

Please confirm that no research, qualitative or quantitative, was conducted under your auspices to gauge the impact of 5 day delivery upon newspaper publishers, except for two national newspapers included in the national or premier account lists. If you confirm, please explain why.

RESPONSE:

NOT CONFIRMED.

The research includes publishers thus encompassing magazine or newspaper publishers. The intent of the qualitative research was to include a mix of 12 broad industry categories; publishers were one such industry group. While no newspaper publishers participated in the small business focus groups, several book and catalog publishers were included thus satisfying our goal of including this broad industry grouping in the market research. Specific efforts were made in the in-depth interviews to ensure inclusion of a newspaper publisher.

The quantitative research included a total of 163 surveys completed with magazine and newspaper publishers. While it is not possible to tell how many of these surveys represented magazines versus newspapers (or both at once), one can assume, given the sampling plans for National Accounts, Premier Accounts, Preferred Accounts and Small Businesses (described in detail on pages 14 through 23), that newspaper publishers included in the final sample were roughly proportionate to their incidence in the populations of respective business segments.

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NNA/USPS T8-11

Please confirm that no research, qualitative or quantitative, was conducted under your auspices [sic] to gauge the impact of 5 day delivery upon newspaper readers, except for any incidental reactions that may have resulted from discussion of Periodicals mail that also included magazines. If you confirm, please explain why.

RESPONSE:

Not confirmed. The qualitative research explored the general impact of five-day delivery on consumers and businesses. Participants in the qualitative research would therefore include newspaper readers to the extent they exist in the general population.

The focus of the quantitative questionnaires was to obtain reliable estimates of the impact a change to five-day delivery would have on the volume of mail consumers and businesses would send. Therefore, publishers would have provided data on the volume of periodicals they would send under the two scenarios – current delivery schedule and with a five-day delivery schedule. This data would accordingly include volumes for both magazines and newspapers.

1 CHAIRMAN GOLDWAY: Is there any additional
2 written cross-examination for Witness Elmore-Yalch?

3 If not, this brings us to oral cross-
4 examination. Two parties have requested oral cross-
5 examination: Greeting Cards Association, Mr. Stover,
6 and Public Representative, Ms. Gallagher.

7 Are there any other parties wishing to
8 cross-examine Ms. Elmore-Yalch?

9 MR. ANDERSON: Madam Chairman, Darryl
10 Anderson on behalf of the American Postal Workers
11 Union.

12 In reviewing matters over the last couple of
13 days APWU has decided it has one or two questions for
14 this witness, but we would prefer to wait until the
15 other parties have questioned.

16 CHAIRMAN GOLDWAY: I was just going to say
17 since you are asking later than the others I will
18 proceed with the Greeting Cards, the Public
19 Representative, and then call you.

20 MR. ANDERSON: Thank you, Madam Chairman.

21 Mr. Stover, would you identify yourself and
22 begin, please?

23 MR. STOVER: Thank you, Madam Chairman.
24 David Stover for the Greeting Cards Association.

25 //

1 CROSS-EXAMINATION

2 BY MR. STOVER:

3 Q Good morning, Ms. Elmore-Yalch.

4 A Good morning.

5 Q Let's turn to your response to GCA/USPS-T8-
6 2-A.

7 A 2-A?

8 Q 2-A.

9 A Yes.

10 Q You told us in that answer that you
11 understood that the 10 percent rate increase used in
12 your survey as the alternative to five-day delivery,
13 and I am quoting, "loosely approximates the value that
14 five-day delivery means to the Postal Service."15 Do you recall how you gained that
16 understanding of the hypothetical rate increase, and
17 in particular, whether you gained it from someone at
18 the Postal Service?19 A Yeah, this was done as we developed the
20 moderator's guide and we were looking for a scenario
21 where we could have people really compare the impact
22 to five-day delivery versus some alternative. So in
23 discussion with the Postal Service staff that I was
24 working with, we came to the alternative of a 10
25 percent price increase, so a high enough that it was

1 an impact but not so outlandish that nobody would even
2 think of it.

3 Q So it was thought of as a plausible scenario
4 for the respondent or the participant to think about?

5 A Correct.

6 Q The principle virtue of it in your eyes was
7 plausibility, is that --

8 A It was looking for a reasonable tradeoff
9 that somebody might need to make.

10 Q Okay, thank you.

11 Did you or anyone from Opinion Research
12 Corporation as far as you know have occasion to share
13 that understanding with any of the participants in the
14 focus groups, for example?

15 A I'm not quite sure I understand share.

16 Q Well, for example, might a moderator had
17 said, we want to find out how you would react to, or
18 as between the ending of Saturday delivery and a
19 roughly equivalent change which might be a 10 percent
20 rate increase?

21 A The wording of the question that the
22 moderators used, it varied slightly by group, but it
23 was, in general, if these were the only two choices
24 that the post office was considering, which would you
25 support.

1 Q But so far so far as you know they were not
2 represented as being in some way quantitatively equal
3 to each other. They were just material, substantial
4 things that would have an impact, would be expected to
5 have an impact on a mail user. Is that a fairer way
6 to put it?

7 A Not that I recall. We would have to go
8 through every transcript to see if a moderator
9 happened to have said that.

10 Q Let's go from there to GCA-T8-3C.

11 A Oh, 3C. Okay, thank you.

12 Q You said in answering that one that you
13 hadn't found an instance where focus groups --
14 participants in focus groups -- were told that Postal
15 Service had excess capacity in mail processing and
16 other upstream functions.

17 Do you recall any instance in which a
18 participants suggested without being prompted that
19 eliminating excess capacity could be an alternative
20 way of coping with the Service's deficit?

21 A I don't recall anybody using those specific
22 words.

23 Q Would that be a matter of trolling through
24 the transcripts again to find out if that happened?

25 A That would be the case, yes.

1 Q Okay, let's go back to another one. This is
2 T8-2, subpart B.

3 A Okay.

4 Q There you told us that a rate increase was
5 chosen for what I will call, and it's probably the
6 wrong word, the scale or preference question, the
7 place where you had a row of boxes across the page for
8 people to put their marks in. It was chosen because
9 it was something that, as you put it, participants
10 could easily relate to.

11 Now, to clarify for me, by that phrase
12 "could easily relate to," do you mean that
13 participants could easily quantify it or quantify what
14 it would mean to them?

15 A Well, I thin it's twofold. One is that
16 participants are familiar with rate increases and, you
17 know, they are regular and routine, and a 10 percent
18 number was something they could easily and quickly say
19 it is this amount of money.

20 Q So somebody might say to himself or herself
21 in looking at this question, well, let's see, I send
22 about five letters a week, that's five times 44 cents,
23 and if that went up 10 percent, it would be -- I'm too
24 bad at arithmetic to finish the question, but I think
25 you get my meaning, that you would expect that a

1 participant might make that kind of mental calculation
2 in looking at that scale or question and be influenced
3 in their answer accordingly?

4 A My observation in the groups was that most
5 people took the current price of stamps which varies
6 slightly, depending upon when they purchased them
7 last.

8 Q Yes.

9 A And multiplied, you know.

10 A By 1.1 and --

11 A By .1 and rounded it up.

12 Q Yes, some kind of answer that was
13 qualitative for pragmatic purposes.

14 A Per piece basis.

15 Q I may again be getting myself into trolling
16 through all the transcripts, but let me ask you
17 anyway, is it correct to say that the focus groups
18 weren't asked to think about any other deficit
19 reduction option like what I mentioned, closing down
20 these facilities, which were put before them in a
21 quantitative way?

22 In other words, you have a 10 percent rate
23 increase which is a quantitative option, but there
24 wasn't any place else, was there, where they were told
25 the Postal Service could actually save a million

1 dollars by closing some unused facilities or anything
2 like that?

3 A No. No.

4 Q Let's go down a little farther down in the
5 packet, Ms. Elmore-Yalch. I'm going to mention two
6 interrogatories right off, but we will break this up
7 into pieces as we go on. These are number GCA-T8-4
8 and T8-5, and in those, if I could characterize your
9 answers, you confirmed that no participant in the
10 quantitative survey or qualitative in depth interviews
11 was asked whether he would prefer five-day delivery to
12 a rate increase or vice-versa, and no such
13 participants was asked what changes they would suggest
14 to address the USPS deficit.

15 Now I said I was going to take this in
16 pieces so let's do that. Let's first take the
17 question of preference for five-day service over
18 increased rates or vice-versa.

19 Could you tell us why the participants in
20 the in depth interviews or the quantitative survey
21 weren't asked that sort of question?

22 A They were very large accounts and the
23 purpose of those in depth interviews were primarily to
24 understand what the impacts of the change would be.
25 Because of the size of the companies and the level of

1 people that we were talking about, there were time
2 limitations, and so it was deemed not as relevant to
3 that particular segment as it was for the consumers
4 and small businesses.

5 Q Was the a reason for not bringing up the
6 question of what else the Postal Service might do to
7 address its deficits pretty much the same? There were
8 time limitations, there was the thrust of the
9 interviews was somewhat different from --

10 A That was correct, yes.

11 Q Would it be fair to say that -- I mean,
12 allowing for the fact that the interview process has
13 to be somewhat flexibility, but would it be fair to
14 say that the object of this work was to find out how
15 these national and premier account executives would
16 react and maybe adapt their own operations to the
17 Service's actual five-day initiative and not to
18 explore alternatives to it?

19 A Could you repeat that question?

20 Q I'm sorry. We are dealing here with some
21 national premier account executives, I guess they are
22 all be considered executive, and I am getting the
23 impression that the thrust of ORC's work was to find
24 out how these folks would react to what the Postal
25 Service is proposing here in this case, and how they

1 would adapt their own operation to that change from
2 six-day to five-day delivery rather than to say, hey,
3 what could the Postal Service do about its deficits or
4 do you think you would rather pay higher rates. It
5 was what would you people do and how would you feel if
6 Saturday delivery went away was the main focus?

7 A Right, and it was believed that these
8 accounts were aware through other discussions with the
9 Postal Service of the consideration of five-day
10 delivery and so the focus was really how will this
11 impact your operations, your business, and what would
12 be your response to this and how you will respond in
13 your business.

14 Q Now, would it be fair to say in the case --
15 I'm thinking now mostly of these IDIs.

16 A Uh-huh.

17 Q Would it be fair to say that you were
18 talking to people with a pretty extensive knowledge of
19 postal affairs and postal finances, I guess, is in the
20 forefront of peoples' minds these days in the mailing
21 industry, so both operations and finances?

22 A I can't really speak to their knowledge of
23 postal affairs. I can speak to the fact that they
24 were very knowledgeable about their own internal
25 operations and how they would be impacted by changes.

1 Q Remind me whether the selection processes
2 for the IDI participants focused on their involvement
3 in their company's mailing operations?

4 A That is correct. There were very senior
5 level people involved in that, so I can state that;
6 yes, they understood their operations. We didn't ask
7 or know about their knowledge.

8 Q Their particular, and it might be that you
9 talked to a vice president for marketing under whose
10 supervision was the mailing, the advertising mail
11 operations of the company, something like that?

12 A No. I stated that the person that was
13 surveyed was knowledgeable about their internal postal
14 and shipping operations, and I can speak to their
15 knowledge of that. I can't speak to their knowledge
16 of Postal Service finances and --

17 Q More generally.

18 A More generally.

19 Q Maybe not. Okay.

20 Let's go back to -- I'm sorry to keep
21 hopping around like this. Let's go back to GCA-T8-3A.
22 You told us that the participants in the focus groups
23 weren't told about the Postal Service's ability to
24 raise the rates as a deficit fighting measure. Now,
25 as you know, I'm sure there is now a rate increases

1 before the Commission.

2 But my question is, am I right to think that
3 it would be just speculation to try to extrapolate
4 from the work you did on these focus groups -- with
5 these focus groups -- to estimate the reaction of
6 those participants to the situation of both a delivery
7 service reduction and a rate increase?

8 A It would be impossible for me to judge that
9 from the research we did.

10 Q To judge their reaction --

11 A To judge their reaction.

12 Q -- to the combination of a few things.

13 A That was not asked.

14 Q Right. Now, we're still on No. T8-3, to now
15 subpart B. I just wanted to clarify a term that you
16 used. You said that participants generally recognize
17 that what you called "full mail volume" would not be
18 recovered owing to the internet and other
19 technologies.

20 Could you define for me what you meant by
21 "full mail volume"?

22 A Well, I think I was referring to that it
23 would return to what it had been before the recession
24 started. So I think there is a recognition on the
25 part of the participants that there would be continued

1 future use of the internet which may cause it not to
2 return to what it was.

3 Q To what it was in 2005 or something like
4 that.

5 A Yes, correct.

6 Q Or 2006, which may have been the Postal
7 Service's peak year.

8 Let's go back for a moment to those
9 executives that participate in the IDI process. I
10 think you said that they were people who were likely
11 to be familiar with the Postal Service's five-day
12 service proposal through the trade press and maybe
13 through discussions with Postal Service.

14 Would it be your feeling that they might
15 also have been familiar with other aspects of the
16 Postal Service multi-barrel's assault on the deficit
17 like the proposals to amend the retirement health
18 benefits or to -- I guess that would be one that was
19 mentioned most frequently and is well known, but in
20 general would these people, in your judgment, be
21 likely to have been familiar with these other measures
22 of service might be taken to attack its deficit
23 alongside the five-day proposal?

24 A I can't talk to their awareness or other
25 aspects of that.

1 MR. STOVER: Okay. Thank you, Madam
2 Chairman, that's all we have, and Ms. Elmore-Yalch, we
3 thank you very much.

4 CHAIRMAN GOLDWAY: Thank you. Now the
5 Public Representative.

6 MS. GALLAGHER: Thank you, Madam Chairman.
7 Patricia Gallagher for the Public Representative team,
8 and with me are Kenneth Moeller and Lawrence Fenster.
9 Good morning.

10 CROSS-EXAMINATION

11 BY MS. GALLAGHER:

12 Q In your testimony where your
13 autobiographical sketch appears, and it's Roman VII.
14 You note -- are you there?

15 A Roman VII. I'm not so good with the Roman
16 numbers. It's the statistics in me. Okay.

17 Q So you're there?

18 A Yes, I am.

19 Q Let's focus on the bulleted list that
20 appears, and I note there that the Federal Highway
21 Administration was one of your clients?

22 A Yes, that's correct.

23 Q And that's within the Department of
24 Transportation?

25 A That's true.

1 Q Most of the others are either government or
2 quasi-government agencies. Are there any federal
3 agencies that come to mind that --

4 A No, the only work that I have done is with -
5 -

6 Q That's fine. But the lead-in sentence says
7 "representative" so I thought maybe there was
8 something else.

9 Then getting to your background in survey
10 research generally and then the more limited
11 experience with the Federal Highway Administration,
12 are you aware of there is a federal law relating or
13 requiring most federal agencies to present surveys and
14 focus group type work to the Office of Management and
15 Budget for review prior to conducting surveys?

16 A I am aware that there is --

17 Q You're aware.

18 Q -- was it -- no, it was a law. I was aware
19 that there was a regulation that we had to be done.

20 Q Regulations implement the law.

21 A Right.

22 Q Actually it's a paperwork reduction which --

23 A Correct.

24 Q -- kind of a funny term for it, but it's
25 within that umbrella.

1 Q Did you work with the FHA require you to --
2 do you recall whether that required any OMB type
3 review?

4 A I believe -- no. In fact, we had a
5 shortened process for it.

6 Q Thank you. And just for the record the
7 Postal Service is not subject to those requirements.
8 Are you aware of that?

9 A Yes.

10 Q But in terms of not as a lawyer but just as
11 a survey professional, do you have any opinion on
12 whether that OMB process might be considered more
13 rigorous than a corresponding commercial effort might
14 be? I said not as a lawyer, but just in your --

15 A I'm a professional. I'm not a lawyer.

16 Q Yes.

17 A You know, I'm aware as we have gone through
18 institutional review board reviews as well, we tend to
19 write our surveys to be able to withstand that
20 scrutiny in anticipation that it could go that route.

21 Q So you use that maybe as a benchmark. Would
22 you say the work for the Postal Service met that
23 benchmark?

24 A I believe so.

25 Q You believe so. Okay, thank you.

1 One thing, would you be aware that the OMB
2 process allows in some instances agencies or other
3 entities such as unions to piggyback on the survey
4 with their own questions?

5 A I was not aware of that.

6 Q And also allows others to comment on the
7 working and content of anticipated questions?

8 A I was aware of the process. Part of the
9 process was to allow for comment, yes.

10 Q Thank you. And were you aware that the OMB
11 process generally limits the use of incentives for
12 participation to a nominal amount or token
13 consideration?

14 A I'm aware that there is some comment on the
15 use of incentives.

16 Q But in this situation there weren't except
17 for the land line for customers, there were
18 incentives?

19 A There were small incentives.

20 Q But more than nominal?

21 A I can't speak to the word "nominal".

22 Q Okay, thank you.

23 Then just in terms of the broad --

24 CHAIRMAN GOLDWAY: Could you describe those
25 incentives for me?

1 THE WITNESS: I would have to -- I know for
2 the cell phone, and this is standard industry
3 practice, they were sent a gift card and it's
4 basically, it's less of an incentive than a payment,
5 in essence, a reimbursement for their use of their air
6 minutes. For the national accounts, a \$50 gift card
7 to the national -- no, this was small business, \$50
8 gift card. That was a panel, that's their standard
9 incentive. Premier account was also \$50. FIR
10 accounts was also \$50, and national accounts was also
11 \$50.

12 BY MS. GALLAGHER:

13 Q So they were all the same?

14 A They were all the same. The consumer was, I
15 believe, 10.

16 Q Could you repeat that? I'm sorry.

17 A The consumer, the caravan respondents that
18 were cell phone only would have gotten \$10.

19 Q And then the land line telephone
20 respondents?

21 A Received nothing.

22 Q Okay. Just I'm curious. Why was that for
23 the land line people?

24 A Generally for consumer we don't need to
25 incent on the phone, and so --

1 Q That's fine.

2 A -- businesses, we almost invariably incent.

3 Q Thank you. Then just in terms of the
4 coverage of the focus groups, is it fair to say that
5 the focus groups did not draw any participants from
6 states in the southwest portion of the country? I
7 think I have that list. Would that be fair to
8 describe that?

9 A Correct.

10 Q Correct. Was there any focused interest
11 going into site selection for locations that had vote
12 by mail opinions for the citizens, or was that not an
13 issue?

14 A Oh, King County where Seattle is vote by
15 mail.

16 Q But you thought of that in advance; not just
17 simply it happened to be? My question is I know King
18 County was.

19 A The Postal Service identified the markets to
20 use in advance so I can't speak to why they chose
21 those.

22 Q So you don't know if that was a -- I did
23 notice it and I was wondering if it was. Thank you.

24 MS. GALLAGHER: I think that covers
25 everything I need now. Thank you very much.

1 CHAIRMAN GOLDWAY: Thank you. Now we have
2 the APWU.

3 MR. ANDERSON: Thank you. I thought there
4 was one other party before us.

5 CROSS-EXAMINATION

6 BY MR. ANDERSON:

7 Q Ms. Elmore-Yalch. I am Darryl Anderson,
8 counsel for the American Postal Workers Union. Good
9 morning.

10 A Good morning.

11 Q I'm not sure whether some of these questions
12 should better be addressed to Mr. Whiteman, but let me
13 ask you. I was looking at your testimony at page -- I
14 think it's Appendix A at page 4 which has the focus
15 group methodology heading.

16 A Appendix A?

17 Q No, I'm sorry. Page 4 of your testimony.

18 A Okay. I got it.

19 Q It's page 4. And I was comparing that to
20 the tables that are appended, I think, to your
21 testimony. It's the Seattle moderate income rural,
22 and Atlanta modern income rural.

23 A You're referring to the respondent profiles?

24 Q Yes.

25 MR. HOLLIES: Could counsel share the page

1 numbers on those, please?

2 MR. ANDERSON: Yes, I'm trying to find them.
3 It's 73, 68 to 73.

4 MR. HOLLIES: Thank you.

5 THE WITNESS: Okay.

6 BY MR. ANDERSON:

7 Q And is the table on page 4 intended to
8 summarize in part what you were doing back here with
9 these Seattle and Atlanta folks in the focus groups?
10 That's my understanding, is that correct?

11 A Correct.

12 Q Okay.

13 A So each of these represent one of --

14 Q Now if you would sort of flip back and forth
15 between Seattle and Atlanta, as I was looking at these
16 it struck me that, for example, in Atlanta on page 73
17 that was to be moderate income rural, and the range
18 there for moderate income rural was 35,000 to 100,000.
19 Have I got that right, looking at the column heading?

20 A Correct.

21 Q It struck me that nine of them are above
22 50,000 or between 50,000 and 100,000. Am I reading
23 that right?

24 A You are reading it right.

25 Q And one of them was between 35 and 50, and

1 in Seattle, in the same column, if you would flip back
2 to page 68, I observed that six of them were between
3 50 and 100,000 dollars and five were 35 to 100. Have
4 I got that correct?

5 A Correct.

6 Q So that on the two tables combined, 15 were
7 between 50,000 and 100,000, and six were between 35
8 and 50,000, correct?

9 A Correct.

10 Q Okay. Now, I looked at some U.S. Census
11 data, and do you happen to know what the median
12 household income is in the United States in -- we're
13 using 2008 data here?

14 A Not to the detail off the top of my head,
15 but I'm familiar with the number.

16 Q You are familiar with the number?

17 A Well, I'm --

18 Q If I tell you it's \$52,029 median household
19 income in the United States, would that refresh your
20 recollection?

21 A Sounds about right.

22 Q Okay. So I'm wondering whether when you
23 decided who to focus on, whether it occurred to you
24 that you were focusing primarily on people who earned
25 more than half the households in the United States.

1 A Our attempt here was to recruit a mix of the
2 two groups of income, and we were able to achieve that
3 in Seattle, and in Atlanta, that was when they had the
4 massive rain and floods. It was actually almost
5 questionable whether we were going to have the groups
6 or whether they would have to be canceled at the time,
7 so we had to replace some participants in the group
8 especially in the rural and the consumer groups, and
9 so it was not the ideal mix at that time but it was --
10 you know, we were on the road and that was the
11 situation.

12 Q Okay. I mean, if you'd look again at page
13 73, please, in Atlanta, is it Seattle where you had
14 the problem?

15 A No. Atlanta is where we had the problem.

16 Q Atlanta had the problem. Okay. Because, I
17 mean, I see that the occupations for those folks don't
18 seem to include agriculture, for example, and I wonder
19 whether in looking that again, whether you would still
20 consider that an example of rural America, the people
21 of that focus group. Is that rural?

22 A I'm sorry. I'm not following.

23 Q If you would just look at the people
24 represented. Maybe you can't answer the question, but
25 if you would look at the table on page 73, I'd like

1 you to reconsider whether, in fact, that's a focus
2 group focused on rural America.

3 A Well, I know that we identified in a
4 metropolitan market two metropolitan markets that
5 could reach out into rural surrounding communities and
6 again tried to recruit a mix of income and a mix of
7 different occupations. We did not specifically target
8 any specific occupation.

9 Q My understanding is that this was to be a
10 focus group of individuals who might be roughly
11 representative of rural America. Is that correct?

12 A Correct.

13 Q And your testimony is still here today that
14 this group reflected on page 73 is representative of
15 rural America. Is that your testimony?

16 A Rural communities surrounding a metropolitan
17 area.

18 MR. ANDERSON: I'm going to distribute what
19 I'd like to have marked as APWU Cross-Examination
20 Exhibit 4. Counsel, may I proceed?

21 (The document referred to was
22 marked for identification as
23 APWU Cross-Examination
24 Exhibit No. 4.)

25 BY MR. ANDERSON:

Heritage Reporting Corporation
(202) 628-4888

1 Q Ms. Elmore, if you would see this -- Elmore-
2 Yalch. Am I pronouncing that correctly?

3 A (Nonverbal response.)

4 Q If you would take a look at this. This is,
5 I would represent to you, from the Census Bureau data
6 on median household income by state. Time is precious
7 so I won't plod through this unless anyone insists,
8 but if you look, just scan down this page to see, as I
9 did, which states have median household incomes lower
10 than \$50,000. Alabama, for example, Arizona,
11 Arkansas, Florida, Georgia, Indiana, Kansas, Kentucky,
12 Louisiana, Maine, Mississippi, Missouri, Montana, New
13 Mexico, New York is perilously close, North Carolina,
14 North Dakota, Ohio, South Carolina, South Dakota,
15 Tennessee, Vermont and West Virginia. I counted 24
16 states with median household incomes of less than
17 \$50,000.

18 MR. HOLLIES: Madam Chairman, we would like
19 to object to this line of questioning. The witness
20 has testified that the locations in which focus groups
21 were taken were held, were specified by the postal
22 service. We're now hearing counsel testify about the
23 cross-examination exhibit that he has provided.
24 There's no foundation for the questions that he's
25 asking about the locations of the focus groups. This

1 was not a part of her choice. This was specified by
2 the postal service.

3 MR. ANDERSON: May I respond?

4 CHAIRMAN GOLDWAY: Yes.

5 MR. ANDERSON: It's my understanding that
6 the witness is supporting the postal service's view
7 that the focus groups used were in part representative
8 of rural America. I think this exhibit shows starkly
9 that the more rural states have median household
10 incomes lower than most of the people who participated
11 in the focus groups, and so I don't know whether the
12 witness wants to continue to vouch for the fact that
13 the focus groups represented rural America or not but
14 this seems to me to be exact, directly on point for
15 the proposition that, in fact, the focus groups did
16 not, and that's what I'm positing to the witness.

17 MR. HOLLIES: Madam Chairman, there is no
18 tie at any place between what's rural and what's an
19 income level. That's left entirely for supposition.
20 This exhibit does not provide that information.

21 CHAIRMAN GOLDWAY: I think there's a matter
22 as to whether the focus groups are representative of
23 attitudes and people within the United States, and I
24 think the participant is raising some good questions
25 here and I will allow him to continue with these

1 questions.

2 MR. ANDERSON: So, Ms. Elmore-Yalch, in
3 light of this what I would call a dichotomy between
4 the states with higher incomes and lower incomes,
5 would it be fair for the Commission to infer that the
6 more rural states would be represented in the states
7 that have lower median household incomes? Is that a
8 fair statement?

9 THE WITNESS: No. I would say that there is
10 not a full correlation between income and location,
11 and that, you know, there are lots of other factors
12 that contribute to whether the state has a higher or
13 lower median income.

14 BY MR. ANDERSON:

15 Q I don't wish to argue with you so I'll go
16 on. If you would look again at page 4 of your
17 testimony, the focus group composition. I think that
18 you'll agree with this one. I'd like to get back to a
19 point where we can agree. I'm comparing that to your
20 pages 68 and 73 with those more detailed tables and I
21 see that the income range used for moderate on the
22 tables on page 68 and 73 was \$35,000 to \$100,000.
23 That's not a question. I know we agree on that. We
24 also can agree that your table, Figure 1 on page 4,
25 represents that as \$30,000 to \$100,000. So I don't

1 know whether you prepared that table or not, but would
2 you agree with me that that number on Figure 1 should
3 be \$35,000 to \$100,000 instead of \$30,000 to \$100,000
4 for Seattle and for Atlanta?

5 A Okay. I'm thinking that I'm going to have
6 to check back to this too. I'm looking at the
7 screening.

8 Q You mean check right now?

9 A I just want to verify what we had asked.

10 Q Yes. Certainly. All right. Thank you.

11 A The table on page 4 probably should say, to
12 be accurate it would say \$35,000 to \$50,000.
13 \$100,000. I'm sorry, \$35,000 to \$100,000, because
14 that is what we used in the screening. I apologize
15 for that.

16 (The documents referred to
17 were marked for
18 identification as APWU Cross-
19 Examination Exhibit Nos. 5
20 through 7.)

21 BY MR. ANDERSON:

22 Q Okay. Thank you. No need to apologize. I
23 thank you very much for that correction. I'm going to
24 distribute APWU Cross-Examination Exhibits 5, 6 and 7.
25 Five will be Tupelo, Mississippi, six is Mountain

1 Home, Idaho, and seven is Weiser, Idaho. Ms. Elmore-
2 Yalch, I'd like to direct your attention to these
3 exhibits which include data on the median household
4 income in these locations. Now, you'll see that in
5 Tupelo, Mississippi, in the center of the page there,
6 economic characteristics, median household income in
7 2008 inflation adjusted dollars was \$39,528. Do you
8 see that number?

9 A I see that number.

10 Q and the U.S. median is shown also on that
11 same row. And then in Mountain Home, Idaho, which,
12 according to Wikipedia, which takes its data from the
13 Census, is the county seat of Elmore County, Idaho,
14 and Mountain Home has a population, according to this
15 information, 11,143. I'm asking you to accept these
16 data as correct for purposes of other than discussion.
17 Then, if you look at the bottom of page 2 of that
18 Mountain Home, Idaho, exhibit it states that the
19 median income for a household in the city was \$37,307.
20 Do you see that figure?

21 A I see that figure. It's page 3.

22 Q Pardon me. Thank you for that correction.
23 And then in Weiser, Idaho, the total population was,
24 according to this data, 5,343. On the third page of
25 the Weiser, Idaho, exhibit it shows that the median

1 household income in Weiser was \$41,994.

2 A I'm sorry. I'm not seeing where you're
3 seeing that on here.

4 Q Okay. You have Weiser in front of you
5 there?

6 A I do.

7 Q Third page. It looks like it says page 4 of
8 9 up in the upper right-hand corner and at the bottom,
9 toward the bottom, it says labor statistics.

10 A Correct.

11 Q Median household income in Weiser, Idaho.

12 A Okay.

13 Q I'm sorry. I misstated that. Thank you
14 very much for bringing my attention to that. The
15 median household income in the community at the time
16 of the last survey was \$26,880. Now, that was an
17 earlier figure, earlier date, because the median
18 income in the U.S. was \$41,992 at that point, but it
19 shows a relative relationship between Weiser and the
20 U.S. I wondered why they were doing so well. I
21 thought it must be, you know, the industrial home of
22 Idaho. So big gap between the median income in a
23 small town like Weiser, about the size of my hometown,
24 by the way, and the median income in the United
25 States, and certainly a big gap between the median

1 income in -- I think you'll agree with me that there's
2 a significant gap in the median income between the
3 people in Tupelo, Mountain Home and Weiser and the
4 median income in the U.S. Would you agree with that?

5 A Well, it seems that it would be misleading
6 to compare the median income of a small town in Idaho
7 to the median income of the entire United States. It
8 would probably be more accurate to compare the median
9 income in Weiser compared to the median income in the
10 State of Idaho to have a real comparison. I would
11 suspect the gap is not as high.

12 Q I prefer my pronunciation of Weiser, but I'm
13 not sure who's right. In any event, well, when you
14 say it's not a fair comparison, I'm not sure what you
15 mean by that. I mean, if I were looking at rural
16 America, would I look at suburban Seattle or Atlanta,
17 or would I look at these places that I've just shown
18 you? Which place is more rural? More rural.

19 A My point is that if you're going to compare
20 the median income of -- actually, I've gone to the
21 music festival there and they call it Weiser.

22 Q Touche.

23 A So there, the median income there, to
24 compare it would be more comparable to comparing it
25 someplace, to the rest of Idaho rather than comparing

1 it to the entire United States, which includes all
2 things, and so the median income in Idaho is
3 significantly lower than --

4 Q Perhaps I should just ask you --

5 CHAIRMAN GOLDWAY: Well, I don't understand
6 that answer at all. I mean, yes, Idaho has a lower
7 average income, Mississippi has a lower average
8 income, Arkansas has a lower average income, but if
9 you're looking at the United States as a whole, you
10 take some general averages. Most of the country is
11 urban, so you look at the median income of everybody
12 on an average and then compare differences city to
13 city. You can get some information as to whether
14 Weiser or Weiser is a wealthy or less wealthy town in
15 Idaho by making your comparison city to state, but if
16 you're looking at national averages, I don't
17 understand why that isn't a relevant, a comparison to
18 make.

19 THE WITNESS: Well, I would say that if --
20 let's take the example of Seattle. If we were to take
21 the rural communities surrounding Seattle, we would
22 want to compare the rural communities surrounding
23 Seattle to the Washington overall income. Same thing
24 if we go to a different state. They're, you know? So
25 in that case we're going to find that the incomes of

1 rural communities surrounding Seattle is going to be
2 higher than rural communities in a less affluent
3 state. So I'm just saying to compare a rural
4 Washington County area to a rural Idaho area is, we've
5 got quite a dichotomy going on there. If you looked
6 at the discrepancy between Carnation and Snohomish
7 County, Snohomish County, which is where these people,
8 most of them, were drawn from, or Houston, King County
9 to overall King County, there would be a fair
10 discrepancy between the groups.

11 CHAIRMAN GOLDWAY: So you're saying of those
12 people who you interviewed in a rural county,
13 regardless of their income level, because the
14 interviews were taken in affluent states, that they
15 represented rural America.

16 THE WITNESS: In those states. Correct. So
17 the people surveyed in East King County of lower
18 Snohomish County would be representative of rural
19 communities surrounding Seattle. Same thing with
20 Atlanta. And, you know, if we did groups in Boise,
21 Idaho, these are the representative --

22 CHAIRMAN GOLDWAY: If you took all of rural
23 America, to the extent you can identify the rural
24 counties, and added their incomes, average their
25 incomes, just states, all the states, and then you

1 looked at the rural income of the suburb outside of
2 Seattle that's called rural, wouldn't those incomes be
3 higher than the rest of the average incomes of rural
4 America as well? I think the point is to go to --

5 THE WITNESS: Yes. Correct.

6 CHAIRMAN GOLDWAY: -- whether this group is
7 representative.

8 THE WITNESS: Right. So if I were to take
9 -- let me say this. Just want to be clear. So if I
10 were to compare the incomes of everybody living within
11 a center city -- well, actually, I'm not sure I can
12 actually say that because it would depend upon the
13 cities. I really don't know.

14 MR. ANDERSON: Madam Chairman, may I
15 interject for a moment?

16 CHAIRMAN GOLDWAY: Yes. Sure.

17 MR. ANDERSON: I think I may be able to
18 help --

19 CHAIRMAN GOLDWAY: I'm just trying to
20 clarify myself.

21 BY MR. ANDERSON:

22 Q Once again, I think I may have found a broad
23 area of agreement between myself and the witness. I
24 think the witness has testified, and Ms. Elmore-Yalch,
25 please correct me if I'm wrong, but I think you just

1 testified that, in fact, it's not fair to compare the
2 people in suburban or the rural areas around Seattle
3 with the people in Tupelo, Mountain Home and Weiser
4 because they're quite different parts of the country.
5 Is that a fair statement?

6 A That's a fair statement.

7 Q I'm going to change the topic now. I'm not
8 sure you're the right one to ask this, but as I
9 understand how the projection was -- were you involved
10 in the projection of the hypothetical change in mail
11 volume from six day to five day? Was that part of
12 your survey?

13 A The survey was done to compute, to provide
14 an estimate of what people would do, and we computed a
15 forecast of the percent change. The postal service
16 took those numbers and computed the actual volume
17 changes. We had nothing to do with that.

18 Q I'm just trying to get a better
19 understanding about what people were asked to tell you
20 when they were surveyed. As I understand it, mailers
21 were asked, I guess they filled out a questionnaire,
22 what did you mail in 2009? Then they were asked, as I
23 understand it, what would you mail if we changed from
24 a six day delivery to five day delivery. Is that what
25 they were asked? I'm not trying to test your memory

1 so if there's a document we should look at, let's look
2 at it.

3 A There are questionnaires, but we asked them
4 what they had mailed in the previous 12 months, so
5 prior to the survey, and what they were anticipating
6 mailing in the upcoming 12 months. The third set of
7 questions was and if under five day, what would you
8 anticipate? If it went to five day.

9 Q So they gave you three answers, correct? Is
10 that the way it was done?

11 A Three answers. Right.

12 Q And were they asked to make any assumption
13 about what the economy would be doing or it was just
14 left to whatever they might assume?

15 A No. Assumptions were made.

16 MR. ANDERSON: All right. That's all I
17 have. Thank you very much for your testimony.

18 CHAIRMAN GOLDWAY: Thank you. Are there
19 other questions from the participants?

20 MR. STOVER: Madam Chairman, with your
21 permission, we have one question suggested by a topic
22 discussed after we signed off first. If I might ask
23 that?

24 CHAIRMAN GOLDWAY: Certainly. Go ahead, and
25 then we'll ask the bench.

RE-CROSS-EXAMINATION

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BY MR. STOVER:

Q Ms. Elmore-Yalch, I've been trying to look this up on your testimony but the process got ahead of me so I'll just ask you. Did the process of choosing the focus groups and focus group participants find out or ask them whether the mail service they got was by city carrier, or rural carrier, or through a noncarrier post office?

A Let me double check, but I recall asking -- we're talking the consumer groups primarily?

Q That would be the most likely, I suppose.

A We did not ask that question.

MR. STOVER: You did not. Thank you. Thank you, Madam Chairman.

CHAIRMAN GOLDWAY: Thank you. I think I will begin since these questions about the income status of the participants of the focus groups interested me. While you were having this discussion I went through them and I added up. I think there were 93 participants in the various focus groups, the customer-based ones, not the business ones, and of those, 23 indicated incomes of \$35,000 to \$50,000, 31 incomes of \$50,000 to \$100,000, and 39 of \$100,000 or over. Do you think that's a fair representation of

1 people in the United States?

2 THE WITNESS: Did you list the numbers that
3 were below \$35,000?

4 CHAIRMAN GOLDWAY: Yes.

5 THE WITNESS: Okay.

6 CHAIRMAN GOLDWAY: Twenty-three below
7 \$35,000 --

8 THE WITNESS: I'm sorry.

9 CHAIRMAN GOLDWAY: -- that were in the low
10 income range, and then there were 31 that were \$50,000
11 to \$100,000 and 39, as I read it -- and if you just
12 look at the categories of the focus groups, there were
13 at least three that were high income alone. So I'm
14 just wondering if you, as a professional opinion
15 research expert, would say that such a collection of
16 people is representative of the United States.

17 THE WITNESS: Well, again, I would say that
18 the composition of the focus groups, the number of
19 groups, and the composition of the focus groups, and
20 the locations of the focus groups were specified in
21 the scope of work that we were asked to propose on.

22 CHAIRMAN GOLDWAY: The composition,
23 including the income levels.

24 THE WITNESS: Correct.

25 CHAIRMAN GOLDWAY: So the postal service

1 designed this study with -- you're suggesting that you
2 do focus groups where a third of them were high income
3 people.

4 THE WITNESS: It was their specification --

5 CHAIRMAN GOLDWAY: Their specification.

6 THE WITNESS: Correct.

7 CHAIRMAN GOLDWAY: You didn't give them any
8 advice to say this might not be representative, you
9 might not get the best information?

10 THE WITNESS: There was some discussion of
11 alternative locations.

12 CHAIRMAN GOLDWAY: Of alternative locations,
13 but the postal service said these are the locations
14 they wanted?

15 THE WITNESS: For these groups, yes.

16 CHAIRMAN GOLDWAY: And with regard to the
17 business groups that you have focus groups for, how
18 did you get the names of the people who participated
19 in those business focus groups?

20 THE WITNESS: They're recruited by the
21 facilities that we use and they have databases that
22 they use for recruiting. We did specify that they
23 couldn't participate in lots of focus groups, but they
24 are drawn from their databases for recruiting.

25 CHAIRMAN GOLDWAY: So there are focus group

1 firms that you subcontract with --

2 THE WITNESS: That's correct.

3 CHAIRMAN GOLDWAY: -- that run focus groups
4 in these various cities and they maintain databases of
5 people.

6 THE WITNESS: Correct.

7 CHAIRMAN GOLDWAY: So in the focus groups,
8 you just asked them to find businesspeople of various
9 kinds to select?

10 THE WITNESS: Well, no. They use their
11 database to call, but they had a very strict screening
12 questionnaire that we had developed that they had to
13 ask every person those questions to ensure that they
14 qualified for the focus group.

15 CHAIRMAN GOLDWAY: When we hired, the Postal
16 Regulatory Commission hired a contractor to do some
17 research for us, they were able to do the broad
18 consumer-based study but they found it very difficult
19 to locate any of the businesses dealing with mail.
20 They were frustrated because the postal service
21 maintains a list of their members, people who deal
22 with the mail, but when they just cold called
23 companies, they were not able to locate the right
24 person, and so they really weren't able to complete
25 the study for us when it came to mailers of various

1 sides or people in the business community dealing with
2 mail. So I was presuming, I may be wrong, that the
3 postal service actually provided names and contacts
4 for the business inquiries that you made in this
5 study. Am I wrong?

6 THE WITNESS: They had provided lists of
7 their preferred, I'm sorry, the preferred account list
8 as a supplemental list to the recruiting facilities'
9 database, but most of the participants came from their
10 databases.

11 CHAIRMAN GOLDWAY: Do you know what the
12 percentage was of participants who came from their
13 database versus the preferred list?

14 THE WITNESS: No, I don't.

15 CHAIRMAN GOLDWAY: Could you find that out?

16 THE WITNESS: I could check with them if
17 they have that information you want.

18 CHAIRMAN GOLDWAY: Okay. I will ask you to
19 report back to us in seven days with that information.

20 THE WITNESS: I will see if they have it.
21 I'm not sure they have it, but I can check with them.

22 CHAIRMAN GOLDWAY: Thank you. Now I'll
23 yield to my other colleagues. Commissioner Langley?

24 COMMISSIONER LANGLEY: Thank you, Madame
25 Chairman. I'm curious what your definition of rural

1 would be given your extensive background as a
2 professional opinion researcher? If you were
3 developing your own survey, which you've done over the
4 years, what would you consider rural?

5 MS. ELMORE-YALCH: When we do surveys, it's
6 very easy for us to determine rural because the Census
7 Bureau has done a fine job of helping us define that
8 via Census tracks and/or zip codes, so for surveys, we
9 use databases, you know, public data to tell us what
10 is officially rural, and in the study, the survey
11 itself that we did with consumers, for sure, rural
12 people are included and we can look at them
13 separately, and we continue to look at them with the
14 CARAVAN study.

15 With qualitative research, qualitative
16 research is qualitative research. It's not meant to
17 be projectible, and it is to some extent done for
18 convenience, travel, availability of facilities and
19 that sort of thing, so in that regard we did define
20 rural as being rural communities surrounding a major
21 metropolitan area.

22 COMMISSIONER LANGLEY: And are there
23 alternate definitions? I know Office of Management
24 and Budget uses certain definitions for rural.
25 There's Census, which is more using densely populated

1 areas versus less densely populated areas, and so I
2 didn't know if there was a general definition that ORC
3 uses when dealing with its clients given the broad
4 scope of the company.

5 I mean, the company works in the United
6 States, Europe, Asia, the Pacific, so rural is
7 different things to many people, and it's always been
8 difficult to define, but to me there is a difference
9 between a rural area surrounding a metropolitan area
10 versus. I know that you have lived in Idaho.
11 Obviously, Custer, Idaho, which is what? Four hours
12 from Boise I believe.

13 MS. ELMORE-YALCH: At least.

14 COMMISSIONER LANGLEY: At least. Yes, and
15 that's probably as the crow flies. I wouldn't
16 consider that adjacent to Boise, and so in doing
17 surveys, looking at the needs of say the people in
18 Custer versus the people in Boise, how would you put
19 together a survey?

20 MS. ELMORE-YALCH: Well, again I would like
21 to distinguish between the focus groups, which we call
22 qualitative research, and a survey, which is a
23 quantitative instrument, so in a quantitative
24 instrument using a national sample, and for CARAVAN we
25 actually stratify by region to make sure that we

1 capture, you know, if we didn't do that, we would be
2 talking to a lot of people in New York, so we stratify
3 to make sure we have enough people throughout the
4 Census region.

5 I'm just going to use the West because I get
6 that one in my head this morning, and so there we make
7 sure that we sample proportionately within that
8 region, and therefore we capture both the very rural
9 areas to the more semi-rural, so I would say take
10 Mountain Home. Mountain Home has a fairly large town,
11 but then Elmore County is huge, encompasses clear up
12 into dirt roads where there might be two people within
13 the area, so the national survey will capture
14 nationwide representation of rural America defined as
15 distance from literally a town of any size.

16 COMMISSIONER LANGLEY: But the Postal
17 Service is relying on that qualitative survey to
18 indicate that there is a wide-spread agreement among
19 business customers as well as residential customers
20 that going to five-day delivery is better than having
21 a 10-percent rate increase, and that qualitative
22 survey is based on very specific areas, is that
23 correct?

24 MS. ELMORE-YALCH: That would be correct.

25 COMMISSIONER LANGLEY: And you did mention

1 in doing the quantitative surveys, you're looking for
2 stratification by region to ensure appropriate
3 representation. In your survey for the Postal
4 Service, the quantitative, did you have participants
5 in Hawaii and Alaska?

6 MS. ELMORE-YALCH: We did not. CARAVAN only
7 surveys in the 48 contiguous.

8 COMMISSIONER LANGLEY: And so there would be
9 nothing that would respond to those areas of the
10 country?

11 MS. ELMORE-YALCH: Right. Alaska and Hawaii
12 are separate, so of the four Census regions in the
13 continental United States, Alaska and Hawaii represent
14 totally different and unique Census regions, so even
15 if we surveyed there, and survey proportion to their
16 population, they would basically drop out of the data
17 because we might not even get anybody because of the
18 size relative to the rest of the United States.

19 COMMISSIONER LANGLEY: So there is no
20 consideration in these states?

21 MS. ELMORE-YALCH: And occasionally in
22 CARAVAN other states may not necessarily be
23 represented, although typically it does capture one
24 person.

25 CHAIRMAN GOLDWAY: What's the sample size in

1 CARAVAN?

2 MS. ELMORE-YALCH: Total CARAVAN is 1,000,
3 but because we screened for the person in the
4 household that was responsible for handling the mail,
5 we surveyed, I can't remember the exact number, I
6 think a little over 500, 568.

7 COMMISSIONER LANGLEY: And if you could just
8 respond to one more question, and then I'll yield?
9 You mentioned you had discussions of alternate sites
10 for the qualitative survey?

11 MS. ELMORE-YALCH: Yes.

12 COMMISSIONER LANGLEY: What were those
13 alternate sites if you can share those with us?

14 MS. ELMORE-YALCH: Since they were looking
15 for a west coast area, I had suggested Boise.

16 COMMISSIONER LANGLEY: Boise? And beyond
17 that, that was the only alternate site?

18 MS. ELMORE-YALCH: I believe in the south we
19 may have. I remember we did some other groups, but at
20 the moment I'm a little hazy, but I seem to recollect
21 a discussion of Alabama as an alternative.

22 COMMISSIONER LANGLEY: Alabama? Thank you.

23 CHAIRMAN GOLDWAY: Questions from the bench?
24 Commissioner Blair?

25 COMMISSIONER BLAIR: I have a short

1 question. Thank you, Madame Chair. I was looking at
2 the focus groups that you did for the consumers, and
3 one of the questions that was posed was would you
4 rather have a reduction in the days of delivery or a
5 10 percent across-the-board increase. Why did you
6 choose the number 10? Was there a randomness? Was
7 there a reason, and how did you come up with that?

8 MS. ELMORE-YALCH: Well, one, it was a large
9 enough figure that it appeared to be somewhat
10 comparable in terms of potential impact as, you know,
11 dropping to a day of service. It also was a number --

12 COMMISSIONER BLAIR: I'm sorry. Could you
13 say that again?

14 MS. ELMORE-YALCH: My understanding it was
15 an approximation of if we raise by 10 percent, it
16 would be roughly approximate to reduction in service
17 to five days over some period of time. It was also
18 just simply a number in a discussion. You can say 10
19 percent people can easily compute. Ten percent is
20 another four cents or five cents depending on how they
21 calculated it.

22 COMMISSIONER BLAIR: So basically what
23 you're saying is that a 10-percent increase in rates
24 would be sufficient to cover the cost of continuing
25 Saturday delivery?

1 MS. ELMORE-YALCH: We didn't state that
2 specifically to anyone. We were really trying to test
3 this. That was my understanding.

4 COMMISSIONER BLAIR: But that was the
5 underlying intent was to try to draw a figure that
6 would compensate that should delivery continue it
7 would require a 10-percent increase in rates. Is that
8 basically what was formulated when you came up with
9 this 10 percent figure?

10 MS. ELMORE-YALCH: That was part of what we
11 were considering, was to have something that was
12 comparable.

13 COMMISSIONER BLAIR: And you said "we". Was
14 this your figure, or was this a figure posed by the
15 Postal Service?

16 MS. ELMORE-YALCH: It was a joint number
17 that we came up with in discussions of developing the
18 moderator's guide.

19 COMMISSIONER BLAIR: I'm just trying to get
20 a better sense, and I think the Chairman also touched
21 base on this, when you're doing work for a client and
22 in performing that kind of work for a client, what are
23 you attempting to do for that client? I could be
24 blunt and say are you trying to justify what the
25 client wants to do? I expect your answer to be

1 different, so I wanted to kind of pose that out there
2 as why wouldn't one suspect that you're just trying to
3 justify what your client wanted to do in this case?
4 Play devil's advocate.

5 MS. ELMORE-YALCH: Okay. Well, the
6 qualitative and the quantitative research had very,
7 very clear study objectives, and our focus in
8 developing everything we did was to satisfy and meet
9 the study objectives, and there was not a study
10 objective to justify dropping five-day delivery. It
11 was to provide insights into the impacts of five-day
12 delivery on different groups and to estimate the
13 change in volume that would occur as a result of that,
14 and it is our function as an independent contractor to
15 stay with those objectives and be objective, and I
16 believe we did that.

17 COMMISSIONER BLAIR: Okay. Well, thank you
18 very much.

19 CHAIRMAN GOLDWAY: Well, you didn't then
20 posit what would be another choice that consumers
21 could have. You presumed what the Postal Service
22 wanted you to study was the impact of five-day
23 delivery, not whether customers would be happier with
24 some range of choices. It was basically five-day
25 delivery.

1 MS. ELMORE-YALCH: The focus was five-day
2 delivery.

3 CHAIRMAN GOLDWAY: And that was that. I
4 noticed in your testimony when you itemize some of the
5 state and federal agencies that you've worked for that
6 they're predominantly transportation-oriented. Is
7 that just a fluke, or is it in fact true that you
8 focus on transportation in the research that you
9 supervise?

10 MS. ELMORE-YALCH: I do a large number of
11 studies for transportation cases.

12 CHAIRMAN GOLDWAY: And when you study
13 transportation, when you ask questions, what are the
14 choices that you're studying there?

15 MS. ELMORE-YALCH: It depends on the
16 objective of the study, all kinds of studies for
17 agencies.

18 CHAIRMAN GOLDWAY: Do the agencies direct
19 the study to the degree that the Postal Service did in
20 this case? They often say where they want the focus
21 groups and what the income level should be and what
22 the questions should be when you talk about
23 alternatives? Is that standard practice?

24 MS. ELMORE-YALCH: Yes. Generally, a client
25 will come in with some design, the study in their

1 minds that we propose to with suggestions as well
2 saying well, you know, you should do it this way or
3 consider this, but any time we have to design, we have
4 to pose a budget and a schedule, and so we have to
5 have some specs to pose to.

6 CHAIRMAN GOLDWAY: Do you ever advise the
7 client that perhaps this procedure won't get you an
8 unbiased sample or a basis for information on which to
9 take real action because the proposed study is
10 structured in such a way to just get the information
11 the company wants?

12 MS. ELMORE-YALCH: We do, and actually in
13 this case, we advised the Postal Service for the
14 consumer survey that strictly using the standard
15 CARAVAN was insufficient to being representative, and
16 we recommended that they include a cell phone sample,
17 which they did, so we were in that advisory role, and
18 we had these discussions.

19 CHAIRMAN GOLDWAY: So you added the cell
20 phone, but it was still just 500 or 600 people?

21 MS. ELMORE-YALCH: There was a 126 that was
22 added in terms of the cell phone. Approximately a
23 little over 100 that were cell phone only.

24 CHAIRMAN GOLDWAY: So out of the 500 or 600
25 people, a little over 100 of those were cell phone?

1 MS. ELMORE-YALCH: Were cell phone.

2 CHAIRMAN GOLDWAY: But did you assume that
3 with that 500 or 600 you'd get a sample that was
4 regionally representative nationwide?

5 MS. ELMORE-YALCH: It is. To the extent of
6 the screening, the 1,000 plus the cell phone that were
7 completed for CARAVAN, the entire CARAVAN, is
8 regionally representative. To the extent of the
9 screening, i.e., are we talking to the person who's
10 responsible for the mail, we can't absolutely
11 guarantee that it is directly proportional within each
12 region, but I did look at the data. It's relatively
13 close.

14 CHAIRMAN GOLDWAY: So you think this 500 or
15 600 does fairly represent the nation in terms of the
16 questions that you asked?

17 MS. ELMORE-YALCH: Correct, and that's just
18 due to the nature of sampling. Sample size is
19 independent of population size. I have confidence in
20 the data, the confidence in that data. It is
21 representative.

22 CHAIRMAN GOLDWAY: Okay. Are there other
23 questions? Commissioner Acton?

24 COMMISSIONER ACTON: Thanks for your
25 testimony today. I have a request. Did you receive

1 some written instructions from the Postal Service for
2 how to compose these consumer groups, focus groups?

3 MS. ELMORE-YALCH: At the onset, the Postal
4 Service asked, and I'm not sure how many they asked,
5 but a number of firms over a blanket contract with
6 them to propose to a set of specifications, and so
7 they had a written document that said this is what
8 we're considering doing. We expanded upon that, and
9 it expanded from while we were doing the work as well.

10 COMMISSIONER ACTON: Is there some materials
11 that may provide the regulator some information about
12 how you may have been directed by the Postal Service
13 to compose the focus groups?

14 MS. ELMORE-YALCH: So there would be a
15 statement of work?

16 COMMISSIONER ACTON: If the statement of
17 work includes that type of information?

18 MS. ELMORE-YALCH: It does.

19 COMMISSIONER ACTON: May we please see that?

20 MR. HOLLIES: I believe that's already been
21 filed.

22 COMMISSIONER ACTON: Thank you.

23 MR. HOLLIES: But we can check on that.

24 COMMISSIONER ACTON: Thank you, counsel.

25 Now, the quantitative market research that you did was

1 used by the Service for assessing revenue and volumes,
2 cost that sort of thing?

3 MS. ELMORE-YALCH: It was only used to
4 provide estimates of the volume change that's likely
5 to happen.

6 COMMISSIONER ACTON: And they also
7 calculated affiliated revenues I believe.

8 MS. ELMORE-YALCH: They did, correct.

9 COMMISSIONER ACTON: And the associated
10 costs?

11 MS. ELMORE-YALCH: Yes, the Postal Service
12 did that.

13 COMMISSIONER ACTON: In your experience with
14 other clients, have you ever had your work used in
15 that fashion?

16 MS. ELMORE-YALCH: I would have to verify
17 for sure, but I do believe a previous study that we
18 had done for the Postal Service had used a similar
19 methodology, and then also we have had our research
20 used to estimate, you know, price elasticity and the
21 impact on revenues.

22 COMMISSIONER ACTON: And do you know the
23 success of that endeavor? How accurate were the
24 projections based upon the quantitative market survey
25 research that you provided?

1 MS. ELMORE-YALCH: I don't have that
2 information.

3 COMMISSIONER ACTON: All right. Thank you.
4 Thank you, Madame Chair.

5 CHAIRMAN GOLDWAY: That's a good question.
6 Is there a body of work regarding how quantitative
7 surveys can effectively anticipate volume changes in
8 different products?

9 MS. ELMORE-YALCH: There is significant
10 literature both written by academics and by
11 practitioners that indicate how to design and conduct
12 studies that are used for this.

13 COMMISSIONER ACTON: Well, the reason it's a
14 point of interest for me and perhaps the Commission
15 and the community is that in my eight years of this
16 pursuit here in the public policy on the postal front,
17 I've never had an occasion where we've done volume
18 projections based upon survey research. It's
19 typically a price elasticity issue, so we're trying to
20 get some feel of course for the relative value and
21 accuracy of this type of an approach.

22 MS. ELMORE-YALCH: You know, price
23 elasticity is more easily computed when we're talking
24 about a single thing that somebody does. I'll use an
25 example of a study that I cited here, experiences. We

1 looked at berry fairs. A fair is a fair. It's one
2 trip, so it was easy to compute the elasticity of a
3 single item.

4 With this, because of the impact of volume,
5 you know, an individual volume, and across all these
6 applications that they do, it was less clear, so this
7 seemed to be the most appropriate measure to provide
8 reliable estimates byproduct across all these
9 applications that businesses and consumers do in their
10 daily lives.

11 COMMISSIONER BLAIR: Thanks.

12 CHAIRMAN GOLDWAY: Vice Chairman Hammond?

13 VICE CHAIRMAN HAMMOND: Thank you Madame
14 Chairman. Well, coming from outside a town of 400
15 where we would consider Weiser, Idaho, to be a
16 cosmopolitan metropolis, I would like to join in what
17 rural means, but I will refrain so that we can move on
18 and just thank the witness for being here today.

19 CHAIRMAN GOLDWAY: Thank you. I know
20 Commissioner Langley has another question.

21 COMMISSIONER LANGLEY: Yes, thank you. I'm
22 continuing to be concerned that Hawaii and Alaska are
23 being left out of the CARAVAN surveys. Is the
24 elimination of Hawaii and Alaska from surveys
25 something that most opinion research firms do?

1 MS. ELMORE-YALCH: For Omnibus studies such
2 as this, yes. If you were to survey nationwide with
3 that size and then weigh it at the individual level,
4 they're going to have such extreme low weights that
5 they basically disappear from the data anyway.

6 COMMISSIONER LANGLEY: And why would they
7 have such low weights?

8 MS. ELMORE-YALCH: Because we would survey
9 so few of them, and there are so few relative to the
10 region. I mean, they basically disappear from the
11 samples.

12 COMMISSIONER LANGLEY: So it's not based on
13 population?

14 MS. ELMORE-YALCH: With a survey such as
15 this at the end, we do weight to the population, so
16 even if you survey them, the weight would be so small
17 on that particular area that they would disappear.
18 The federal highway study is a great example where we
19 design specifically to include those states, and not
20 just those states but all states, so we think about
21 North Dakota, you know, and other small states like
22 that, so if you want inclusion of them, you have to
23 actually design very, very specifically to include
24 those at the sampling level to get a minimum number if
25 you just do the work.

1 CHAIRMAN GOLDWAY: So how much greater would
2 your CARAVAN sample have to be?

3 MS. ELMORE-YALCH: Our sample for the
4 federal highway was 2,500.

5 CHAIRMAN GOLDWAY: 2,500?

6 MS. ELMORE-YALCH: 2,500.

7 COMMISSIONER LANGLEY: But now the
8 population of Hawaii according to the Census for 2009,
9 their estimate is 1,295,178, and yet Wyoming during
10 that same period is 544,270; Vermont, 621,760. I'm
11 not really seeing why Hawaii with nearly 1.3 million
12 people is not statistically valid when you have a
13 state with 544,270. I'm just not seeing it, and I am
14 not an expert in statistics.

15 MS. ELMORE-YALCH: Again, you have to bear
16 in mind that CARAVAN is designed as an omnibus study
17 that people come onto. It's designed to be a solid
18 research study with a good sample size with good
19 implementation of a design, but it is also designed to
20 be a lower-cost alternative than going out and doing a
21 custom research study, you know, a full-scale custom
22 research study, so in the scope of all of the other
23 work, this was considered to be a good, reliable
24 alternative.

25 Now, it goes back to again if we included

1 Hawaii and Alaska, and we included those relative to
2 their population to the United States because they are
3 separate regions, we would have had one or two
4 interviews completed in each of those states.

5 COMMISSIONER LANGLEY: Did you have
6 interviews from anybody in Wyoming or Vermont?

7 MS. ELMORE-YALCH: I did actually review.
8 We have interviews from everybody after we screened
9 except for I think it was North Dakota.

10 COMMISSIONER LANGLEY: And North Dakota has
11 648,844.

12 MS. ELMORE-YALCH: Right. Again, if we had
13 surveyed --

14 CHAIRMAN GOLDWAY: So then did you weigh the
15 value? If you had one from every state, that means
16 you have to multiply the participant responses from
17 California to indicate that in the population there
18 are 100 times more Californians than there are South
19 Dakotans?

20 MS. ELMORE-YALCH: Well, I'd like to clarify
21 because there's two points here. The point is the
22 design of CARAVAN, and it's a fixed design, and as a
23 fixed design because of the way it's done, inclusion
24 of Hawaii and Alaska is just simply not there because
25 they would disappear from the sample based upon the

1 way CARAVAN data is generally weighted.

2 Now, the data, the consumer data for this
3 study, was not weighted using the CARAVAN weighting
4 because we pulled a subsample of them by screening,
5 and we were projecting at the household level,
6 household volumes, so individual weighting made no
7 sense either, so it was the use of an omnibus study
8 for timing and class considerations.

9 CHAIRMAN GOLDWAY: So you didn't take these
10 600 responses and weight them to represent the
11 population as a whole?

12 MS. ELMORE-YALCH: Because we weren't
13 reporting individual person data. We were reporting
14 volume of mail in the household, and so it was
15 determined that weighting could not be appropriate.

16 CHAIRMAN GOLDWAY: So you're presuming that
17 the people all around the country handle mail in the
18 same way?

19 MS. ELMORE-YALCH: But we didn't interview
20 an individual. We interviewed a person about their
21 household, so they talked about their household.

22 CHAIRMAN GOLDWAY: Right. But you're
23 presuming that the people who talked about their
24 household in South Dakota handle their mail the same
25 way as the person who handles mail in downtown New

1 York where one person gets lots more mail than another
2 person and they need it for different reasons, and you
3 didn't weight that at all.

4 MS. ELMORE-YALCH: But by random sampling,
5 the person in North Dakota is included, the household.
6 Let's make it clear it is household data that we have.
7 The household is included from North Dakota at a rate
8 proportionate to who they are in the population just
9 like a household in New York. So we have a
10 representation of all households in the United States
11 and the volume of mail that they retain.

12 COMMISSIONER LANGLEY: Could you have said
13 to the Postal Service that perhaps they should have
14 requested Hawaii and Alaska given that these two
15 states are part of the United States and are very
16 dependent on mail? Calling Hawaii is merely a phone
17 call. It's not sending people over there to talk to
18 them personally, but it is a telephone call, and other
19 than a time difference, given the way communications
20 are set up now, it's not real hard to contact Hawaii
21 or Alaska.

22 MS. ELMORE-YALCH: In the design of the
23 study, it did not come up. This has come up later in
24 the analysis, and we identified that no, they were not
25 included.

1 COMMISSIONER LANGLEY: Thank you.

2 COMMISSIONER BLAIR: I just have one
3 followup on that. The CARAVAN study, the methodology
4 used, do you use that for other clients and for other
5 studies as well, or was this custom designed for the
6 Postal Service study in this regard?

7 MS. ELMORE-YALCH: That's my point is that
8 the CARAVAN is an ongoing study. We survey 1,000
9 people per waive, and clients come in and purchase
10 questions. They write the questions, but in essence
11 they're purchasing time on this study, so yes, there
12 are other clients.

13 COMMISSIONER BLAIR: And there are other
14 topics that you're interviewing?

15 MS. ELMORE-YALCH: There are other topics
16 and things.

17 COMMISSIONER BLAIR: And those individuals
18 as well?

19 MS. ELMORE-YALCH: Correct.

20 COMMISSIONER BLAIR: Okay. Thank you.

21 CHAIRMAN GOLDWAY: Okay. I think we'd like
22 to ask the counsel for Postal Service if he'd like
23 some time with his client for redirect?

24 MR. ANDERSON: Madame Chairman, is this the
25 appropriate time for me to ask a followup cross

1 suggested by the Commissions questions?

2 CHAIRMAN GOLDWAY: Sure, you can do that
3 now.

4 MR. ANDERSON: Thank you very much. I
5 appreciate your indulgence, Madame Chairman.

6 CROSS-EXAMINATION (RESUMED)

7 BY MR. ANDERSON:

8 Q Ms. Elmore-Yalch, with regard to decisions
9 as to how the survey was to be conducted, I think Mr.
10 Whiteman may have been responsible for those kinds of
11 decisions and was giving you direction, but I'm not
12 sure. Would you care to explain to us what the
13 relationship was there? I'm not trying to personalize
14 this. Institutionally, was he in the position that
15 gave you guidance?

16 A Well, we dealt directly with three
17 individuals at the Postal Service: Bob Smith, Greg
18 Whiteman and Bob Michaelson, so in general, the
19 discussions were with sometimes an individual, other
20 times all three of them.

21 Q With regard to what industries to survey,
22 what businesses to include in your industry survey,
23 who gave you direction on that?

24 A We were just given direction to create a
25 represented sample, so we do a random sample of

1 businesses, no direction as to what industry.

2 Q As I understand, and may I have it wrong,
3 there was certain national accounts, premier accounts
4 and what's the other one?

5 A Preferred.

6 Q Preferred, and you chose a sample of each of
7 those, is that right?

8 A Correct, so we were given the entire
9 universe, and we drew a sample from the Universe.

10 Q Or you were given a stratified universe?

11 A By those three, yes. Correct.

12 Q And you chose the sample from within those?
13 You were not given direction?

14 A No.

15 Q Okay.

16 A We couldn't tell it anyway.

17 Q Okay.

18 CHAIRMAN GOLDWAY: But the names and
19 addresses and contacts for those samples were given to
20 you by the Postal Service?

21 MS. ELMORE-YALCH: The company names and
22 contact numbers, correct, but we again screened to get
23 the right individual. We did not use the names that
24 were provided because they weren't always the right
25 individual.

1 BY MR. ANDERSON:

2 Q And I think you said you selected randomly
3 within those groups, is that correct?

4 A Correct.

5 Q So that if, for example, within a particular
6 one of those groups there was a type of mailer that
7 would be more adversely affected by dropping Saturday
8 delivery, that was invisible to you because you were
9 just doing it randomly, is that correct?

10 A Correct, and they would be representative
11 relative to their incidence in the population.

12 Q As to the choice of the 10 percent number,
13 the 10-percent rate increase to use as the counterpart
14 to five-day delivery, did you have a discussion with
15 Mr. Whiteman about that?

16 A Actually, it was my suggestion to use this
17 as an exercise because I was asked to develop the
18 moderator's guide to address the research objectives,
19 so it was my suggestion to do a trade-off exercise
20 such as this.

21 Q Right. It's my understanding that Mr.
22 Whiteman chose the 10 percent number. Is that your
23 understanding?

24 A I actually put the 10 percent number out and
25 asked if this would be an appropriate exercise to use,

1 and then it was confirmed that yes, it would be an
2 approximation.

3 Q I'm not sure if you have this document with
4 you, but I'd like to direct your attention to an
5 interrogatory response by Mr. Whiteman. It's
6 NNAUSPST9-3. Do you have Mr. Whiteman's interrogatory
7 response before you?

8 A I do not.

9 Q I have only one copy of this, which I'm
10 willing to provide if no one else can provide the
11 witness a copy.

12 MR. HOLLIES: One moment, please.

13 MR. ANDERSON: This is NNAUSPST9-3. Thanks
14 very much, counsel.

15 BY MR. ANDERSON:

16 Q Ms. Elmore-Yalch, you'll see that this
17 interrogatory response is just two sentences long, and
18 I'd like to read a portion of the first sentence and
19 the entire second sentence into the record. This is
20 again from Mr. Whiteman, "We conducted the research to
21 assess how customers would react to the implementation
22 of five-day delivery as an alternative to a
23 significant price increase. As the revenue in the
24 Postal Service was around \$70 billion, I felt that at
25 10 percent, which would generate \$7 billion in

1 revenues, would be considered significant."

2 Does that refresh your recollection about
3 where the 10 percent came from?

4 A Yes. It came about as my suggestion of
5 doing an exercise such as this and Greg then providing
6 saying yes, 10 percent would be the appropriate
7 number.

8 Q And it was validated because it would
9 generate \$7 billion in revenues against a \$70 billion
10 base, is that correct?

11 A That was not discussed in the context of
12 establishing the exercise.

13 Q But you don't have no reason to -- I
14 withdraw the question.

15 A I have no reason to doubt.

16 MR. ANDERSON: I have nothing further.

17 CHAIRMAN GOLDWAY: Thank you. I think we'll
18 give Postal Service attorneys an opportunity to meet
19 with their witness to determine if there's any
20 redirect.

21 MR. HOLLIES: Yes. I think 15 minutes would
22 be appropriate. I may be able to cut down on the
23 scope of redirect if I have a little more time.

24 CHAIRMAN GOLDWAY: Why don't we consider it
25 our break as well, and we'll have a 15-minute break

1 and then resume. Thank you.

2 (Whereupon, a short recess was taken.)

3 CHAIRMAN GOLDWAY: We're going to resume the
4 hearing now. Counsel?

5 MR. HOLLIES: Thank you, Madame Chairman.

6 REDIRECT EXAMINATION

7 BY MR. HOLLIES:

8 Q Ms. Elmore-Yalch, there was discussion
9 during cross-examination of both your qualitative and
10 your quantitative research and their results. What
11 was the intention of the qualitative research?

12 A On page 3 of my testimony, we outline the
13 specific objectives of the qualitative research.
14 Would you like me to --

15 Q Could you read that quickly, please?

16 A Okay. So specifically the overall objective
17 was to look at improving and understanding of the
18 various ways consumers and businesses would respond to
19 five-day delivery, understand why businesses and
20 consumers would respond as they do. We wanted to
21 assess how consumers, small businesses and large
22 companies or high-volume mail processors would adjust
23 their operations to accommodate five-day delivery.

24 We wanted to assess how difficult business
25 and consumer adjustments would be and why and to

1 improve our understanding of the challenges they would
2 face. We wanted to assess the perceptions of the
3 Postal Service's reasons for five-day delivery. We
4 wanted to identify and assess how the Postal Service
5 could mitigate the impact of five-day delivery on
6 consumers and how to communicate the changes to them
7 effectively, and we wanted to test the clarity and
8 effectiveness of a prepared summary of changes that
9 would flow from the five-day delivery for inclusion in
10 the quantitative survey instrument.

11 Q Is it your understanding that these
12 objectives were fulfilled?

13 A I'm sorry?

14 Q Is it your understanding that the
15 qualitative research fulfilled its objectives?

16 A Yes, we believe that it does. Yes.

17 Q And what about the quantitative research?

18 A The objective for the quantitative research
19 is specific in my testimony on page 11, and basically
20 it was designed to estimate by segment the percentage
21 by which product volume would increase or decrease if
22 five-day was implemented.

23 Q Thank you. There was one word in the middle
24 there, which I think is applicable. Is that word in
25 your description? I'm afraid it won't make it into

1 the --

2 A I'm sorry. Yes, by which applicable product
3 volume would change.

4 Q Thank you. There was some discussion of
5 income levels of those involved in the qualitative
6 research. What did you find out about income
7 segments?

8 A To be clear, when we do qualitative
9 research, it's not designed to be statistically
10 projectible. What it's designed to be is to include
11 different types of individuals based upon different
12 types of characteristics, so in this case, we included
13 people with different incomes in different groups. In
14 analyzing qualitative research results, we then look
15 at what differences there are between a response
16 between one group versus another.

17 We make a qualitative determination as to
18 whether or not if there are differences they could be
19 attributed to, but it's not reliable, it's just a
20 qualitative sense that they could attribute it to the
21 characteristics of this group, either their location
22 in this case or their income or where they lived in
23 the area, and what we did find was that results across
24 all of the groups, whether they were businesses or
25 consumers, no matter where we held them, were

1 relatively consistent.

2 Q So was income a factor in how people
3 responded?

4 A According to these groups, no.

5 Q There was also some discussion during cross-
6 examination of the relationship you or Opinion
7 Research had with the Postal Service, and you
8 identified several individuals with whom you had
9 contact. How typical was your relationship with the
10 Postal Service as compared to your relationship with
11 other clients?

12 A It was generally consistent in the
13 partnership relationship sense and where we talk to
14 them and they talk to us, and we considered all
15 factors in the design and implementation.

16 Q Do you happen to have a Blackberry that's on
17 with you at the stand?

18 A No.

19 Q Okay.

20 A Back there yes, but not with me.

21 Q Do you consider the quantitative results
22 that you achieved reliable?

23 A They can be projected statistically to the
24 population in the United States, yes.

25 MR. HOLLIES: Thank you. That concludes my

1 questions, Madame Chairman.

2 CHAIRMAN GOLDWAY: Are there questions based
3 on the redirect? I have one question and then a
4 request for some more information. You said that the
5 quantitative study is statistically reliable. You
6 used a random sample, but the sample was about 500,
7 some of whom were names given to you by the Postal
8 Service. What would be the margin of error or the
9 level of accuracy in the sample?

10 MS. ELMORE-YALCH: Let me clarify.

11 CHAIRMAN GOLDWAY: I'm sure that that's
12 probably in the documents you have, but it would be
13 nice to have it here for the proceeding.

14 MS. ELMORE-YALCH: Let me clarify. We
15 surveyed, and there are tables in the testimony. I
16 can point them to you.

17 CHAIRMAN GOLDWAY: Yes.

18 MS. ELMORE-YALCH: But even though we
19 surveyed, and that would be the 500-plus was strictly
20 the consumers. We also surveyed businesses in each of
21 the four segments, so the total number of surveys we
22 completed is significantly larger than 500. We also
23 surveyed people about the individual products they
24 used, so people provided data about multiple products.

25 The projections for volume change is based

1 upon a much larger number of that, so for first-class
2 mail, for example, there's a specific number of data
3 points for first-class mail across each of these
4 segments, and virtually everybody uses first-class
5 mail. It's quite large.

6 CHAIRMAN GOLDWAY: I know you're with the
7 actual numbers, but you said 500 or 600 consumers.
8 Then, you had the additional categories of businesses.

9 MS. ELMORE-YALCH: Businesses, right.

10 CHAIRMAN GOLDWAY: And for all of those, one
11 could say there was an answer about first-class mail
12 because everyone uses first-class mail, right?

13 MS. ELMORE-YALCH: Correct.

14 CHAIRMAN GOLDWAY: But for some of them,
15 there would only be non-profit standard flats, or for
16 others about saturation.

17 MS. ELMORE-YALCH: Right. So we can
18 provide --

19 CHAIRMAN GOLDWAY: So my question is what's
20 the statistical accuracy given the small sample size
21 for many of the characteristics that you're talking
22 about if you feel confident about the 500 or 600 for
23 consumers, but there must be statistical accuracy,
24 margins of error for all of those different
25 categories.

1 MS. ELMORE-YALCH: There would be a margin
2 of error for each product class.

3 CHAIRMAN GOLDWAY: Of those? Is that in the
4 testimony?

5 MS. ELMORE-YALCH: It is not in the
6 testimony.

7 CHAIRMAN GOLDWAY: Can you provide that for
8 me?

9 MS. ELMORE-YALCH: It is something that we
10 can compute, yes, for each product by segment.

11 CHAIRMAN GOLDWAY: Okay. So then I will
12 request then you provide the margin of error for us
13 for each product, and I'd also like you to provide the
14 Commission with a list of those states represented in
15 the quantitative survey so we know which actual states
16 were represented.

17 MS. ELMORE-YALCH: Can we clarify? Are we
18 talking when we say the quantitative survey, are we
19 talking the consumer survey or --

20 CHAIRMAN GOLDWAY: The consumer survey.

21 MS. ELMORE-YALCH: Okay. Again, for the
22 consumer survey.

23 COMMISSIONER LANGLEY: I think it would be
24 interesting to have both.

25 CHAIRMAN GOLDWAY: The businesses as well?

1 MS. ELMORE-YALCH: Okay.

2 COMMISSIONER LANGLEY: Yes. Broken down, I
3 think we want the states that you asked questions
4 about for the business, and the states that were
5 covered by consumer responses.

6 CHAIRMAN GOLDWAY: Quantitative.

7 MS. ELMORE-YALCH: For the business surveys,
8 we did not ask the people what state they were in, and
9 so that would be a very difficult thing for us to go
10 backwards to identify.

11 CHAIRMAN GOLDWAY: I see.

12 COMMISSIONER LANGLEY: That information was
13 given to you by the Postal Service as to who to
14 contact?

15 MS. ELMORE-YALCH: And we drew a sample from
16 them, so I would have to check to see if we can match
17 who we interviewed clear back to those original
18 databases to identify it.

19 CHAIRMAN GOLDWAY: We want the margin of
20 error. We want the states for all of the consumer
21 surveys, and then at the very least a report back to
22 us on whether it's possible to get the states for the
23 businesses, okay?

24 MS. ELMORE-YALCH: Okay.

25 MR. HOLLIES: Madame Chairman, if I may

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1 insert here? The Postal Service of course provided
2 the lists of national premium and preferred account
3 customers, and by definition, they are mailers, so
4 they will trend in the direction of being located
5 where major mailers are located, which would not be
6 nationally disbursed, but that --

7 CHAIRMAN GOLDWAY: We understand that.

8 MR. HOLLIES: Okay.

9 CHAIRMAN GOLDWAY: That's why we're
10 distinguishing between the two lists.

11 COMMISSIONER LANGLEY: But there are small
12 businesses that were identified, right?

13 MS. ELMORE-YALCH: Correct, small
14 businesses.

15 COMMISSIONER LANGLEY: Right. And those
16 small businesses wouldn't necessarily be concentrated.
17 Thank you.

18 CHAIRMAN GOLDWAY: Thank you. I believe
19 that --

20 MR. HOLLIES: Thank you, Madame Chairman.
21 There was a question I believe from Commissioner Acton
22 looking for the statement of work?

23 CHAIRMAN GOLDWAY: We have it, yes.

24 COMMISSIONER ACTON: We do, thank you.

25 MR. HOLLIES: Then, I don't need to tell you

1 where it is. Okay.

2 MR. ANDERSON: Madame Chairman, excuse me?

3 CHAIRMAN GOLDWAY: One more question based
4 on redirect?

5 MR. ANDERSON: Following up on one of
6 counsel's questions on redirect with regard to income
7 levels.

8 CHAIRMAN GOLDWAY: Yes.

9 MR. ANDERSON: And it prompted me to go back
10 to something that Chairman Goldway asked the witness.

11 RE-CROSS-EXAMINATION

12 BY MR. ANDERSON:

13 Q Chairman Goldway did her own summary and
14 recap of the income levels of the various participants
15 in the focus groups, and if I may direct the witness'
16 attention to pages 65 and 72 of her testimony, which
17 recapped the survey responses from inner-city Chicago
18 and inner-city Atlanta.

19 A 65 and 72 you said?

20 Q Yes, 65 Chicago and Atlanta is on 72.

21 A Okay.

22 Q I just want to ask the Witness to confirm
23 that, because Chairman Goldway was interested in the
24 fact that there were apparently as many as 23
25 respondents with income below \$35,000, that I count 16

1 of those being from inner city Chicago and Atlanta,
2 could I ask the Witness to confirm that?

3 A Yes, we had, those were the two groups that
4 represented.

5 Q And I didn't find -- not to disagree with
6 the Chairman, I never would do that, but I didn't find
7 the others.

8 CHAIRMAN GOLDWAY: No, I lumped the low
9 income through to \$50,000.

10 MR. ANDERSON: Oh, I see. I get it. So of
11 those below \$35 all 16 are in the inner city.

12 CHAIRMAN GOLDWAY: Right.

13 MR. ANDERSON: Thank you.

14 CHAIRMAN GOLDWAY: Okay, so we've clarified
15 that. All right, with all of that, we seem to have
16 concluded our cross-examination of witness Elmore-
17 Yalch, and that completes your testimony here today.
18 We appreciate that you've come here and we appreciate
19 your contribution to the record, and I'm pleased to
20 tell you you're excused.

21 THE WITNESS: All right, thank you.

22 (Witness excused.)

23 CHAIRMAN GOLDWAY: Mr. Hollies, would you
24 identify your second witness?

25 MR. HOLLIES: Thank you, Madam Chairman.

1 The Postal Service calls Gregory Whiteman.

2 Whereupon,

3 GREGORY WHITEMAN

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

6 DIRECT EXAMINATION

7 BY MR. HOLLIES:

8 Q Mr. Whiteman, would you please give your
9 full name and position for the record?

10 A Gregory Matthew Whiteman, and I'm the
11 Manager of Market Research.

12 Q You have in front of you a document
13 identified as USPS-T-9. Can you identify it?

14 (The document referred to was
15 marked for identification as
16 Direct USPS-T-9.)

17 A Yes, this is my written testimony.

18 Q And was it prepared by you or under your
19 direction?

20 A Yes.

21 Q Do you have any corrections to provide or
22 errata to that testimony that have not previously been
23 supplied?

24 A Yes, on page 1 on line 21, where it says
25 "The Postal Service held fourteen focus groups," and

1 that should read "eighteen focus groups".

2 Q And do the copies of the testimony you have
3 in front of you reflect that change?

4 A Yes.

5 Q Do you also have a category 2 library
6 reference?

7 A Yes.

8 Q And would that be USPS-LR-N2010-1/NP2?

9 A Right.

10 MR. HOLLIES: Madam Chairman, the Postal
11 Service moves that the testimony of Gregory Whiteman
12 be admitted into evidence together with its category 2
13 library reference, and we do so at this time, thank
14 you.

15 CHAIRMAN GOLDWAY: Are there any objections?

16 (No response.)

17 CHAIRMAN GOLDWAY: Hearing none, I will
18 direct counsel to provide the Reporter with two copies
19 of the corrected direct testimony of Gregory M.
20 Whiteman. That testimony is received into evidence,
21 however as is our practice it will not be transcribed.

22 (The document referred to,
23 previously marked for
24 identification as Direct
25 USPS-T-9, was received in

1 evidence.)

2 CHAIRMAN GOLDWAY: Mr. Whiteman, have you
3 had an opportunity to examine the packet of designated
4 written cross-examination that was made available to
5 you in the hearing room this morning?

6 THE WITNESS: Yes I have.

7 CHAIRMAN GOLDWAY: If the questions
8 contained in that packet were posed to you orally
9 today would your answers be the same as those you
10 previously provided in writing?

11 THE WITNESS: With three changes.

12 CHAIRMAN GOLDWAY: Would you enumerate those
13 please?

14 THE WITNESS: Yes, in AFSC/USPS-T-9-11, the
15 date of my MBA should be changed from 1976 to 1978.
16 And then the second change is NNA/USPS-T-9-3, and
17 after the word or the words "10 percent" the word
18 "increase" should be inserted. And then the last one
19 is APWU/USPS-T-9-7B, and there's a word "tar", I'm not
20 sure what line, and instead of "tar", T-A-R, it should
21 be "are", A-R-E. Yes, it's the first line in part B
22 of that interrogatory.

23 CHAIRMAN GOLDWAY: Okay, counsel, will you
24 please provide two copies of the corrected designated
25 written cross-examination of witness Whiteman to the

1 Reporter? That material is received into evidence and
2 it is to be transcribed into the record.

3 (The document referred to was
4 marked for identification as
5 Cross USPS-T-9, and was
6 received in evidence.)

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BEFORE THE
 POSTAL REGULATORY COMMISSION
 WASHINGTON, DC 20268-0001

Six-Day to Five-Day Street Delivery and
 Related Service Changes, 2010

Docket No. N2010-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
 OF UNITED STATES POSTAL SERVICE
 WITNESS GREGORY M. WHITEMAN
 (USPS-T-9)

<u>Party</u>	<u>Interrogatories</u>
Greeting Card Association	GCA/USPS-T9-1-4, 6-8
National Association of Letter Carriers	NALC/USPS-T9-1-2
National Newspaper Association	NNA/USPS-T9-1-12
Postal Regulatory Commission	APWU/USPS-T9-1-8 DFC/USPS-T9-1-8, 11-16 GCA/USPS-T9-1-4, 5a, 5e, 6-8 NALC/USPS-T9-1-3 PRC/USPS-T9-CHIR No.1 - Q5, CHIR No.1 - Q6, CHIR No.4 - Q9, CHIR No.5 - Q14, CHIR No.5 - Q2, CHIR No.5 - Q5, CHIR No.6 - Q1
Public Representative	APWU/USPS-T9-1-8 DFC/USPS-T9-4-5, 8 GCA/USPS-T9-5a, 6, 8 NALC/USPS-T9-3 NNA/USPS-T9-1-4, 9-12 PRC/USPS-T9-CHIR No.1 - Q5, CHIR No.1 - Q6, CHIR No.5 - Q14

Respectfully submitted,


 Shoshana M. Grove
 Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS GREGORY M. WHITEMAN (T-9)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

APWU/USPS-T9-1	PR, PRC
APWU/USPS-T9-2	PR, PRC
APWU/USPS-T9-3	PR, PRC
APWU/USPS-T9-4	PR, PRC
APWU/USPS-T9-5	PR, PRC
APWU/USPS-T9-6	PR, PRC
APWU/USPS-T9-7	PR, PRC
APWU/USPS-T9-8	PR, PRC
DFC/USPS-T9-1	PRC
DFC/USPS-T9-2	PRC
DFC/USPS-T9-3	PRC
DFC/USPS-T9-4	PR, PRC
DFC/USPS-T9-5	PR, PRC
DFC/USPS-T9-6	PRC
DFC/USPS-T9-7	PRC
DFC/USPS-T9-8	PR, PRC
DFC/USPS-T9-11	PRC
DFC/USPS-T9-12	PRC
DFC/USPS-T9-13	PRC
DFC/USPS-T9-14	PRC
DFC/USPS-T9-15	PRC
DFC/USPS-T9-16	PRC
GCA/USPS-T9-1	PRC
GCA/USPS-T9-2	PRC
GCA/USPS-T9-3	PRC
GCA/USPS-T9-4	PRC
GCA/USPS-T9-5a	PR, PRC
GCA/USPS-T9-5e	PRC
GCA/USPS-T9-6	PR, PRC
GCA/USPS-T9-7	PRC
GCA/USPS-T9-8	PR, PRC

InterrogatoryDesignating Parties

NALC/USPS-T9-1	NALC, PRC
NALC/USPS-T9-2	NALC, PRC
NALC/USPS-T9-3	PR, PRC
NNA/USPS-T9-1	NNA, PR
NNA/USPS-T9-2	NNA, PR
NNA/USPS-T9-3	NNA, PR
NNA/USPS-T9-4	NNA, PR
NNA/USPS-T9-5	NNA
NNA/USPS-T9-6	NNA
NNA/USPS-T9-7	NNA
NNA/USPS-T9-8	NNA
NNA/USPS-T9-9	NNA, PR
NNA/USPS-T9-10	NNA, PR
NNA/USPS-T9-11	NNA, PR
NNA/USPS-T9-12	NNA, PR
PRC/USPS-T9-CHIR No.1 - Q5	PR, PRC
PRC/USPS-T9-CHIR No.1 - Q6	PR, PRC
PRC/USPS-T9-CHIR No.4 - Q9	PRC
PRC/USPS-T9-CHIR No.5 - Q14	PR, PRC
PRC/USPS-T9-CHIR No.5 - Q2	PRC
PRC/USPS-T9-CHIR No.5 - Q5	PRC
PRC/USPS-T9-CHIR No.6 - Q1	PRC

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

APWU/USPS-T9-1: The focus groups you discuss were presented with an option of a 10 percent rate increase or 5-day delivery in order to reduce what was presented to the group as a "massive deficit of \$7 billion this year. And, it will face a similar deficit next year."

a) Is the Postal Service planning for a 10 percent exigency case? If not, why were consumers presented with only this one option against which to evaluate a reduction in delivery days?

b) Were consumers made aware that the Postal Service intends to file an exigency rate case later this year even if it decides to go ahead with the 5-day delivery plan?

c) Were these consumers ever presented with any version of the Postal Services' forecast of a \$200+ billion cumulative budget deficit, similar to the one presented on March 2, 2010?

d) Current USPS financials show that the Postal Service's original projection of a \$7 billion deficit for this year is somewhat unlikely. Were the focus groups ever told that there was any doubt about the accuracy of that financial forecast?

RESPONSE:

a-b. I am not involved in the planning for any potential price increase and thus do not have any official information. During the focus groups, we provided participants in the focus groups two alternatives that the Postal Service could use to resolve its financial problem. One alternative was implementation of five-day delivery and the other was a significant price increase. The research design accordingly assessed how customers would react to implementation of five-day delivery as an alternative to a significant price increase. When the groups were conducted, no decision or announcement about the possibility of the filing of an exigent rate case had been made. As a result, informing respondents about a forthcoming exigent case was not then a possibility.

c. No. The focus groups were conducted months before the March 2 presentations.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

- d. No. The current financial projections did not exist when the focus groups were designed or conducted.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

APWU/USPS-T9-2: On page 3 [17-19] of your testimony you state that "focus groups and interviews discussed the impact five-day delivery would have on consumers and businesses and how they would adapt to the change in service." In Appendix A you indicate that respondents were provided with a three point explanation of why the Postal Service was moving from six- to five-day delivery and one of those points was "To accomplish this, the Postal Service is developing a plan to transition from six- to five day delivery." Both of those statements ask the customer to predispose themselves to the assumption that a five-day delivery schedule is a given. Was the Postal Service's primary focus for this task studying the customer's ability to adapt to such a change?

RESPONSE:

See the lines of testimony you cite from page 3 as well as later on that page, at lines 22-24, "We used focus groups to speak with customers about their behavior, perceptions, and expected responses to changes described in the operational concept."

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

APWU/USPS-T9-3: In making your estimates of revenue impact, you appear to have focused on making the estimates from the mail senders' perspective. Did you make any attempt to estimate how the reductions in mail volume will be distributed across mail routes?

- a) Is there any reason to believe that mail volume losses will be spread equally across all mail routes?
- b) Based on the type of mail that you estimate will be lost, isn't it more likely to reduce the number of pieces delivered to households on the more profitable routes? If this possibility was evaluated please provide any documents generated from that research.
- c) Was any analysis done to estimates how many routes that are currently break-even or money making routes would be turned into money-losing routes due to these volume losses? If so please provide any documents generated from that research.

RESPONSE:

- a. No. We did not design the quantitative research to develop an estimate of the volume impact "across mail routes."
- b-c No analysis of how volume reductions across routes or households might be distributed was planned or undertaken in the market research.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

APWU/USPS-T9-4: You appear to have used customer responses to estimate volume losses using a FY2009 baseline.

- a) Is that correct?
- b) Were customers asked to make their estimates assuming their 2009 mailings as a baseline?
- c) Were any alternative scenarios considered by either you or the customers about potential impacts if the economy improved? If so please provide those estimates.
- d) Did the customer provide the likelihood of change measure? If so, were they given instructions to base it on their 2009 experiences or were they to base it on their expected 2010 experiences?

RESPONSE:

- a. Yes.
- b. Yes, both commercial customers and consumers were asked questions which established FY2009 as the base line. See USPS-T-8, Appendix F (Business Segments Questionnaire), questions Q1 and Q4; Appendix G, (Consumer Questionnaire) questions Q2a, Q4a, Q5a-d; Q6a-d. Since we conducted these interviews in October 2009 or the start of FY 2010, the use of "the past 12 months" was consistent with FY2009.
- c. No.
- d. Yes. For the commercial organizations it was addressed in Q10 (USPS-T-8 at 104). For consumers it was addressed in Q5a-d (USPS-T-8 at 170).

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

APWU/USPS-T9-5: On page 3 [4-5] of your testimony you state that consumers would increase their use of Priority Mail to ensure timely delivery.

- a) Were consumers made aware that Priority Mail would only be delivered on a 5-day schedule?
- b) This use of Priority Mail represents an increased lack of confidence in the Postal Service's service.
 - i. What type of consumers indicated they would make this choice?
 - ii. What percentage of consumers indicated they would make this choice?

RESPONSE:

- a. Yes. USPS-T-9, Appendix A.
- b. I disagree with your claim that "This use of Priority Mail represents an increased lack of confidence in the Postal Service's service."
 - i. We did not collect data on consumer types.
 - ii. This information is not available from the qualitative research to which this question refers. However, based on the quantitative research (see USPS-T-8 at 173), five percent of consumers indicated their Priority Mail volume would increase in a five-day environment.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

APWU/USPS-T9-6: On page 4 [20-24] of your testimony you state “[c]onsumers did acknowledge that Saturday provided them an opportunity to receive at home to receive (sic) packages and accountable items such as Certified Mail™. However, if the Postal Service kept retail units opened [sic] on Saturday, this would allow them to have continued access for picking up packages and accountable items.” Did consumers indicate that these were two options were interchangeable and of equal value to them?

RESPONSE:

No. However, we can say that both options are perceived as useful by consumers.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

APWU/USPS-T9-7: On page 3 [24-26] you state that focus groups are not statistically representative of customers but allow an in-depth understanding of how customers react to change. On page 8 [3-5] you state that executives of organizations representing the Postal Service's top accounts provided information on targeted customers [sic] groups [sic] reactions to a change to 5-day delivery but stated that those were not a statistically representative sample.

a) When making your revenue and volume estimates, did you base all of your work on a separate statistically representative sample or did you extrapolate from information provided by the focus groups and executive interviews?

b) What was the reaction of the executives of large pharmacy benefit management companies (PBMs) such as Medco Health Solutions to the idea of five-day delivery?

c) Did any executive or other representative of a large PBM company express concerns about dropping Saturday delivery and, if so, what were those concerns?

d) Did any executive or other representative of a large PBM company state that his company would have to find alternative means of delivery if the Postal Service stops Saturday delivery?

RESPONSE:

a. Estimates are based on quantitative research. USPS-T-8; *see also*, USPS-T-9, Section III (Quantitative Market Research), starting at p. 10. .

are

b. No PBM representatives ~~are~~ known to have been involved in the market research. .

As is explained in witness Pulcrano's testimony, USPS-T-1, at pages 7 -8, the Postal Service briefed the mailing industry, including shippers of medicines on its plans to implement five-day delivery. I have been informed that these companies indicate they would prefer not to see five-day delivery implemented, but generally said that they would adjust their operations if five-day delivery was implemented¹. Since many prescriptions are refills for 60 or 90 day supplies, one can intuitively

¹ I have also been informed that Mr. Underkloffer of Medco confirmed this in the Commission's Las Vegas field hearing.
<http://prc.gov/Docs/68/68194/Las%20Vegas%20field%20hearing%20transcript.pdf>

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO INTERROGATORY OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

presume that they could adjust their operations. Based on input from PMBs, the

Postal Service provides shippers of medicines the following information:

- **Medicines** — Mailers of medicines, especially laboratory specimens or items shipped in dry ice, will be strongly encouraged to schedule arrival at the DDU Monday through Friday. Mailers needing Saturday delivery of medicines have the option to use Express Mail. If an item arrives at a DDU after the critical entry time on Friday, the Postal Service will contact the recipient to arrange for the item to be picked up Friday or Saturday.

See, http://www.usps.com/communications/five-daydelivery/plan/c3_1.htm.

c-d. See the response to APWU/USPS-T9-5(b).

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APWU/USPS-T9-8: On page 5 [18-21] you state that customers are generally willing to accept a reduction in service if it will help solve the Postal Service's financial problems and it is more than a temporary solution. On page 8 of your testimony you state "[a] common expectation was that the move to five-day delivery could reduce the need to increase prices as frequently as in the past few years." In your opinion, were the customers' reactions on which you based your estimated volume and revenue losses predicated on the customers' presumption that this change would resolve most of the Postal Service's problems and reduce the frequency of its rate increases?

RESPONSE:

The market research did not address this question directly. As stated in my testimony, USPS-T-9, pages 3-4, "the qualitative research taught us that customers will accept five-day delivery with the understanding that it is necessary to long term stability for the Postal Service. Conversely, customers would not accept a significant price increase because it would not (by itself) ensure long term stability."

The quantitative research provided us responses from commercial customers on what they had mailed and shipped in the past 12 months, what they projected they would mail and ship in the next 12 months, and what they projected they would mail and ship in the next 12 months if we implemented five-day delivery. This research also provided responses from consumers on what they had mailed and shipped in the past 12 months and what they would have mailed and shipped in the past 12 months if we had implemented five-day delivery.

In describing five-day delivery, we noted that "this would remove delivery costs and help bring the financial picture into better balance." (USPS-T-9, Appendix A, lines 12-13) I cannot state with certainty that customers' responses were, or

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were not, predicated on a presumption that this change "would resolve most of the Postal Service's problems and reduce the frequency of its rate increases."

We certainly never told them so. As a result, I believe that most customers understand five-day delivery would be a key strategy to help the Postal Service resolve its financial difficulty.

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DFC/USPS-T9-1. Please refer to your testimony at page 5, lines 12–14. Please identify and provide the responses from customers and the other facts, information, and data that, in your opinion, support your assertion that the absence of collection and processing of outgoing mail on Saturdays would create “no problems” for customers.

RESPONSE:

The information that I rely upon to make the statement identified consists of the market research described in USPS-T-8 and USPS-T-9, and materials cited therein. Specific examples from the transcripts include:

Female: Be fine with me, because if I really needed to have something delivered on Saturday, I'd end up going to UPS. If I knew it wasn't going to be delivered on Saturday and I needed something delivered on Saturday, I'd end up using the other service. If it would save money because of hours, hourly employees— Atlanta, small business, September 24, 2009 12:00 p.m. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Atl Bus Mix Shipping SvsRedacted.pdf, p. 24)

Female: I usually go ahead and wait for it to come on Saturday. Yeah, I could do it on Friday. Yeah, that's a solution. Atlanta, small business, September 24, 2009, 7:30 a.m. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Atl Bus StandardMailRedacted.pdf, p. 22)

Male: In our case, it wouldn't affect it at all because we usually mail everything on Mondays, and we get our movies on Wednesday or Thursday. Atlanta, moderate income rural September 23, 2009, 5:30 p.m.(USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Atl Moderate Income RuralRedacted.pdf, p. 46)

Female: Honestly I have no problem with this if this will save them money. We can live with this and you know what, like the banks. Most of the banks your businesses you deal with them Monday through Friday. Why not the Post Office? We can live with it. I guess we can all adjust if that saves them money. Chicago, small business, 5:30 PM. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Chicago Bus Gnl MailRedacted.pdf, p. 18)

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Female: I just would have to adapt to it. It wouldn't be no difference Chicago, low income, center city, September 15, 2009, 8:00 p.m. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Chicago Moderate Income SuburbanRedacted.pdf, p. 44)

Male: I mean personally, I mean I don't care about other people's habits, but I wouldn't feel that personally not being able to get pick up on a Saturday. I think for me, the plan works, this would work, and at least the people that I know it seems to kind of fit our (talk over.) New York, high income, center city (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-NY Consumer High Income Center CityRedacted.pdf, p. 29)

Male: I agree with Dan. I think that people would adjust to it. It's like okay here's the new set of rules. They've changed a little bit and people would accommodate. Seattle, small business, September 15, 2009, 12:00 p.m. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Seattle Bus Primarily USPS ShipperRedacted.pdf, p. 19)

Female: I think it could be solved, if they reduced by one day. It would be fine. I think a Saturday would be fine. . Seattle high income suburban September 16, 2009, 6:00 p.m. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Seattle Consumer High Income SuburbanRedacted.pdf, p. 35)

Female: I would just plan (inaudible) it or just maybe plan better. I still would mail that card, birthday card. It would just go a day earlier. I would affect business, if there was a midweek day that you no longer got deliveries. That would be horrible. If you took away a Saturday, fine from a personal standpoint and business standpoint. Seattle high income suburban September 16, 2009, 6:00 p.m. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Seattle Consumer High Income SuburbanRedacted.pdf, p. 36)

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DFC/USPS-T9-2. Please refer to your testimony at page 5, lines 12–14, where you stated that “most indicated they would mail a day earlier or wait until Monday.” Please explain the actions that other people not falling into the majority, as your use of the term “most” suggests, would take to compensate for the absence of collection and processing of outgoing mail on Saturdays.

RESPONSE:

From the focus group discussions, consumers and small businesses indicated that, in addition to mailing a day earlier or waiting until Monday, they could make more use of the Internet or make no changes in how they mail.

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DFC/USPS-T9-3. Please provide all facts and information that, you believe, support your contention that customers would support, or would not oppose, the elimination of collection and processing of outgoing mail on Saturdays.

RESPONSE:

See USPS-T-8 and USPS-T-9 and materials cited therein. Specific examples from the focus group transcripts include:

Female: I don't think Saturday's going to bother anybody, if they drop that. Atlanta, small business, September 24, 2009, 7:30 a.m. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Atl Business Standard MailRedacted.pdf, p. 22)

Male: I don't need Saturday delivery or service. Chicago, Small Business, 5:30 pm. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Chicago Bus Gnl MailRedacted.pdf, p. 15)

Male: They can cut Saturday. I don't think it would change people's lives dramatically. Seattle, small business, September 15, 2009, 12:00 p.m. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Seattle Bus Primarily USPS ShipperRedacted.pdf, p. 12)

Female: Obviously, we'd adapt like anybody adapts to anything, like everybody has adapted to paying 44 cents for a letter instead of 10 cents like it was years and years and years ago. Chicago small business. (USPS-LR-N-2010-1_12.zip, Opinion Research –USPS 5 Day Work Delivery-Chicago Bus-Primarily USPS Shippers_2_Redacted.pdf, p. 13)

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DFC/USPS-T9-4. Please explain your understanding, in terms of dollars and cents, of the meaning of "significant price increase" as you used the term in your testimony at page 3.

RESPONSE:

We asked customers in the focus groups to express their preference along a scale that had a ten percent increase at one end and five-day delivery at the other. See USPS-T-8, Appendix A, page 77. The general understanding was that a ten percent price increase would be "significant".

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DFC/USPS-T9-5. Please refer to your testimony at page 6, lines 1–5. Please identify any plans the Postal Service has to provide improvements in customer service to offset a reduction in delivery service.

RESPONSE:

The market research was about five-day delivery, not customer service, because five-day delivery constitutes a proposal for which the Commission's advisory opinion has been requested. See the testimony of witness Pulcrano for details on what the Postal Service proposes, USPS-T-1. See *also*, response to DBP/USPS-12 (April 28, 2010), which notes, "Five-day delivery itself effectuates no change to current practice, although weekday retail hours may be increased in some locations. See USPS-T-3, at 14."

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DFC/USPS-T9-6. Please refer to your testimony at page 7, lines 7–9. Please identify the percentage of customer respondents who suggested “later pickup of mail from collection boxes on Friday” and provide transcripts and other records relating to this suggestion.

RESPONSE:

When conducting qualitative focus groups, one does not develop any quantitative analyses. Hence, no percentages can be calculated. Focus groups are used to allow customers to express their opinions, describe reactions, or otherwise provide qualitative feedback. Transcripts of focus group discussion have been made available for any analysis one might choose to undertake. See USPS-LR-N2010-1/12 and USPS-LR-N2010-1/NP3.

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DFC/USPS-T9-7. Please refer to your testimony at page 7, lines 10–13. Did the Postal Service explain that outgoing mail deposited in collection boxes currently may be postmarked on Saturdays but would not be postmarked on Saturdays if the Postal Service implemented the proposal in this docket? Please explain your answer.

RESPONSE:

Yes. Customers were provided a written description. USPS-T-9, Appendix A, lines 22-25. During the group discussions, customers recognized that mail would be delivered later than currently when deposited on Saturday.

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DFC/USPS-T9-8. Please refer to your testimony at Appendix A, page 2, lines 1–3. Please explain whether the Postal Service advised customers during its market research that mail deposited for collection on Saturdays and destined to cities for which the service standard is two days or more would be delayed two days if the Postal Service stopped collecting and processing outgoing mail on Saturdays.

RESPONSE:

Customers were so advised. USPS-T-9, Appendix A, page 1, lines 22-25.

During the focus group discussions, customers recognized that First-Class Mail and Priority Mail would be delivered later than currently when deposited on Saturday.

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DFC/USPS-T9-11. Please provide the name of each university from which you received a degree, the name of each degree you hold, the name of your current employer, your current job title, the names of each of your employers for the past 10 years, and each job title you have held in the past 10 years.

RESPONSE:

My educational record is as follows:

- Dartmouth College, 1967-BA
- The Johns Hopkins University School of Advanced International Studies, 1969, MIA
- The George Washington University, 1976, MBA
1978

I am presently employed by the U.S. Postal Service as the Manager of Market Research, a position I have held since January 2002. Prior to that date, my positions were as follows:

Manager, Market Intelligence and Segmentation, January 2001-January 2002

Manager, Industry Management, March 1997-January 2001.

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DFC/USPS-T9-12 Please explain whether you consider the responses from the nine individuals whom you quoted in your response to DFC/USPS-T9-1 generally to represent the opinions of individual and business customers in the United States on the need for collection and processing of outgoing mail on Saturdays.

RESPONSE:

The quotations I provided in the response to DFC/USPS-T9-1 exemplify the responses we heard from customers in the focus groups. They were included in my response to illustrate the overall reactions of customers to the proposed implementation of five-day delivery. As such, they provide a sound indication of how the implementation of five-day delivery will affect consumers and small businesses

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DFC/USPS-T9-13. Please explain why the Commission should consider the responses from the four individuals whom you quoted in your response to DFC/USPS-T9-3 to indicate that Americans in general would support, or would not oppose, the elimination of collection and processing of outgoing mail on Saturdays.

RESPONSE:

The quotations I provided in response to DFC/USPS-T9-3 exemplify the responses we heard from customers in the focus groups. They were included in my response to indicate the overall reactions of customers to the proposed implementation of five-day delivery. As such, they provide a sound indication of how the implementation of five-day delivery will affect consumers and small businesses.

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DFC/USPS-T9-14. Please provide market research data indicating the extent to which postal customers in the United States would or would not support the Postal Service's plan for five-day service if a "significant price increase," as you used this term on page 3 of your testimony, accompanied the Postal Service's plan to reduce service to five days a week.

RESPONSE:

My testimony, USPS-T-9, along with the transcripts of the focus groups and in-depth interviews, USPS-LR-N-2010-1/12, provide the market research data indicating consumer and business reactions to the proposed implementation of five-day delivery and the various issues and concerns which they raised.

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DFC/USPS-T9-15. Please refer to your response to DFC/USPS-T9-5. Please confirm that the Postal Service has no plans to improve customer service in response to the reduction in service that the Postal Service proposes in this docket. If you do not confirm, please identify the improvements in customer service that the Postal Service plans.

RESPONSE:

Discussion of the plans by the Postal Service "to improve customer service in response to the reduction in service that the Postal Services proposes..." are beyond the scope of my professional responsibilities, including my testimony which discusses the market research that the Postal Service conducted to study the implementation of five-day delivery. As noted in my response to DCF/USPS-T-9-5, I referred you to the testimony of witness Pulcrano (USPS-T-1) for details on what the Postal Service proposes.

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DFC/USPS-T9-16. Please refer to your response to DFC/USPS-T9-8. Please confirm that the Postal Service or its agents or contractors informed participants in the market research that, compared to the current service level, under the plan for five-day service, mail deposited in collection boxes on Saturdays would generally be delivered one day later. If you do not confirm, please explain the information that the Postal Service or its agents or contractors provided to participants to describe the increase in time to delivery.

RESPONSE:

My response to DCF/USPS-T-9-8 provides information used in the focus groups and in-depth interviews to help customers understand the general impact upon mail deposited on Saturdays in collection boxes or at post offices. Based on this information, I confirm that the following was presented to the customers.

Elimination of Saturday collection, processing and delivery will generally add a day to the delivery of mail that is currently collected and processed or scheduled to be delivered on Saturday.

Customers involved in the research readily understood this since customers already understand that the Postal service does not routinely deliver mail on Sundays or holidays. They accordingly had no difficulty understanding that the five-day proposal does not entail commencement of delivery on those days.

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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.

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NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO

NALC/USPS-T9-1. On page 2 of your testimony, you estimate a loss of 1.238 billion pieces of mail from the elimination of Saturday delivery. Is that estimate based entirely on the research of Opinion Research Corporation described in USPS-T-8?

RESPONSE:

The process by which I developed the volume and related revenue estimates reflecting the implementation of five-day delivery is described in detail in Appendix B of my testimony.

The quantitative research conducted by Opinion Research was used to estimate the volume change by postal product for four customer segments which would occur with implementation of five-day delivery.

We applied the estimated volume change by postal product and the four customer segments to internal postal volume data thereby calculating the estimated volume change by postal product.

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NALC/USPST9-2. Has USPS ever on any occasions prior to 2009 conducted, or sponsored the conduct of, the type of qualitative and quantitative research described in your testimony and the testimony of Rebecca Elmore-Yalch (USPS-T-8) concerning the elimination of Saturday delivery? If so, state who conducted the research, when it was conducted and provide the results.

RESPONSE:

Based on my knowledge, understanding and experience, the Postal Service has conducted related research on three previous occasions that assessed the impact of implementing five-day delivery.

The first study was done in the early to mid 1980's. I have no details regarding who conducted the research or its results.

The second study was conducted in 1995 by Opinion Research Corporation and consisted of quantitative research involving households. We were not able to find any copies of reports; however, we were able to locate a brief summary of the research, a copy of which is being made available in LR-N2010-1/16, Market Research Materials Responsive to NALC Interrogatories.

The third study was conducted in 2001 by Opinion Research Corporation and included both qualitative and quantitative research with both consumers and commercial organizations. Copies of various documents that I was able to locate from this research are also included in LR-N2010-1/16.

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NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO

NALC/USPST9-3. Provide any reports or analyses or studies conducted or sponsored by the Post Office Department or USPS prior to 2009 concerning the anticipated effects of the elimination of Saturday delivery, including but not limited to the impact on customer demand and on mail volume.

RESPONSE:

In addition to documents referenced in the response to NALC/USPST9-2 and consequently included in LR-N2010-1/16 (Market Research Response to NALC Interrogatories), this library reference includes a copy of "Section Three, Marketplace"¹ based on the 2001 study of five-day delivery cited in my response to NALC/USPST9-2. Section three evaluated the impact of five-day delivery upon revenue generation, customer loyalty, brand recognition, and competitive position in the marketplace. This analysis makes use of the 2001 research study.

¹ The version filed in USPS-LR-N2010-1/16 is redacted. A complete, nonpublic version is being filed in USPS-LR-N2010-1/NP5.

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WHITEMAN TO INTERROGATORY OF
NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS T9-1

In your testimony on p. 8, you describe a conclusion about the attitudes of businesses that need Saturday delivery, which was reached as part of the Postal Service's qualitative research:

"Companies who do need Saturday delivery indicated that they would use a premium service...

- Most see the proposal as a fundamental business decision and recognize it may be necessary in light of the economic situation the Postal Service faces. They are potentially more accepting of it now than they would have been in other years given the current recession and our economic situation.

- a. Does "it" in the bulleted sentence mean 5 day delivery or the necessity of businesses' paying Express Mail rates as a substitute for First-Class mail rates?
- b. Is the "fundamental business decision" you name here a reference to the Postal Service's decision or the businesses' accepting of premium rates in order to handle their own business needs?
- c. Does it seem counter-intuitive to you that businesses making a business decision in a "current recession" would be more accepting of a premium price rather than less accepting?

RESPONSE:

- a. "It" refers to the implementation of Five-Day Delivery.
- b. The "fundamental business decision" refers to the implementation of Five-Day Delivery
- c. At all times, customers have had the ability to assess their needs and make decisions on what postal services to use. This would include a decision to use First-Class Mail, Priority Mail, or Express Mail. The implementation of Five-Day Delivery will have no effect on the ability of customers to choose among these services to meet their needs. They will continue to be able to consider the speed of service and the price of the service they need.

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NNA/USPS T9-2

Please refer to your response to GCA/USPS T9-6. When the questions for the qualitative market research were formulated, did you believe the Postal Service would enact no price increase in the foreseeable future?

RESPONSE:

I have not been involved in the planning for any potential price increase and thus did not have any official information at the time we developed the plans for the focus groups.

During the focus groups, we provided the participants two alternatives which the Postal Service could implement to resolve its financial problem. One alternative was implementation of five-day delivery and the other was a significant price increase. We did this in order to assess how customers would react to the implementation of five-day delivery as an alternative to a significant price increase. At the time that we developed the discussion guide for the focus groups and when the groups were conducted, there was no decision or announcement about the possibility of the filing of an exigent rate case. As a result, there was nothing that could have been included in the design of the focus groups about such a filing. We tested customers' reaction to five-day delivery and a significant price increase, which we defined as a 10 percent increase. See my response to NNA/USPS-T-9-2.

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NNA/USPS T9-3

What was the basis of the Postal Service's choice of a 10 percent price increase as an alternative to 5 day delivery, when formulating questions for the consumer or business studies?

RESPONSE:

As noted in my response to NNA/USPS T9-2, we conducted the research to assess how customers would react to the implementation of five-day delivery as an alternative to a significant price increase. As the revenue of the Postal Service was around \$70 billion, I felt that a 10 percent, which would generate \$7 billion in revenues, would be considered significant.

INCREASE

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
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NNA/USPS T9-4

If the focus groups or interviewees in the market research studies had been presented with a third alternative, such as cost-cutting by the Postal Service without a material reduction in services, do you believe you would have received different responses? If so, please explain why no such alternative was discussed?

RESPONSE:

See the Response of witness Pulcrano to NNA/USPS-T-1-11.

Implementation of the Saturday delivery plan is a significant cost-cutting effort. Customers in the research perceived this change in service as a way to ensure the financial viability of the Postal Service.

During the qualitative market research focus groups there was a discussion of the actions the Postal Service could take to ensure its financial viability.

Additional cost cutting measures beyond eliminating Saturday delivery, collections, and processing were discussed by a few customers. These few discussed reducing the number of Postal Service employees. Most customers did not perceive that any other alternative would produce sufficiently significant savings to ensure the financial viability of the Postal Service.

As we did not include any discussion of cost cutting with a material reduction in service by the Postal Service as an option for customers to consider, I am unable to provide the likely response of customers to that option. However, based on the discussions in the focus groups, I think it is reasonable to assume that the reaction would not have been the same as the reactions to the five-Day Delivery and the 10 percent price increase.

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Even given that, I did not include this as an option as no "cost-cutting option without a material reduction in service" had been identified as a realistic option to assess in research.

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NNA/USPS T9-5

Do you believe participants in the market research studies were sensitive to the potential impact upon the Postal Service workforce if a strategy for further cost-cutting without service reductions were suggested by the Postal Service? If your response is yes, please explain the basis of your response.

RESPONSE:

From the discussion during the focus groups, it was clear that some of the participants assumed that there could be impact on employees, including employees losing their jobs, from implementation of Five-Day Delivery. I would presume that participants made some assumptions on the potential impact on employees if we had presented an option "for further cost-cutting without service reductions." Some made that assertion in discussing possible steps that the Postal Service could take to ensure its future financial viability. See my response to NNA/USPS-T-9-4.

However, the participants were not presented with any information on the specific human resource actions that the Postal Service would take in implementing Five-Day Delivery. As a result, the comments they made were not based on shared factual information. This would also have been the case if we had presented an option "for further cost-cutting without service reductions."

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NNA/USPS T9-6

Please see the following statement on p 7 of your testimony: "At the same time, customers recognize that the Postal Service delivers a huge volume of mail at a relatively low cost."

- a. Please provide any documents upon which you relied to form this opinion.
- b. Do you believe the customers referred to in this statement primarily had the first-class stamp in mind? If not, please explain which rates you believe the customers to which you refer had in mind.

RESPONSE:

- a. This statement reflects what I have learned over many years as a marketing executive: customers perceive the Postal Service as providing highly reliable service at an affordable price and recognize that we do so while delivering large volumes of mail on a daily basis.

This statement was directly supported by comments in the focus groups.

Below are examples of specific quotes from various transcripts contained in LR –N2010-12-Market Research Materials Responsive to DFC/USPS-T8-1.¹ Each quote indicates the specific transcript for reference.

Male: I think I value the level of packages they deliver successfully on time, packages and mail. I think they're doing volumes, and volumes, and volumes of pieces of mail that we probably couldn't even comprehend or deal with. Opinion Research Corp-USPS 5 Day Work Delivery Atl Low Income Ctr CityRedacted.pdf, pg 20, line 5.

Male: I would say what primarily drives people to the post office is the price in my business. It's an inexpensive way to get out a lot of information. Opinion Research Corp-USPS 5 Day Work Delivery NY Bus Standard MailersRedacted.pdf, pg 5, line 4

¹ NNA is also free to examine the transcripts for whatever purpose it chooses.

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Male: That too. I think if you talk about what they do well is they move a lot of stuff and they do it fairly inexpensive. There are not really a lot of options at that price level. It's effective. Opinion Research Corp-USPS 5 Day Work Delivery NY Bus Standard MailersRedacted.pdf, pg 24, line 12

Male: If you look at it the big picture, in my business it has to be done. The value is there. Like we all agree, all the effort that goes in to move all this stuff all over our country, and I recently was on trip. I was standing in an airport looking out the window, and I see these bags of mail going in the belly of a plane. It takes a lot of time and effort to move all this stuff. Who knows how big this mountain is. Whatever that mountain is, obviously the revenue's got to go up. They got to figure out a way. I think the people, including me, I'm going to keep paying it. I think it's a bargain. Opinion Research Corp-USPS 5 Day Work Delivery-Consumer High Income SuburbanRedacted.pdf, Pg 28, line 32.

- b. For consumers this statement definitely refers to First-Class Mail. For commercial customers, it also would include Standard Mail, Periodicals Mail, and the various package services.

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NNA/USPS T9-7

Please confirm that the Postal Service sometimes uses the term "customer" interchangeably to refer to consumers who receive mail as well as consumers or businesses that send mail.

RESPONSE:

Confirmed.

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NNA/USPS T9-8

Would the Postal Service consider an individual that receives mail but never sends mail (for example, conducts all personal business online) to be a customer?

RESPONSE:

Yes.

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NNA/USPS T9-9

On page 8 of your testimony, you refer to interviewees involved with National and Premier accounts, and provide the following initial reaction to the 5 day proposal:

“A common expectation was that the move to five-day delivery could reduce the need to increase prices as frequently as in the past few years.”

- a. Does the “past few years” mean the years from 2007-2009?
- b. Please confirm that the price cap instituted by the Postal Accountability and Enhancement Act has governed rate increases for the “past few years.”
- c. Do you believe that in the respondents’ views, annual price-cap level increases equated to “frequent” price increases?

RESPONSE:

- a. The statement “past few years” would include the years 2007-2009.
- b. The Postal Service made its first price adjustment for market-dominant products under the price cap mechanism in May 2008 (that change was based on a cap calculation using calendar year 2007 CPI data). However, the last price change under the old mechanism was in May 2007.
- c. We did not address specifically how customers interpreted the impact of annual price increases. However, a common comment by customers is that the Postal Service raises its prices frequently. Further, since the implementation of the Postal Accountability and Enhancement Act we have implemented price changes for market dominant products separately from competitive products, thus enhancing the perception that we raise price frequently.

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NNA/USPS T9-10

On p 9 of your testimony, you discuss

“Customers who rely on the Postal Service to deliver newspapers on Saturday were not sure how to respond to the major challenge five-day delivery poses to their business model.”

- a. How many customers in this category were contacted by the Postal Service through any of the market research studies?
- b. How did the Postal Service identify the customers in this category?
- c. Did these customers include publishers of the following newspaper publishing frequencies:
 - i. Weekly issue mailings
 - ii. 2-3 times weekly issue mailings
 - iii. 6 day issue mailings
- d. In this context does “customer” mean only a mailer, and never a recipient?
- e. Were the respondents in this category aware that the Postal Service had selected Saturday as the non-delivery day?
- f. Did any of the respondents request that the Postal Service consider a Monday or Tuesday as the non-delivery day?
- g. Did any of the respondents mention non-Periodicals mail entered into the mailstream by their companies, such as ECRS-rate shoppers, or free publications whose mailings were part of their business model?
- h. Did any of the respondents tell the interviewers that their mailings would be diverted to private delivery options in the event of 5 day mail service?

RESPONSE:

- a. There were no newspaper mailers in the focus groups and two publishers in the in-depth interviews. Opinion Research also interviewed customers from 163 publishing organizations in the quantitative research and interviewed 261 customers who had responsibility for Periodicals applications.
- b. Opinion Research used a list of National and Premier Accounts from which to recruit customers for the in-depth interviews. Opinion Research interviewed two customers from publishing organizations.

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For the quantitative research, Opinion Research used a list of commercial customers segmented by National, Premier, and Preferred Accounts.

Below I describe the process used to select customers for interviews.

From the list of National Accounts provided to Opinion Research, we interviewed 59 customers at 50 National Accounts from whom we requested data for all applications and products for which they had responsibility. Among these 59 customers, 12 provided information on Periodicals Mail.

From the list of Premier Accounts provided to Opinion Research, we interviewed 679 customers. To select specific accounts for an interview, each account was randomly assigned to represent one of the Postal Service products it uses (as indicated by the existence of past 12-month volumes). When contacting individuals at the companies, we screened to identify the individual at the account most responsible for a specific application. Among these 679 customers, 96 provided information on Periodicals Mail.

From the list of Preferred Accounts provided to Opinion Research, we interviewed 979 customers. Since these are small companies, one decision maker could typically speak for all applications and products used by the company. Therefore, each respondent was asked about all

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applications and products used. Among these 979 customers, 136 provided information on Periodicals Mail.

- c. The sampling process was not designed to recruit publishers based on their frequency of mailing and we did not collect data which would indicate the frequency of mailing for any respondent.
- d. In context of the quote, customer refers to the mailer.
- e. Yes.
- f. Neither of the two publishers in the in-depth interviews mentioned the option of having either Monday or Tuesday as the non-delivery day.
- g. Yes.
- h. Yes.

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NNA/USPS T9-11

Please refer to your statement on p. 9: "Most indicated that they would have serious problems making earlier deposit times on Saturday or Sunday."

- a. Did the Postal Service tell these respondents that earlier Critical Entry Times would be an element in the 5-day plan?
- b. Has the Postal Service determined that earlier Critical Entry Times will be required in a 5-day delivery scenario? If so, please explain. If not, please explain why this question was asked.

RESPONSE:

- a. The Operating Concept provided to National, Premier, and Preferred accounts, which are the accounts who make use of our Bulk Mail entry units, included the following.
 - Bulk mail entry units will be closed Saturday. However, detached mail units (DMUs) currently open Saturday and/or Sunday will remain open.
 - Mail will continue to be accepted and verified at DMUs Saturday and/or Sunday.
 - Incoming bulk mail can continue to be drop-shipped at plants Saturday and Sunday and at delivery units Saturday. However, time slots for dropping mail will be shortened. Mail drop-shipped at a plant Saturday or Sunday will be processed Monday. Standard Mail drop-shipped at a delivery unit Saturday will be delivered by Tuesday.

We believe that the third point was read as indicating that earlier Critical Entry Times would be an element in the 5-day plan. However, this concept was changed in the outreach process to time slots 'might be' changed.

- b. No. We included this in the research in order to assess the needs of those customers who deposit mail at Bulk Mail Entry facilities and the potential impact which earlier hours could have on their operations. We were able to provide information to our operations group as it developed the final plan of action.

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NNA/USPS T9-12

With respect to the calculations for volume, revenue and contribution loss estimates in the 5-day delivery plan:

- a. Did the Postal Service consider during the survey design asking a question of the newspaper customers you referenced on p. 9 whether they would remove any product from the mail stream[?];
- b. Did the Postal Service consider asking whether any of the newspaper customers would remove a Standard ECRS product from the mail stream[?]
- c. If either or both of these questions were posed, please provide the question as formulated and the response received[?]
- d. If the questions were not asked, did the Postal Service consider any potential volume/revenue loss to derive solely from Periodicals newspaper mail that might be diverted from the mailstream?
- e. Did the Postal Service factor in the present calculation for Periodicals mail to be "under water" in the sense that this mail may not be covering incremental cost when considering the potential impact to volume/revenue loss?
- f. Did the Postal Service consider the so-called "ECSI" values embodied in 39 USC 3622(c)(11) as an element to include in any way in questioning of respondents to its research, either quantitative or qualitative? If so, please explain how such consideration weighed in the design or analysis of marketing studies.

RESPONSE:

- a. The questionnaire was designed so that customers could provide us volume information in a Five-Day Delivery environment. Their answers would include any expectations that they "would remove any product from the mail stream."
- b. The questionnaire was designed so that customers could provide us volume in a Five-Day Delivery environment. Their answers would include any expectations that they "would remove a" Standard ECRS product from the mail stream."
- c. Neither of these questions was posed explicitly, as noted above.
- d. As commercial customers were able to provide us information on their current use and expected use of all postal services, the volume questions

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would have provided them an opportunity to indicate volumes which they would shift from one postal service to another or volumes which they would divert to a non-postal service.

e. No.

f. No.

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

Question 5

Please explain what criteria were used for selecting the locations of the consumer and small business focus groups.

RESPONSE

The objective in recruiting consumers and small businesses for the five-day delivery focus groups was to enable discussion among a cross-section of respective consumer and small business customer segments. For the consumer groups, the following selection criteria were used: income, locale (city, suburban or rural), and CEO of the Mail (see USPS-T-8, p. 4). The following criteria were used for selecting small business customers: fewer than 100 employees; use of shipping services (Standard Mail or First-Class Mail); and responsibility for that business' mailing and shipping services. See USPS-T-8, p. 5.

Locations from different regions of the country were selected so as to have a reasonable geographic distribution: New York City in the Northeast, Atlanta in the South/Southeast, Chicago in the Midwest and Seattle in the West. No specific reason for selecting cities was necessary to the qualitative research beyond what was done to ensure market and geographic representation.

Finally, when recruiting for each consumer focus group, the goal was to achieve a mix across age and gender. For the small business focus groups, the goal was to obtain a mix of different business sizes and types.

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

Question 6

Page 12 of USPS-T-8 refers to National, Premier, and Preferred Accounts as three of the Postal Service's four business segments. Please define the terms National, Premier, and Preferred Accounts.

RESPONSE

National, Premier and Preferred accounts refer to volume-based groups of commercial mailers, from largest to smaller, identified in records of mailing activity maintained by the Postal Service recording their use of respective postal products, such as Automation First-Class Mail or Standard Mail. This information is maintained in the Commercial Business Customer Information System (CBCIS).

National and Premier Accounts are those for which the Postal Service assigns an account representative to help manage both service and sales. National Accounts are the larger, and account representatives have only a few accounts. Premier Accounts, while large, are smaller than National Accounts and an account representative assigned to a Premier Accounts has a large number of accounts, perhaps 30 to 40. Preferred Accounts are business mailers who are not assigned an account representative.

It should be noted that these account types are no longer in use by Postal Service management after a recent restructuring of the Sales organization. However, for the purposes of this market research, using these designations from CBCIS allowed for stratification of commercial accounts based on their mail volume.

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 9

Please refer to USPS-LR-N2010-1/NP2, file "Vol_Rev_Contrib_Change_5-Day_Delivery.xls," tab "Nat'l, Premier & Preferred."

- (a) Please provide the source and show the derivation of the Periodicals Regular and Nonprofit volume figures for National, Premier, and Preferred Accounts in cells E69, F69, and G69; and E70, F70, and G70, respectively.
- (b) Cells G15, G16, L15, and L16 contain the percent changes in the volume of First-Class letters for National and Premier Accounts that are anticipated after five-day delivery as a proxy for the percent change in the volume of First-Class flats. Cells Q15 and Q16, however, do not contain a percent change in the volume of First-Class flats for Preferred Accounts. Please explain why the volume of First-Class flats for Preferred Accounts is not expected to change as a result of five-day delivery.
- (c) Please provide the source of the revenue figures for National, Premier, and Preferred Accounts in cells D100, D101, and D102.
- (d) [Under Seal]

RESPONSE:

- (a) The Periodicals Regular and Nonprofits volume figures for National, Premier and Preferred Account volume figures in cells E69, F69 and cells E69, F69, and G69; and E70, F70, and G70, respectively were derived as follows.

The market research conducted by ORC reported the change in volume for regular and nonprofit Periodicals. The process used to determine the volume change by product was to multiply the percentage change in volume reported by ORC in the quantitative market research to the Revenue, Piece and Weight Summary report for FY 2009.

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However, the Revenue, Piece and Weight (RPW) summary report shows only the revenue, piece and weight of In-County, Outside County, Periodicals Mail Fees and Total Periodicals. It does not show that information for Regular and Nonprofit Periodicals. In order to determine the change in volume for Periodicals, the volume of regular and nonprofit Periodicals had to be determined. This was done by going to the FY 2009 RPW extract reports and calculating the percentage of non-profit Periodicals. This percentage was then multiplied by the total Periodicals to determine the volume of nonprofit Periodicals. The remainder was the Regular volume. Cells 95 -98 of the FY 2009 RPW Extract file, summary category RPW data tab was the source.

As with the other calculations for National, Premier and Preferred account volumes, the percentage of periodical volume by account segment was derived from CBCIS.

- (b) Inadvertently the change in volume of -1.0% for single Piece First-Class Mail and -0.5% for Presort First-Class Mail for Preferred accounts was not applied to Single Piece and Presort First-Class Mail flats. The change in volume should have included the decrease of 218,696 pieces of single piece Flats and 435,537 of presort Flats for Preferred accounts. Based on this omission,

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TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

USPS-LR-N2010-1/NP2, file "Vol_Rev_Contrib_Change_5-
Day_Delivery.xls will be corrected.

(c) The revenues figures for each of the account types in cells D100, D101, and D102 were obtained from BCI, CBCIS. See USPS-T-9, Appendix B pages 2-3.

(d) The response to part d. is filed under seal as Library Reference USPS-LR-N2010-1/NP4.

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 5**

Question 14.

The Postal Service sets forth estimated volume, revenue, cost and net income changes from five-day delivery in FY 2009. USPS-T-9 at 15, Chart 1. This chart shows that the Postal Service expects Periodicals Nonprofit volume to increase by 1.43 percent or 23.8 million pieces from implementing five-day delivery. Please provide the rationale that explains why Periodicals Nonprofit volume would increase as a result of eliminating Saturday delivery.

RESPONSE:

The chart represents how customers responded to the quantitative market research conducted by ORC on behalf of the Postal Service. I assume that mailers of Periodicals Nonprofit said they would mail more in a five-day environment because they made a value – price tradeoff. It is my presumption that such mailers will mail more because the loss of the extra day of delivery resulting from five-day delivery would not change their perception of the value of the mail for the price they pay.

With this said, I must provide a cautionary note to any projected change in volume for nonprofit Periodicals, because the sample size for this group was relatively small. I made the judgment that the small sample size was acceptable given the relatively small amount of volume of such mail. Virtually no increase or decrease of such mail would significantly affect the financial stability of the Postal Service or the viability of this proposal to implement five-day delivery.

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 5**

Question 2

Please provide the title page and table of contents only for the following reports conducted for the Postal Service:

- a. Reactions to Five-Day Delivery, Opinion Research Corporation, June 1980.
- b. Nonbusiness Users of the Postal Service and Their Attitudes Toward Five-Day Delivery, Opinion Research Corporation, April 1980.
- c. Reactions to Five-Day Delivery, USPS Marketing Services Division, Contract 104230-76-W-2217, Volumes 1 and 2, 1979.
- d. Nonbusiness Users of the Postal System and Their Attitudes Toward Possible Changes the USPS Might Make, Opinion Research Corporation, October 1977.
- e. Reactions to Five-Day Delivery (Revised Version), USPS Marketing Services Division, September 1977.
- f. Reactions to Five-Day Delivery and Changes in Mail Deposit Patterns, Decision Making Information Inc., Volumes 1 to 3, Contract Number 104230-76-W-2217, August 1977.
- g. Five-Day Delivery Task Force Report/Operations, May 19, 1980 [cited on pages 15-16 in the June 9, 2009 Congressional Research Service Report entitled, "U.S. Postal Service and Six Day Delivery: Issues for Congress."].
- h. The study on Five-Day Delivery performed by the Postal Service to support the President's Commission on the United States Postal Service during 2002-2003.
- i. Any other Five-Day Delivery studies or reports prepared for or by the Postal Service between 2003 and the present that have not already been provided in this case.

RESPONSE:

a-f. The Postal Service was not able to find any materials related to the referenced documents. We used a variety of methods including an internal search, online searches, and a search by Opinion Research for items indicated in parts a, b, and d.

g. Included in the attached pdf file (ChIR.5.Q.2.Attach) is the May 19, 1980 report on Five Day Delivery. There is no Table of Contents so we are including the entire report.

h. Included in the attached pdf file (ChIR.5.Q.2.Attach) is a report conducted for the President's Commission, dated June 9, 2003, by Black

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 5**

and Veatch and Peter D. Hart/American Viewpoint. There was no Table of Contents so we are including the entire report. Although Five-Day Delivery does not appear to be the focus of the report, we can find no other relating to the President's Commission.

i. The Postal Service did not find any other studies or reports "that have not already been provided in this case."

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 5**

Question 5

Please refer to USPS-LR-N2010-1/NP2, file "Vol_Rev_Contrib_Change_5-Day_Delivery.xls," tab "Nat'l, Premier & Preferred" and the response to CHIR No. 4, Question 9. The responses to the following subparts require building an Excel spreadsheet starting with the source figures from each of the sources listed. The spreadsheet should also show each step of the calculations performed in order to yield the results reported by the Postal Service in each of the below-referenced cells.

- a. Please provide an Excel spreadsheet that demonstrates the steps taken to manipulate the source volume information from "FY 2009 RPW extract reports" and from "CBCIS" to derive the Periodicals Regular and Nonprofit volume figures for National, Premier and Preferred Accounts in cells E69, F69 and G69; and E70, F70 and G70. See Response to CHIR No. 4, Question 9(a).
- b. Please provide an Excel spreadsheet that demonstrates the steps taken to manipulate the source "BCI, CBCIS" information to derive the revenue figures for National, Premier, and Preferred Accounts in cells D100, D101 and D102. See Response to CHIR No. 4, Question 9(c).
- c. Please provide an Excel spreadsheet that demonstrates the steps taken to manipulate the source information from "RPW Extract File" to derive the "volume and revenue profiles" for First-Class, Priority, and Parcel Post meter mail in cells E99, F99 and G99. See Response to CHIR No. 4, Question 9(d).
- d. Please provide an Excel spreadsheet that demonstrates the calculation, starting with source revenue and volume figures for FY2009, of the revenue per piece for First-Class, Priority, and Parcel Post meter mail in cells H99, I99 and J99. See Response to CHIR No. 4, Question 9(d).

RESPONSE:

The requested spreadsheets can be found in USPS-LR-N2010-1/NP8, filed under seal.

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

QUESTION 1:

In the past three years, has the Postal Service or its Postal Customer Council(s) conducted studies on the likelihood of postal patrons seeking alternative methods for: (1) mail delivery; (2) bill payments; (3) receiving magazines and/or newspapers; and/or (4) communicating with others? If so, please provide a copy of the studies.

RESPONSE:

The Postal Service has not "conducted studies on the likelihood of postal patrons seeking alternative methods for ..." use of the mail, as described in this question. The Postal Service has conducted studies on the substitution by other means of the delivery of mail. These studies include the Household Diary Study and the studies referred to in the response of the United States Postal Service to NALC/USPS T2-32-33, redirected from witness Corbett (June 23, 2010). See also the response to Chairman's Information Request No. 5, Question 2 (June 25, 2010).

To my knowledge, Postal Customer Council(s) have not conducted any such studies.

1 CHAIRMAN GOLDWAY: Is there any additional
2 written cross-examination for witness Whiteman?

3 (No response.)

4 CHAIRMAN GOLDWAY: If not, this brings us to
5 oral cross-examination. Four parties have requested
6 oral cross-examination, the American Postal Workers
7 Union, AFLCIO, the Greeting Cards Association, the
8 National Association of Letter Carriers, the National
9 Newspaper Association -- however, Tonda Rush has
10 informed us that it's not possible for her to
11 participate this morning but she did want us to know
12 that it was for serious reasons she's been called away
13 -- and finally the Public Representative. Is there
14 any other party who wishes to cross-examine witness
15 Whiteman?

16 (No response.)

17 CHAIRMAN GOLDWAY: If not, we'll begin with
18 Mr. Anderson. Identify yourself for the record
19 please?

20 MR. ANDERSON: Yes, thank you, Madam
21 Chairman. I'm Daryl Anderson, counsel for the
22 American Postal Workers Union.

23 CROSS-EXAMINATION

24 BY MR. ANDERSON:

25 Q Good morning, Mr. Whiteman.

1 A Good morning.

2 Q Mr. Whiteman, I know you've reconfirmed your
3 testimony, but if I may I'd still like to ask you to
4 go back and refocus on a sentence on page 1 under
5 "Purpose", and I'll read you the first part of that
6 sentence, "I directed witness Elmore-Yalch in the
7 conduct of her qualitative and quantitative market
8 research," and the sentence goes on. Is that an
9 accurate statement?

10 A Yes.

11 Q On page 2 of your testimony you discuss your
12 findings with regard to likely changes in mail
13 volumes, and it seems to me, if you look at lines 22
14 through 24 with regard to standard mail,
15 counterintuitive that changing from six-day delivery
16 to five-day delivery would cause an increase in
17 standard mail. Is it your testimony that there's a
18 causal relationship there?

19 A The way to understand how customers, you
20 know, would react to five-day delivery is to really
21 understand --

22 Q I'm sorry, sir, I know -- you're certainly
23 welcome to explain your testimony whatever length you
24 wish. Could you give me a yes or no about the causal
25 relationship before you go on?

1 A Could you repeat the question?

2 Q Yes. Your testimony states on line 23 and
3 24 "Regular standard mail will actually increase by
4 0.14 percent, or 94 million pieces, and \$21 million."
5 Is it your testimony, yes or no, that there is a
6 causal relationship there by which changing from six-
7 day delivery to five-day delivery will cause that
8 increase?

9 A The way I would answer that question is that
10 in response to questions in terms of if the Postal
11 Service implemented five-day delivery what would a
12 particular customer, and in this case collectively
13 would those customers mailing standard mail, do in
14 context of how much volume that they would generate?

15 Q I can take yes for an answer, that's a yes?

16 A I'm just basically, you know, telling you
17 that the question was, if the Postal Service
18 implemented five-day delivery what would your volume
19 be? And we compared that to what their volume would
20 have been and what their volume was in 2009.

21 Q So your research shows that by changing from
22 six-day delivery to five-day delivery you will cause
23 an increase to regular standard mail?

24 A I did not say that.

25 Q I think your testimony says that. I mean as

1 I understand your testimony here this morning, it is
2 that you're just looking at the results here, you're
3 stating the results, you're not drawing conclusions.
4 But is that a fair summary of what you just said?

5 A Once again we, you know, the way we
6 developed these volume estimates we asked commercial
7 customers three questions: how much did you mail in
8 the last 12 months? How much will you mail in the
9 next 12 months? And then if five-day delivery was
10 implemented how much would you mail in the next 12
11 months? And we compared that last answer to the first
12 two answers. Now there are many reasons why we got
13 answers, how much would you mail if the Postal Service
14 implemented five-day delivery. That's what the
15 research was attempting to do. If you want to, you
16 know, anyone can put words in terms of what resulted
17 or what created that answer.

18 Q What I'm trying to find out is whether this
19 sentence on page 2 reflects the fact that your
20 respondents indicated that their mailing expectations
21 for the next 12 months were different as between six-
22 day delivery and five-day delivery. Do you know the
23 answer to that question sitting here today, do you
24 remember? With regard to standard mail.

25 A Standard mail, you know, when we summed up

1 all the answers and then projected on to the volume of
2 standard mail, our customers indicated that with
3 implementation of five-day delivery their volume of
4 standard mail would increase very, very slightly.

5 Q And that is an increase as compared to what
6 it would have been if you had stayed with six-day
7 delivery, is that correct?

8 A Correct.

9 Q Okay, so the answer is yes then, that that's
10 what you find, that that's what your survey found?

11 A From a standpoint of a very, very marginal
12 increase in volume. I would not put much, you know, I
13 would not put much stake on the word "increase".

14 Q It was a small increase.

15 A Very, very small.

16 Q But the answer is yes?

17 A But very small, very, very small increase.

18 Q Humor me, tell me the answer is yes?

19 A Yes, a very, very small increase.

20 Q Thank you. And on page 5 of your testimony,
21 Mr. Whiteman, you indicated in lines 16 and 17 that in
22 response to the cessation of Saturday delivery, and I
23 quote that sentence "As some competitive package
24 delivery companies charge a fee for Saturday delivery,
25 most customers indicated they would use express mail."

1 Do you know whether express mail is more expensive or
2 less expensive than the competitors' alternative
3 deliveries for Saturday would be?

4 A If you compare published rates, express mail
5 is cheaper.

6 Q Compared to what?

7 A Published rates.

8 Q Of what?

9 A Of FedEx and UPS.

10 Q So that in order to obtain a lower rate for
11 Saturday delivery, lower than express mail, they would
12 have to depart from published rates and they would
13 have to negotiate a special rate, is that correct?

14 A The customers who we included in the focus
15 groups are highly unlikely to be able to negotiate
16 discounted prices from either UPS or FedEx?

17 Q And why do you say that, sir?

18 A Because their volumes are too small.

19 Q You didn't have, so this is focus group
20 information and you did not have a focus group, you
21 had only individual interviews of your larger
22 customers?

23 A We had in-depth interviews with our larger
24 customers, correct.

25 Q Yeah I did not, I had not unders -- I see,

1 that is focus group research passage, thank you very
2 much for that clarification. On page 8 of your
3 testimony you indicated that your, and these were
4 individual interviews with national premier account
5 customers as I understand it, is that, we're on the
6 right passage here?

7 A Yes.

8 Q On lines 28 and 29, I will quote that
9 sentence "A common expectation was that the move to
10 five-day delivery could reduce the need to increase
11 prices as frequently as in the past few years." Mr.
12 Whiteman, are you aware that a purpose of, or would
13 you agree with me that a purpose of the Postal
14 Accountability and Enhancement Act was to smooth out
15 rate increases so that instead of having fewer large
16 increases we would have more frequent smaller
17 increases, is that your understanding of the PAEA?

18 A I can't answer in terms of the objectives of
19 the legislation. I can affirm that, you know, for our
20 market dominant products we have been raising prices,
21 you know, once a year in May.

22 Q Do you have any idea why your national
23 premier account interviewees would have believed that
24 five-day delivery would lead to a less frequent price
25 increase, rate increase? Why would they have

1 concluded that, if you know?

2 A There's a general sense that the Postal
3 Service has raised its prices frequently. It's a
4 general misconception I think in the marketplace,
5 especially since the enactment of the new legislation
6 where we now increase our market dominant prices in
7 May and then we increase our competitor product prices
8 in January. There is a perception that the Postal
9 Service, you know, does raise its prices. This
10 statement is an assessment of what we heard from the,
11 you know, the interviews. So this is reflecting what
12 customers fed back to us as their perception.

13 Q Okay, so they could be completely wrong but
14 this is what you're reporting they said.

15 A Right.

16 Q I understand. Your forecast shows only a
17 very small decline in periodicals, is that a fair
18 statement?

19 A Yes.

20 Q Are you aware that the National Newspaper
21 Association is very much opposed to this change?

22 A I know that they have intervened.

23 Q And are you aware that they have taken a
24 position that this would have an adverse impact on
25 their members, member newspapers who depend on

1 Saturday delivery?

2 A To be honest I really have not followed
3 specifically, you know, communications or discussions
4 from NNA.

5 Q Okay, not in this proceeding, but in your
6 work in deciding how customers would react to this did
7 you focus on the fact, and not to steal your term, but
8 did you focus on the fact that periodicals, at least
9 newspaper periodicals, would be adversely affected by
10 this change and that therefore their volume would
11 drop?

12 A When we designed the research we did not
13 design the research, you know, with any expectations
14 that there would or would not be a negative impact.
15 The purpose of the research was to help us to
16 understand how customers would react to the
17 implementation, and we executed qualitative research
18 to develop sort of the qualitative insights in terms
19 of what types of impacts and what type of sort of
20 actions they would take or could take. And then we
21 executed the quantitative research to develop an
22 estimate of how this would impact their mailing
23 volume.

24 Q Could I ask you to direct your attention to
25 appendix A of your testimony please, on page 3 of

1 appendix A? And directing your attention to lines 8
2 through 10, you testified that "Eliminating Saturday
3 collection, processing, and delivery will generally
4 add a day to the delivery of mail currently collected
5 and processed or scheduled to be delivered Saturday."
6 I'm sorry, that's not testimony, but this is what you
7 told your respondents, is that correct?

8 A This is what we presented to them, yes.

9 Q So that eliminating Saturday collection and
10 delivery will generally add a day to the delivery of
11 mail. For mail that was going to be delivered on
12 Saturday, would you agree with me that that
13 necessarily adds at least two days, from Saturday to
14 Monday?

15 A Sunday is not considered to be a delivery
16 day.

17 Q That's not a day -- oh, so, oh I see, but
18 this presentation to your respondents didn't
19 distinguish between days and delivery days, did it?

20 A The one thing we, you know, we learned very
21 clearly is consumers and small businesses, you know,
22 are very well aware that we do not currently deliver
23 on Sunday.

24 Q How is --

25 CHAIRMAN GOLDWAY: You learned that from

1 these studies?

2 THE WITNESS: Well it came up in the
3 conversations, when people were talking about it they
4 said things like, if it's not delivered on Saturday
5 then I expect it would be delivered on Monday.

6 BY MR. ANDERSON:

7 Q So the Postal Service said to its national
8 premier and preferred account customers "Eliminating
9 Saturday collection and delivery will generally add a
10 day to the delivery of mail," that's what you said to
11 your national premier preferred account customers?

12 A Yes.

13 Q Okay. Was there anything, did you
14 simultaneously clarify the fact that on weeks in which
15 there's a Monday holiday that it would add three days,
16 or as you would have it, two delivery days? Was that,
17 that wasn't a part of this presentation to them, was
18 it?

19 A That came up, you know, in our focus groups
20 conversations, customers would say, well what about if
21 Monday is a holiday? And then in the conversation it
22 was said then delivery would be made on Tuesday since
23 today we don't deliver on Monday if it's a holiday.

24 Q We're looking now at the prepared text that
25 states what you communicated to your national premier

1 and preferred account customers in your individual
2 interviews.

3 A Right, on line 8 we said "generally".

4 Q "Generally", and they were to infer that it
5 could be three calendar days or two delivery days for
6 all those weeks in which there's a Monday holiday?

7 A Right.

8 Q They were expected to understand that?

9 A Larger customers, national and premier
10 customers I think clearly understand that we don't
11 deliver today on a holiday.

12 Q On that same page of your presentation to
13 these national premier account individuals, on line 6
14 and 7 you said "standard mail drop shipped at a
15 delivery unit Saturday will be delivered by Tuesday."
16 Forgive my ignorance, but is there a delivery standard
17 for standard mail that requires it to be delivered
18 within two mailing days?

19 A That is not something that I can testify on.
20 It's not in my area of expertise.

21 Q Okay, so you don't know whether that
22 statement is correct?

23 A This is a statement that the Postal Service
24 prepared to present to our customers to explain the
25 key expectations that would result from implementing

1 five-day delivery.

2 Q I believe as Mr. DeChiara of the Letter
3 Carriers union was cross-examining Mr. Pulcrano it was
4 brought out that on weeks in which there is a Monday
5 holiday there's actually a ripple effect by which the
6 mail is delivered, some mail is delivered at a later
7 point in the week all throughout the week. Are you
8 familiar with that, that dialogue or that testimony?

9 A No.

10 Q You're not familiar with that fact?

11 A Not in terms of his cross-examination.

12 Q Separately from the cross-examination are
13 you familiar with the fact that there is a ripple
14 effect on those weeks in which there's a Monday
15 holiday?

16 A That is not something that I specifically
17 have, you know, certain knowledge on.

18 Q If mail volume is too heavy on a Tuesday
19 following a Monday holiday isn't it true that standard
20 mail can be delayed?

21 A Once again those are questions that you
22 should be specifically asking an operational witness.

23 Q All right, thank you, I just, but you had
24 this sentence in your testimony, sir, I just wanted to
25 test whether you --

1 A I just want to go back, this was not --

2 Q Or in your -- I'm sorry.

3 A This was what was developed as a stimuli to
4 present to customers in the qualitative conversations.

5 Q Was this a part of what you used to give
6 your direction to Ms. Elmore-Yalch?

7 A This is a document that in partnership with
8 ORC we developed as an appropriate stimuli to give to
9 customers in both the focus groups and the in-depth
10 interviews.

11 Q It's my understanding that no representative
12 of a pharmacy benefit management company was
13 interviews as part of your interviews of your larger
14 customers, is that correct?

15 A Correct.

16 Q Was that a conscious decision on your part?

17 A No. The way we recruited customers was we,
18 ORC took the list of national accounts and premier
19 accounts that we provided, they then contacted
20 companies on that list, and then asked to speak to
21 individuals who were responsible for various
22 application, first class billing, marketing mail,
23 packages. So, you know, we didn't specifically direct
24 them to contact any specific company.

25 Q And you didn't expressly tell them not to

1 include any specific companies or types of companies?

2 A No, they were to take the list and just
3 randomly go through the list and contact companies.

4 CHAIRMAN GOLDWAY: Were there newspaper
5 companies that were?

6 THE WITNESS: Excuse me?

7 CHAIRMAN GOLDWAY: Were newspaper companies
8 in the group that were?

9 THE WITNESS: They were included, and in the
10 national premier accounts we did interview individuals
11 who had responsibilities for periodicals, both
12 magazines and newspapers.

13 CHAIRMAN GOLDWAY: Okay.

14 BY MR. ANDERSON:

15 Q Mr. Whiteman, can I direct your attention
16 please to APW/USPS-T-9-2, which is an interrogatory
17 and response that you have provided?

18 A T-9-2?

19 Q Yes.

20 A Okay.

21 Q Once again I'm afraid, I'd like to ask you
22 if you could just say yes or no. The sentence I think
23 is posed in the last sentence of the interrogatory,
24 which is "Was the Postal Service's primary focus for
25 this task studying the customers' ability to adapt to

1 such a change", that is the change from six-day to
2 five-day. And I'm not sure that your answer is as
3 clear as it can be. You quote your own testimony, "We
4 used focus groups to speak with customers about their
5 behavior, perceptions, and expected responses to
6 changes described in the operational concept." So I
7 gather that the answer is yes, that the primary focus
8 was on studying the customers' ability to adapt, isn't
9 that correct?

10 A I would say that's a fair characterization,
11 yes.

12 Q Thank you, Mr. Whiteman.

13 A However, I would like to go back to, we also
14 used the qualitative focus groups to understand
15 customers' perceptions to the two alternatives that we
16 did present them, five-day delivery or 10 percent
17 price increase.

18 MR. ANDERSON: I have no other questions.
19 Thank you, Madam Chairman.

20 CHAIRMAN GOLDWAY: We're getting close to
21 what would be an appropriate lunch break. I know that
22 we have several other participants who wish to ask
23 questions, and I know that the Commissioners do as
24 well. So I believe that if we break now and return at
25 1:15, so take a short lunch, then we can come back and

1 hopefully finish this hearing before using too much of
2 the afternoon. I'd appreciate your cooperation in
3 that regard. Thank you.

4 (Whereupon, at 12:20 p.m., the hearing in
5 the above-entitled matter was recessed, to reconvene
6 at 1:15 p.m., the same day.)

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1 it something you learned from the research done for
2 this case?

3 A That is basically a judgment that we have
4 made over the years in terms of understanding small
5 business customers and talking with them in different
6 contexts. You know, as you can imagine we've done
7 focus groups with small business customers, you know,
8 a lot over the years. And it's typically what you
9 would expect is a company that has no employees is
10 most likely to be an at-home business, and then many
11 of those are part time businesses so that it's not,
12 you know, a typical business that we think of when we
13 go down the street and we see a retail store or an
14 insurance agency.

15 Q Would it by your opinion, if you have one
16 satisfactory to yourself, that this judgment would be
17 as true of an Internet based non-employee business as
18 well as other kinds of non-employee businesses?

19 A Yeah.

20 Q So would it be fair to say that your
21 decision to assimilate non-employee businesses to
22 consumers for purposes of this study is based on what
23 you judge to be their mail volume and their choice of
24 mail products essentially without regard to any other
25 factor that might either assimilate them to consumers

1 or differentiate them from consumers?

2 A We made that decision, that judgment call,
3 based upon an assessment of their mail volume, both,
4 you know, how much they send and how much they
5 receive.

6 Q And their choice of mail products?

7 A And their use of mail, yes.

8 Q Okay. Okay, would you turn next to your
9 answer to GCA-T-9-8C, subpart ii? That's where you
10 used, you define the term "mailing pattern" as you
11 used it in the research. Now am I right in thinking
12 that you include in that term the total mail volume
13 and the mail products used but not the mail usage, and
14 by that I mean not just receiving mail but putting it
15 out for collection, you did not include mail usage by
16 day of the week?

17 A Correct, just in general context of how
18 much.

19 Q Thank you. And in the, you may have
20 answered this already, but in that same answer does
21 "total volume of mail", does that refer both to what
22 is sent by the person and what is received?

23 A Yes.

24 Q Okay. Earlier on in this proceeding we
25 posed an interrogatory to Dr. Bradley, and he declined

1 to answer that because he judged it was a volume
2 estimation which was in your bailiwick rather than
3 his. I'm going to ask you roughly the same question,
4 but because of an issue that came up last week I'm
5 going to emphasize that I want only your own views
6 without reference to anything Dr. Bradley may have
7 said in his testimony or his responses. And the
8 question is this. In what you did for your purposes
9 in this case, have you looked at the experience of any
10 foreign posts that have reduced the delivery days to
11 see if their doing so had any effect on their mail
12 volume?

13 A No.

14 Q Okay, I'm going to change now over to some
15 questions that were sent to you by the National
16 Newspaper Association. And this is their number NNA-
17 T-9-2 and T-9-3.

18 A Okay.

19 Q You described how the rate increase
20 alternative to five-day delivery was presented to some
21 of the participants, how that was developed. My
22 question is, in the course of developing that did you
23 or anybody working with you consider using a rate case
24 example that was roughly equal in dollar benefit
25 terms, dollar benefit to the Postal Service, to the

1 five-day delivery plan?

2 A No.

3 Q Now I want to just get another perspective
4 on something that's already been discussed to some
5 extent this morning. And I asked, as you may have
6 heard if you were in the room, I asked Ms. Elmore-
7 Yalch roughly the same thing. She stated in one of
8 her interrogatory responses to us that her
9 understanding of that 10 percent rate increase
10 alternative given to the focus group moderators to use
11 was that it was a loose approximation, I believe that
12 was her phrase, of the value of five-day service plan
13 to the Postal Service. Do you know whether somebody,
14 yourself or somebody else at the Postal Service, ever
15 conveyed that understanding to Ms. Elmore-Yalch that
16 the two things were loosely equivalent?

17 A No we did not. And as you just mentioned
18 "loosely", our conversation was we wanted to establish
19 a percentage increase that we could present to our
20 customers that would be perceived to be significant,
21 that would force them to recognize that five-day
22 delivery was going to be a significant change, a 10
23 percent increase in price would be as significant.
24 And as I mentioned in my response to NNA-T-3, we made
25 a simple calculation that a 10 percent increase would

1 be roughly \$7 billion as a total increase.

2 Q Okay, that's helpful, thank you, Mr.
3 Whiteman. I had one other thing, and this is also a
4 matter that came up this morning in my discussion with
5 Ms. Elmore-Yalch. And I'm going to ask you the same
6 question because you are inside the walls at L'Enfant
7 Plaza and she is outside. And the question is, and
8 I'm focusing especially on the in-depth interviews
9 here, would it be fair to say that in those interviews
10 you were talking to people who had a pretty extensive
11 knowledge of postal affairs, and perhaps in particular
12 of the Postal Service's financial situation?

13 A I think that the way the previous witness
14 responded to that question was a very legitimate and,
15 you know, basically would represent my approach which
16 is, we screen customers based upon their work position
17 that gave us knowledge that they were involved in such
18 things as billing operations and therefore use of
19 first class mail or marketing and advertising and the
20 use of mail for advertising purposes. So we screened
21 for people who were knowledgeable based upon their
22 business function and experience to talk about how
23 their company uses mail and would be affected by five-
24 day delivery. We had no way of knowing individual by
25 individual what they knew, what they perceive to know

1 about the Postal Service in a much more general way.

2 Q You didn't ask people, do you read Business
3 Mailers Review, do you read Mailing Systems
4 Technology, things like that?

5 A No.

6 MR. STOVER: Okay. Madam Chairman, I think
7 we're done. Thank you very much.

8 CHAIRMAN GOLDWAY: Thank you.

9 MR. STOVER: Mr. Whiteman, thank you very
10 much.

11 CHAIRMAN GOLDWAY: We now have the National
12 Association of Letter Carriers.

13 MR. DECHIARA: Thank you, Madam Chairman.
14 Peter DeChiara from the law firm of Cohen, Weiss &
15 Simon, LLP, for the National Association of Letter
16 Carriers, AFLCIO.

17 CROSS-EXAMINATION

18 BY MR. DECHIARA:

19 Q Good afternoon, Mr. Whiteman.

20 A Good afternoon.

21 Q I'd like to refer you to page 2 of your
22 testimony. And in particular line 12 and 13, there's
23 a reference there to --

24 A Was that page 2?

25 Q Yes.

1 A Okay.

2 Q Lines 12 to 13 there's a reference in regard
3 to the impact on volume and revenue of a reduction of
4 1.238 billion pieces, or 0.7 percent, producing a loss
5 of \$428 million, or 0.6 percent, in revenues and \$197
6 million in net contribution.

7 MR. HOLLIES: Excuse me, I apologize for
8 breaking in here. There were errata filed last week
9 that changed these numbers.

10 CHAIRMAN GOLDWAY: I have the corrected
11 version here.

12 MR. HOLLIES: Those are not the correct
13 numbers. Perhaps I should just give you the right
14 ones?

15 MR. DECHIARA: I'd appreciate that, thank
16 you.

17 BY MR. DECHIARA:

18 Q Let me begin the question again. On page 2
19 of your revised July 15th, 2010 testimony, there is a
20 reference to impact on volume and revenue of a
21 reduction of 1.244 billion pieces, or 0.71 percent,
22 producing a loss of \$466 million, or 0.75 percent, in
23 revenues and \$206 million in net contribution, do you
24 see that?

25 A Uh-huh.

1 Q Okay. So just to be clear, these numbers
2 appear awfully precise but they're nothing more than
3 estimates, is that correct?

4 A Correct.

5 Q Okay. And isn't it fair to say that since
6 five-day delivery does not exist that no one knows for
7 sure how much the move to five-day delivery would
8 reduce mail volume and revenue, is that correct?

9 A These estimates in my judgment are very,
10 very actionable and provide what I think is a clear
11 indication of the scope of the impact on volume
12 revenue from implementation of five-day delivery. The
13 reason why they're very precise is because in
14 developing our work papers, that didn't get introduced
15 in this case, had to be very precise because of the
16 way these numbers were developed.

17 Q Okay. But you would grant me, would you
18 not, that because five-day delivery does not yet exist
19 or may never exist, that no one knows for sure how
20 much mail volume or revenue would actually decline?

21 A Don't know for sure, but once again I think
22 this provides a very clear indicated scope of the
23 impact.

24 Q The numbers that I referred to on page 2
25 line 12 through 14 of your statement come from the

1 quantitative market research done by ORC?

2 A Correct.

3 Q And ORC based its quantitative market
4 research on estimates given by customers of how their
5 mail volume would change in a five-day environment,
6 correct?

7 A Correct, as would be the case in any
8 quantitative research.

9 Q Right. So these are hypothetical questions
10 that the respondents were being asked, if there were
11 five-day delivery how would your mail volume change,
12 is that correct, that they were hypothetical
13 questions?

14 A Correct, we asked three questions: how much
15 did you mail in the last 12 months, how much will you
16 mail in the next 12 months, and if we implemented
17 five-day delivery how much would you mail in the next
18 12 months.

19 Q Okay, so focusing on that third question,
20 that's clearly a hypothetical question, correct?

21 A I'm not sure whether hypothetical is the
22 correct term. You know, I would not use the word
23 "hypothetical" in my language as a marketing
24 executive.

25 Q Well what I mean by "hypothetical" is asking

1 a question about a set of facts or asking the
2 respondent to assume a set of facts that do not exist
3 in reality. Using my definition, would you agree with
4 me that that's a hypothetical question?

5 A We presented a --

6 Q Could you answer the question?

7 A You know, I find it hard to, you know, to
8 accept your language because that's not my language.
9 My language would be we presented a proposed change in
10 operational service and asked customers what they
11 would do if that proposed change was implemented.

12 Q Would you agree with me that to the extent
13 that the respondents' estimates of how their own mail
14 volume would change were wrong that the estimates of
15 the Postal Service that are set forth on page 2 of
16 your testimony that I read would also be wrong?

17 A I have no way of knowing how I would be able
18 to deduce that any one answer was wrong. This is what
19 the customers' best, you know, best expectations of
20 what they would do under a change of service. So I
21 wouldn't characterize any answer as wrong, it would be
22 their expected response.

23 Q Well this is what I mean by "wrong". Let's
24 say a respondent says, my mail volume will change by
25 X. And then let's say subsequently five-day delivery

1 is implemented, and it turns out as a matter of fact
2 that that particular respondent's mail volume changes
3 by something other than X. That's what I mean by
4 "wrong" Do you understand my, do you understand what
5 I mean by "wrong"?

6 A You would only know that 12 months from the
7 date of implementation.

8 Q Right, but you will grant me that that
9 respondent's estimate could be wrong, could turn out
10 to be wrong, will you grant me that?

11 A Could turn out to be wrong?

12 Q Will you grant me that?

13 A Let me just think that through in terms of
14 the question. If what you're asking me is, if you
15 looked at a customer's performance 12 months after
16 implementation and compared it to the response that
17 they gave us during the market research, could they be
18 different? Then I would say yes.

19 Q Okay. And would you go further and say that
20 it will almost certainly be different because the
21 customer would be unlikely to hit on the nose, to
22 project right on the nose, exactly how his or her mail
23 volume would change?

24 A If you're characterizing, if a customer for
25 example said that they would reduce mail volume by

1 413,000 pieces and in actuality they reduced their
2 volume by 412,000, would that be characterized as a
3 wrong answer? I can't answer, you know, anything in
4 terms of the future differences between actual
5 performance 12 months after implementation today and
6 characterize it as right or wrong. You know, if they
7 were off by one piece would that be wrong? If they
8 were off by two pieces would that be wrong? So you're
9 establishing a question without any way to create any
10 boundaries.

11 Q No, I'm just asking a simple question that
12 it's likely that they're not going to hit it right on
13 the nose, they're going to be off.

14 A If in your question, if they were off by one
15 piece would they be wrong? I can't answer that, you
16 know, I don't make judgments, you know, based upon
17 that type of question.

18 Q I see. Well would you agree with me that
19 because the ORC's numbers, and therefore the Postal
20 Service's numbers, rely on the estimates made by the
21 respondents, to the extent the respondent's estimates
22 were wrong or off, by any degree whether by one piece
23 of mail or by many pieces of mail, that the ORC's
24 numbers and therefore the Postal Service's estimates
25 would be off as well, would you agree with me to that

1 extent?

2 A I would agree in context of if they were off
3 by one piece or off by some other piece would they be
4 off and therefore in your use of words "wrong"? I
5 would agree. If you ask me, what is my confidence in
6 --

7 Q No, I didn't ask you that. I asked you a
8 question, you answered it, thank you. The
9 quantitative research that was done by ORC was done in
10 October 2009, correct?

11 A Correct.

12 Q and 2009 was not a typical year, was it?

13 A I don't think any one year is typical.

14 Q Well in terms of the macroeconomic situation
15 in the United States of America, it would be fair to
16 say that 2009 was not a typical year, would you agree
17 with that?

18 A I would agree with you that, you know, from
19 an economic standpoint 2009 was a very, very difficult
20 year.

21 Q Okay. In fact it was, the economy was still
22 in the midst of what the Postal Service has described
23 as the worst economic downturn since the Great
24 Depression, is that correct?

25 A I'm not aware of the Postal Service making

1 that statement. But I would agree that it was a very
2 serious economic crisis.

3 Q And would you agree that 2009 was a year in
4 which the Postal Service experienced the largest
5 percentage drop in its mail volume in its history?

6 A That I can't answer because that would
7 require me to go back all the years and know for
8 certain what the percentage drop in volume would be
9 year by year. I do know that the volume drop was
10 substantial.

11 Q Okay. Well if in Mr. Corbett's direct
12 testimony he made the statement that 2009 was the year
13 in which the Postal Service experienced the largest
14 drop in mail volume, percentage drop in mail volume in
15 its history would you take issue with that statement
16 by Mr. Corbett?

17 A If that is what Mr. Corbett testified to
18 then I accept his testimony.

19 Q Okay. Other than the quantitative market
20 research performed by ORC, did the Postal Service
21 undertake any other means in the context of this case
22 or related to this case to determine how much mail
23 volume would drop if the Postal Service went to five-
24 day delivery?

25 A Based upon my experience, I am not aware of

1 any other effort on any other group's part to develop
2 the estimate. I do know that our research was used as
3 the basis for the estimate in our testimony.

4 Q You responded by referring to other groups.
5 My question was the Postal Service --

6 A Well, saying --

7 Q Let me, just for the clarity of the record
8 let me repeat the question. Are you aware of whether
9 the Postal Service used any other means apart from
10 ORC's quantitative market research to estimate the
11 amount by which mail volume would drop in response to
12 a move to five-day delivery?

13 A The only thing that I'm aware of by which
14 the Postal Service has estimated the volume and
15 revenue impact of five-day delivery is from the market
16 research.

17 Q Of ORC?

18 A Of ORC.

19 Q Okay. Do you know what an econometric study
20 is?

21 A Yeah.

22 Q Okay. Did the Postal Service sponsor any
23 econometric study to determine demand elasticity in
24 response to a change in frequency of delivery?

25 A I am not aware of any.

1 Q Do you know whether the Postal Service
2 considered sponsoring such an econometric study?

3 A I'm not aware of anything along those lines.

4 Q Are you aware of any economic literature in
5 which studies have been performed that use
6 econometrics to study demand elasticity in the context
7 of a decline in, a reduction in delivery?

8 A I'm not aware of any.

9 Q Did you hear testimony by Ms. Elmore-Yalch
10 earlier today about how in some ways going to five-day
11 delivery was a tradeoff for or somehow commensurate
12 with a 10 percent rate increase, did you hear that
13 testimony?

14 A Yes, I was in the room.

15 Q Are you familiar with whether or not
16 econometric studies are used to estimate demand
17 elasticity in the context of price increases?

18 A Yes, I'm aware of that.

19 Q I'd like to turn your attention to page 13
20 of your testimony. There is a paragraph that begins
21 on line 5 and I'd just like to read three sentences in
22 that paragraph. It says -- I apologize, I have the
23 prior testimony. Let me refer to page 13, paragraph
24 that begins line 5. It says "Each respondent's
25 reported volume change for each product was adjusted

1 by the likelihood of change measure", and then in
2 parens it says "0 to 10 scale". "This was done by
3 converting the scale to a percentage (0 to 100
4 percent). This percentage was multiplied by the
5 difference between the next 12-month volume and the
6 volume in the first 12 months after first-day delivery
7 implementation". Do you see --

8 CHAIRMAN GOLDWAY: Five-day delivery
9 implementation.

10 MR. DECHIARA: I'm sorry, thank you, Madam
11 Chairman.

12 BY MR. DECHIARA:

13 Q "Five-day delivery implementation". Do you
14 see that language?

15 A Uh-huh.

16 Q Let me just see if I understand what your
17 testimony is here. ORC asked respondents to give an
18 estimate of how their mail volume would change in a
19 five-day environment, correct?

20 A Correct.

21 Q And then, but that estimate that was given
22 by the respondent was not what ORC used. Rather, ORC
23 used, applied a "likelihood of change measure" to
24 adjust the respondent's estimate, is that right?

25 A Correct.

1 Q And the likelihood of change measure was
2 converted to a scale of between 0 and 100 percent,
3 correct?

4 A Correct.

5 Q And then it was multiplied against the
6 number that the respondent gave, correct?

7 A That percentage was applied to the volume
8 difference between the next 12 months and the next 12
9 months after implementation.

10 Q Right, so the respondent said, this is how
11 much my mail volume is going to change, let's call it
12 X. And then ORC multiplied that number X, let's call
13 it X, by that percentage which was the likelihood of
14 change measure. Am I right so far?

15 A So far.

16 Q Okay. And would you agree with me that when
17 you multiply a number by a percentage of less than 100
18 you make that number smaller?

19 A Not if the customer said, my certainty of
20 use is 10, then we would accept the total amount as
21 the number to use.

22 Q Right, 10 would be converted to 100 percent.

23 A Right.

24 Q Okay, but that wasn't my question. Would
25 you agree with me that if you multiply a number by

1 less than 100 percent you make the number smaller?

2 A Correct.

3 Q Okay. And in many cases the respondent's
4 estimate was multiplied by a number of less than 100
5 percent, correct?

6 A Yes.

7 Q Do you know how often that occurred?

8 A I do not know what percent of customers gave
9 us 10, 9, 8, 7.

10 Q Were there many customers who said, I'm 100
11 percent sure that this is how my mail volume's going
12 to change?

13 A I don't have that number, you know, in front
14 of me. I couldn't answer that question right now.

15 Q Okay, well I'm not asking you for any
16 precision, just ballpark, just your sense, did most
17 respondents say something other than, I'm 100 percent
18 certain of my answer?

19 A To be honest with you I can't answer that
20 question, so I don't know.

21 Q Okay, okay.

22 CHAIRMAN GOLDWAY: Could we get that
23 information?

24 THE WITNESS: I believe we can.

25 BY MR. DECHIARA:

Heritage Reporting Corporation
(202) 628-4888

1 Q Now, if a respondent said they were
2 uncertain about how much their mail volume would
3 change, would you agree with me that the uncertainty
4 could go in both directions, so for example if they
5 said, I think it's going to be X, it could be X plus
6 or minus 10 percent or X plus or minus 20 percent, it
7 could go up or down, it could be off up or down, would
8 you agree with that?

9 A Once again, if you use a comparison of
10 actual numbers 12 months after implementation, some
11 could, you know, actually could send more than they
12 had indicated and some could send less than they
13 indicated.

14 Q Right, some --

15 A Only after 12 months --

16 Q Right, some might overestimate, some might
17 underestimate, correct?

18 A Correct.

19 Q Okay. But that's not what ORC did. ORC
20 applied a, multiplied by a percentage that only made
21 the estimates go down by multiplying it by a number,
22 at least in many cases, of less than 100 percent, am I
23 correct?

24 A No. Because as you just indicated, if
25 customer A in the research gave us an answer of 100

1 and the next customer gave us an answer of 100, and
2 reality the first customer ends up giving us 80 and
3 the second customer gives us 120, then you basically
4 have that situation where if you wanted to do the
5 estimate based upon post-implementation results then
6 you would have one customer at 80, one customer at
7 120, where in our research instead of 80 and 120 we
8 had 100 and 100.

9 Q Well whenever a customer gave you a
10 likelihood of change measure that was less than 100
11 percent, ORC multiplied their estimate by a number of
12 less than 100 percent, correct?

13 A On the number that they gave us, but that
14 does not --

15 Q Right, wait, wait, wait, am I correct on
16 that?

17 A They took the number on the difference and
18 applied a percentage based upon likelihood to change.

19 Q And if it was a number less than 100 percent
20 they multiplied the estimate by a number that was less
21 than 100 percent, correct?

22 A Correct.

23 Q And that reduced the number, it adjusted it
24 downward, correct?

25 A And in reality some --

1 Q My question, is what I just said correct?

2 A For those who gave us a likelihood to use of
3 less than 100 we reduced it by that percentage.

4 Q Okay. I'd like you to now turn your
5 attention to the qualitative research that was done by
6 ORC. And in particular I'd like to turn your
7 attention to page 3, line 24, under the heading "Focus
8 Group Research". There's a statement on line 24 that
9 says "While not statistically representative of
10 customers, focus groups", and then the sentence goes
11 on and you can read it. But I want to focus on the
12 words "not statistically representative" and ask you,
13 what's your understanding of what that means, that the
14 focus groups were not statistically representative of
15 customers?

16 A What that would mean, if you held, just I'm
17 going to use a very simple example, if you held a
18 focus group and you had 10 customers, and 8 if them
19 said, I would do something, you would not therefore
20 say 80 percent of all customers in the country would
21 do something. What it would allow you to do is to
22 have a clear indication that a very high percent of
23 customers most likely would do something.

24 Q But would you know what percentage of
25 customers --

1 A That's why I'm saying, from a qualitative
2 standpoint you don't take any of the results and
3 create a number, 80 percent. You basically say, a
4 high percent, a large number of customers indicate to
5 us that they will do something.

6 Q Okay, so if, let's take your hypothetical,
7 let's say 80 percent of the respondents in a focus
8 group said, we can live with five-day delivery, that
9 would not allow you to conclude that 80 percent of the
10 postal customers in the nation share that belief,
11 correct?

12 A The way I would interpret it as a marketing
13 executive with experience in market research is that a
14 large percentage of customers most likely would do
15 whatever it is that you were researching.

16 Q But it would not allow you to put any --

17 A Number.

18 Q Number on what percentage, correct?

19 A Right.

20 Q And in addition to what you just explained,
21 does the fact that the focus groups were not
22 statistically representative of customers, does that
23 mean that, does that also mean that it's possible that
24 in the focus groups there were a disproportionate
25 number of affluent people, disproportionate to the

1 percentage of affluent people in the general
2 population?

3 A The way we constructed our groups we used
4 two characteristics. We used income as one way to
5 recruit customers, and we used geography, whether they
6 lived in a center city, whether they lived in a
7 suburban area or whether they lived in a rural area.
8 So we used those two characteristics to then create a
9 way to recruit customers, you know, into the focus
10 groups.

11 Q Okay, now I would ask you to try to answer
12 my question. Does the fact that it's not, the focus
13 groups were not statistically representative of
14 customers, does that mean that it's possible, and
15 instead of using "affluent" I'll say "high income", is
16 it possible that the portion of focus group members
17 who were high income was out of proportion with the
18 number of people in the overall, in the general
19 population who are high income?

20 A We did not recruit customers so that the
21 respondents who came in would from a percentage
22 standpoint would represent, you know, the U.S.
23 population of households. We recruited customers so
24 that we had customers at a group level who represented
25 low income customers, represented moderate income

1 customers, represented high income customers. We
2 recruited customers so that they represented customers
3 who lived in center city, we recruited customers so
4 that they represented customers who lived in suburban
5 areas, customers who lived in rural areas. But you
6 don't recruit so that the recruiting profile
7 represents the population profile. It's not meant to
8 be statistically representative of the consumer
9 population.

10 Q Okay, I think I'll take that as a yes to my
11 question.

12 A To be honest with you I would take it as a
13 no.

14 Q Okay, so we'll have to try to clarify this.
15 Is it true that in the focus groups there could have
16 been -- this is a yes or no question. Is it true that
17 in the focus groups there could have been a higher
18 percentage of high income people than the percentage
19 of high income people in the general population? It's
20 a yes or no question.

21 A Can't answer that, I don't have the
22 statistics in front of me.

23 Q So you can't answer it, you can't answer it
24 negatively, you can't tell me as you sit here today
25 that the percentage of high income people in the focus

1 groups reflected the percentage of high income people
2 in society?

3 A I can tell you that --

4 Q Wait, wait, wait, can you just answer that
5 question?

6 A You're asking me a question that I said I
7 couldn't answer.

8 Q That answers my question. If you can tell
9 me, you cannot answer it, that's the response I was
10 seeking to elicit. I'll repeat it just so that we're
11 not confusing each other.

12 A Thank you, please do so.

13 Q Are you able as you sit here today, and
14 maybe your answer's going to be you're not able, so
15 that's what I'm asking you, are you able as you sit
16 here today to tell me that the percentage of high
17 income people in the focus groups reflected the
18 percentage of high income people in the general
19 society, are you able to tell me that?

20 A Are you asking me, can I precisely tell you
21 that the percentage in the focus group, whatever that
22 percentage is, of high income consumers represents the
23 percentage of high income consumers in the population?

24 Q That's my question.

25 A Specifically?

1 Q Yes.

2 A I can't answer that because I don't have the
3 statistics in terms of one profile --

4 Q You don't have to explain, I just asked you
5 can you answer it, and you've answered.

6 A I cannot answer statistically.

7 Q Thank you. And if I ask, and to try to cut
8 through this, if I asked you the same exact question
9 but instead of using "high income" I plugged in the
10 word "rural", would your answer be the same, that you
11 would not be able to answer that question?

12 A Well let me answer it this way, let me try
13 to answer it the best way I can. One, no, and two, I
14 don't think the question really is relevant.

15 Q Well I don't know that's up to you or to me
16 to decide what's relevant, I think maybe the
17 Commission will have an opinion on that. I just asked
18 you to answer my questions.

19 A I'm speaking relevant from a market research
20 perspective.

21 Q Okay. Let me now refer you to page 3 lines,
22 the sentence beginning line 8 continuing through 10.
23 It says "Overall, the qualitative research clearly
24 demonstrates that both consumers and businesses will
25 be able to adapt to five-day delivery, and most would

1 prefer the implementation of five-day delivery as
2 opposed to significant price increase." Do you see
3 that?

4 A Uh-huh.

5 Q Let me now refer you to page 3, lines, the
6 sentence beginning line 8 continuing through 10. It
7 says, "Overall, the qualitative research clearly
8 demonstrates that both consumers and businesses will
9 be able to adapt to five-day delivery, and most would
10 prefer the implementation of five-day delivery, as
11 opposed to a significant price increase." Do you see
12 that?

13 A Uh-huh.

14 Q Now, the ORC did its research before the
15 Postal Service filed its exigent rate increase case,
16 is that correct?

17 A Correct.

18 Q Were any of the respondents asked whether
19 they would accept the end of Saturday delivery if it
20 were also accompanied by a significant rate increase?

21 A The discussion that was moderated by ORC
22 asked customers to provide us their reactions to
23 implementation of five-day delivery, separate from
24 implementation of a 10-percent price increase. And
25 most customers basically gave us indication that

1 between those two, that a much higher percent said
2 that they would rather have five-day delivery
3 implemented than to have a 10-percent price increase.

4 But a few number of customers, on their own,
5 volunteered that if necessary to solve the financial
6 problems in the Postal Service, they would be willing
7 to accept both.

8 Q Okay. Now I'd like you to answer my
9 question. Were the respondents asked, as part of the
10 survey, or as part of the focus group, would they be
11 willing to accept both an end to Saturday delivery and
12 a significant rate increase? Were they asked that?

13 A No. I just --

14 Q You answered my question. Other than ending
15 five-day delivery or a significant price increase,
16 were focus group participants given a menu of other
17 alternative options that the Postal Service might
18 pursue to improve its financial situation?

19 A No, those were, those were the two that we
20 presented.

21 Q And let me refer you now to Appendix A of
22 your testimony. A is what the respondents in the
23 market research were told, correct? By ORC?

24 A Uh-huh.

25 Q One of the things they were told is what

1 appears in this first bullet point?

2 A Uh-huh.

3 Q Okay. And the bullet point says, "Despite
4 very aggressive cost-cutting, the Postal Service is
5 projecting financial losses for this and the next
6 several years. This is due to a significant decline
7 in mail volume, and a major requirement to pre-fund
8 its retirees' health benefits."

9 Were the focus group participants told that
10 Congress could change or eliminate the requirement to
11 pre-fund retiree health benefits?

12 A In order to answer that, I would have to go
13 back and look at the transcripts.

14 Q What --

15 A We did not suggest that as an option, but I
16 do know it came up during the discussion.

17 Q Okay. Well, as you sit here today, do you
18 have any recollection of the, as part of the routine,
19 as part of the procedure, the protocol that was
20 followed in this survey, were focus group participants
21 told that Congress can decide to lift or lighten the
22 requirement to fund, to pre-fund retiree health
23 benefits?

24 A To answer that question, let me just briefly
25 describe how this was introduced, because I think it

1 will answer your question.

2 The customers were actually given this
3 information as the preface for the focus group
4 discussion. So we, we laid this out. Then the
5 customers were asked to sort of discuss this, in
6 context if you were the CEO of the Postal Service,
7 what would you do. What are some of the things that
8 you could do.

9 And then from that, there was, actually the
10 rest of the focus group was to sort of carry on that
11 whole conversation. And I, you know, I do know that
12 then, during the ongoing conversation, customers in
13 the group, you know, would talk about, you know, this
14 requirement to pre-fund, and what options are, you
15 know, what could be done and so forth.

16 But it was, as a function of customers, sort
17 of responding to this preface, and then carry on a
18 conversation about what the Postal Service, you know,
19 could do.

20 Then we introduced now if the Postal
21 Service, you know, would implement five-day delivery,
22 or if the Postal Service, you know, would, you know,
23 implement a 10-percent increase, how would you react
24 to that. That's how the, the conversation of the
25 focus group started, and went through the end of the

1 group.

2 So yes, during the conversation through the
3 two hours of the group, you know, at times in some of
4 the groups there was a discussion about this
5 particular requirement that, you know, created part of
6 the financial, you know, stress on the Postal Service.

7 Q No, obviously that was part of the
8 conversation, because that's set forth in the first
9 bullet point. But my question --

10 A We did --

11 Q Let me just ask my question. As you sit
12 here today, do you have any knowledge or recollection
13 that, as part of the procedure that you described by
14 which these focus groups were conducted, that ORC
15 supplied the focus group participants with the
16 information, which some people may not be aware of,
17 that Congress can change or eliminate the -- if it so
18 chooses -- the requirement to pre-fund retiree health
19 benefits?

20 A To specifically know and to recall how that
21 conversation ensued in any particular focus group, I
22 would have to go back and look at the transcript. I
23 do know there was conversation, but how that
24 conversation played out, I cannot recall at this
25 moment.

1 Q Okay. Let me ask you a similar question.
2 As you sit here today, do you have any knowledge or
3 recollection that participants in the focus group were
4 told that, at least according to the Postal Service
5 Inspector General, the Postal Service has overpaid \$75
6 billion in pension payments?

7 A That definitely was, you know, was not
8 discussed, because that was not knowledge at the time
9 of the focus group.

10 Q And so I take it from your answer that the
11 participants were not told that if some or all of that
12 overpayment were credited to the Postal Service, that
13 that might alleviate the need for getting rid of
14 Saturday delivery. I assume there was no discussion
15 along those lines.

16 A No discussion whatsoever on the pre-funding.

17 Q Okay, okay.

18 A On the overpayment, I mean.

19 Q Let me refer you now to page 10 of the body
20 of your testimony. There are a series of bullet
21 points on the top half of page 10. Let me just read
22 the first bullet point. It says, "Those dealing with
23 incoming mail centered on the expected Monday mail
24 volume increase. To address this influx, many
25 commercial customers would either increase staff or

1 modify schedules."

2 Would you agree with me that if a commercial
3 customer has to increase staff, it might incur
4 additional costs?

5 A It might, it might not.

6 Q But it might. Would you agree with me it
7 might?

8 A It might, it might not. So yes, either one
9 could be the consequence. I would agree with the
10 might, but also, might not.

11 Q Okay. How could it not?

12 A Because they could increase staff by, you
13 know, moving an employee from one work function into
14 another work function.

15 Q Okay. I read the words "increase staff" to
16 mean increase the number of paid employees in the
17 employ of the company. Do you read it differently?

18 A Yes, because in the conversation we had, we
19 were talking to a manger who was managing the incoming
20 mail operation. That individual would say to us I
21 probably would have to have more people on staff to do
22 the work. He or she did not say what the source of
23 that increased staff for his or her own function would
24 be.

25 Q Did you, or as far as you know, did anyone

1 else in the Postal Service in connection with this
2 case, make an estimate of the costs that, the
3 additional costs that might be incurred by postal
4 customers to address five-day delivery?

5 A I'm not aware of any.

6 Q On page 9 of your testimony, line 13,
7 there's a bullet point that says, "Remittance concerns
8 were typically registered by national accounts." Can
9 you explain what that sentence means?

10 A When we had the in-depth interviews, we
11 spoke to what we titled the national accounts.
12 Typically, think of AT&T as a national accounts. And
13 then we talked to premier accounts. These are smaller
14 companies. They are large, but they're smaller
15 compared to AT&T.

16 In both segments, we talked to managers who
17 were responsible for remittance mail operation,
18 incoming payments. But what we found was that the
19 concerns as it related to the impact on the inflow of
20 payments was more of an issue that was raised by
21 individuals in the national accounts, as opposed to
22 the premier accounts.

23 Q What were their concerns?

24 A Largely, just, you know, a delay by,
25 typically by one day, of the incoming payment.

1 Q So these big companies would get payments
2 owing to them from their customers later than they
3 otherwise would. Is that the concern that was
4 expressed?

5 A For that volume which would be affected by
6 the elimination of Saturday, yes.

7 Q And did these national accounts, in these
8 conversations, put any dollar figures, any dollar-
9 figure estimates on what it would cost them? What
10 these delays would cost them?

11 A Not, you know, not at the individual account
12 level, no. We didn't get into that level of detail in
13 terms of the conversation.

14 Q And has the Postal Service undertaken any
15 estimate of what these delays in remittances would
16 cost these customers?

17 A Once again, I am not aware that we've done
18 that analysis.

19 Q In the bullet point under the bullet point I
20 just read there's a quote that says, "Customers who
21 rely on the Postal Service to deliver newspapers on
22 Saturday, we're not sure how to respond to the major
23 challenge five-day delivery poses to their business
24 model." Do you see that bullet point?

25 A Where is it?

1 Q It's right under the, it's on line 16
2 through 18 on page 9.

3 A Oh, yes.

4 Q Let me first ask you, who are these
5 customers who were referred to in this bullet point?

6 A There were, there were two publishers in the
7 in-depth interviews.

8 Q These are newspaper publishers?

9 A I am not sure, because we, you know, we are
10 not provided that information, in terms of
11 specifically who, who the customer was. I do know
12 that they, you know, that they, there were two
13 individuals who were responsible for their periodical
14 business. And in their conversation, you know, one of
15 them, I think one of them spoke about, you know, the
16 impact on their newspapers.

17 Q Were these customers who own newspapers, or
18 publish newspapers?

19 A Publishers.

20 Q Publishers of newspapers. Yes?

21 A Yeah.

22 Q Okay. And in the conversation, did -- you
23 say in your bullet point that they weren't sure how to
24 respond to five-day. Was there any discussion of how
25 they might respond to five-day?

1 A Yeah. The one customer who was talking
2 about it indicated that most likely what his company
3 would do would be, he indicated that they currently,
4 you know, distribute newspapers seven days a week.
5 And on Sunday they have a private carrier who delivers
6 to the homes. And he indicated that probably most
7 likely their response would be to just reestablish
8 that contract, so it would be Saturday and Sunday
9 delivery with the private carrier.

10 Q So the publisher would set up a private
11 delivery service to deliver its newspapers on
12 Saturday?

13 A Well, this customer already does that on
14 Sunday, and he indicated that they would just change
15 the terms of the contract. Instead of just Sunday,
16 Saturday and Sunday.

17 Q Okay. So at least for this customer, if the
18 Postal Service implemented its proposal, the Postal
19 Service would be pulling out of the Saturday delivery
20 business, and this private-sector entity would be
21 moving in. Is that right?

22 A Wouldn't be moving in, it just would get a
23 second day of delivery that --

24 Q It would be moving into Saturday.

25 A Yeah.

1 Q All right. And then finally, on page 8,
2 line 9, on the second sentence of the paragraph that
3 begins on line 8, on page 8, it says, "Specific
4 situations and applications could present serious
5 problems. But on the whole, after hearing the
6 proposal and the reasons for it, customers accepted it
7 as necessary to help solve Postal Service financial
8 problems."

9 Q Can you elaborate on what the specific
10 situations and applications were that could present
11 serious problems?

12 A Well, you just identified two, the newspaper
13 and the remittances.

14 Q Can you share with us, do you know of any
15 others?

16 A There was concerns in terms of impact on
17 delivery of advertising mail on Saturday.

18 Q Can you explain what that was?

19 A Well, for example, I can't say for certain,
20 but, you know, the company name. But just think of a
21 large grocery retailer who is seeking to deliver their
22 advertising message to drive weekend store traffic.
23 Some, well, a lot of them will have inserts in the
24 local newspapers. In a lot of markets that's
25 Wednesday and Thursday. Some of these retailers, you

1 know, seek to have their advertising mail delivered by
2 the Postal Service on Friday, recognizing that some of
3 that mail may be delivered on Saturday.

4 And so, in their conversations they said,
5 you know, potentially what this would force us to
6 consider, you know, could be to set up a Thursday-
7 Friday schedule, as opposed to a Friday-Saturday
8 schedule.

9 So for those types of retailers, you know,
10 if, if their product is being delivered on Saturday,
11 then that would be, you know, an operational issue
12 that they would have to take under consideration.

13 Q Okay. And that's an example of a serious
14 problem?

15 A In the sense of for these retailers, they
16 said, you know, if we have established a Friday-
17 Saturday schedule, and we have to reconsider a
18 Thursday-Friday, to them, you know, that was a serious
19 issue.

20 Q Did you have any understanding of why these
21 retailers might want their advertising mail to arrive
22 in the mailbox on Saturday?

23 A Most of them seek to have it delivered on
24 Friday, recognizing, though, that a percentage, you
25 know, could be delivered on Saturday. They're seeking

1 to drive people into their store on Saturday and
2 Sunday. So they recognize that Friday is a better
3 day, but Saturday still gives consumers the time to
4 shop Saturday afternoon, all day Sunday.

5 MR. DeCHIARA: No further questions.

6 CHAIRMAN GOLDWAY: Thank you. We now go to
7 the Public Representative.

8 MS. GALLAGHER: Thank you, Madame Chairman.
9 Patricia Gallagher for the Public Representative.

10 CROSS-EXAMINATION

11 BY MS. GALLAGHER:

12 Q Good afternoon, Mr. Whiteman. If you would
13 turn to page 11 of your prepared testimony. And I'd
14 like to, if you would focus on lines 27 and 28. And
15 they're basically revisiting that figure, the estimate
16 for the revenue loss of \$466 million. That was
17 mentioned a little earlier, but my focus is different.

18 And there, on line 27, I see you're
19 characterizing that as a slight revenue loss, in terms
20 of the overall, correct?

21 A Correct.

22 Q Then you also provide a breakdown of that
23 revenue figure, as well as some associated volume
24 effects. And so what I'd really like to explore is
25 the context of this slight loss on individual classes

1 of mail and mail users. So that's my focus.

2 And for that, if you would turn to page 12,
3 lines 15 and 16, where you said the largest loss would
4 be in first-class mail. And actually the figures for
5 that class is, as a whole, is it correct, 601 million
6 pieces, and \$261 million?

7 A Excuse me, what lines are you on?

8 Q Excuse me. Lines 4 and 5, 5 and 6.

9 A Okay.

10 Q So am I correct that, with reference to that
11 \$466 million loss, almost \$500 million that we talked
12 about just a few minutes ago, that the 261 there is
13 more than half of the overall loss?

14 A Correct.

15 Q So in context, it's not an across-the-board
16 loss for the classes; it is falling more heavily on
17 first-class mail.

18 A Which reflects basically, you know, a
19 significant portion of postal revenue is coming from
20 first-class mail.

21 Q Correct. But just as a matter of math here,
22 that's correct. And then you also talked, say that
23 the decline represents the diversion of payments to
24 the internet and a reduction of advertising in first-
25 class mail by small businesses.

1 A Uh-huh.

2 Q So focusing here on the small business
3 reaction, would it be fair to conclude that, of those
4 in the, your research from the small business
5 community, they presumably have found in the past
6 first-class mail to be an affordable advertising
7 channel? But then are no longer going to use this?
8 Am I correct to say that?

9 A Yes, in a standpoint of one of the
10 consequences, which we recognize, as I said.

11 Q Certainly.

12 A Some will find alternative ways to
13 advertise.

14 Q Do you have any indication of what those
15 alternatives, did they give you any indication of what
16 those alternative channels might be?

17 A For the small business customers, you know,
18 as you probably would expect, you know, there's a lot
19 of, there's a lot of movement today in this, you know,
20 this, you know, would just give another reason for
21 companies to, you know, to begin to shift some of that
22 communications to the internet.

23 Q Other possibilities, radio, I guess, exist,
24 as well.

25 A Yeah. I mean, local media. It's going to

1 be local media, such as, you know, WTOP here, or the
2 Washington Post.

3 Q Thank you. In terms of your marketing
4 background, would you say that those channels, are you
5 able to offer whether those are generally a higher-
6 cost alternative, lower cost, or just depends?

7 A Between radio and newspapers and mail, it's
8 a very interesting sort of, you know, conversation.
9 Depending upon how you evaluate the cost.

10 If you look at it in context of a total
11 spend, and if a company is trying to minimize total
12 spend and maximize reach, mail is very, very
13 affordable. If you're looking at it from what is
14 called, you know, cost-per-thousand, then you will see
15 cost-per-thousands for radio and newspapers to be much
16 lower than mail.

17 Q Because they --

18 A Typically, small business customers look at
19 it in context of how much do I have available to
20 spend. And when they think in that context, then mail
21 becomes very, very price-competitive, and very, very
22 affordable.

23 Q Very attractive, yes. Thank you. Then at
24 page 12, lines 18 through 22, non-profit standard
25 mail. Really here it's just a clarification of a

1 remark, where you're saying membership communications,
2 where the loss would reflect reassessment of marketing
3 strategies. And I tried to do a little background on
4 this.

5 But was that use advisably, in terms of
6 membership communications, only to numbers? Or did
7 perhaps more broadly means solicitations say to non-
8 members as well, or prospecting, those types of
9 things?

10 A In this context it actually was, you know,
11 referencing membership communications. And non-profit
12 organizations, you know, basically, you know, think of
13 the recipient of communications in two ways: a
14 prospect, a donor solicitation. We don't have a
15 relationship with, we're trying to convince them to
16 contribute.

17 And then they have what they call members.
18 And this is where then they're just keeping you up to
19 date on activities. So if you're a member of a local
20 theater, you know, you receive a lot of communications
21 from the theater, keeping you up to date on upcoming
22 plays or special events.

23 And our conversations qualitatively have
24 been -- I think we're seeing it here in the results of
25 the research -- is that the membership communications

1 in which they have an existing file with both the
2 mailing address and the email address, and they're
3 looking for affordability. Because, you know, non-
4 profit organizations frequently, you know, tell us
5 that, you know, they are fragile in terms of their
6 financial performance.

7 You know, they told us basically that, you
8 know, one of the consequences is that we will try to
9 use internet, email more for our membership
10 communications.

11 Q So not that money is important for everyone,
12 but they said nothing about how it might affect
13 solicitations?

14 A Oh, you know, that came up in the
15 conversation. In context of them, you know,
16 responding directly to five-day that, you know, they
17 indicated that they would be more likely to look at
18 membership communications first as a way to respond.
19 Because they recognize that marketing through the mail
20 to donors is still the key way that they use to build
21 their response rate.

22 So for them, mailing to acquire new donors
23 or to increase the contribution of existing donors,
24 mail to them is still the way that they will continue
25 to, you know, create that solicitation.

1 Q For that prospect, fundraise you might say.

2 A Yeah.

3 Q Thank you. And then on page 12 at lines 24
4 through 26 you're talking about priority mail. And
5 here you say there's actually going to be an increase
6 in volume on priority mail. But now, that, of course,
7 will be an increase, but that's going to come at a
8 greater expense to the consumer there. Axiomatic.

9 A If they're upgrading, for example, from
10 first-class mail.

11 Q Which they would here, because they say it's
12 to ensure timely delivery.

13 A Yes.

14 Q So would it be fair to conclude from here
15 that the overall increase might, as you've said,
16 impact differs by class of mail and individual user,
17 as a rule? By breakdown?

18 A Most definitely by what we call the
19 application. Whether it's for billing, advertising,
20 customer communications, yes. And that's the reason
21 why, when we constructed the research, is that, you
22 know, we were very, very careful to make sure that we
23 talked to those individuals who were directly
24 responsible for billing, for marketing, for customer
25 communications, for shipment. We just couldn't talk

1 at the company level; we had to talk at the level
2 where the individual who was actually accountable in
3 their business organization for particular
4 applications.

5 Q Correct. The one last, and this is also a
6 clarification. Page 5 at lines 15 through 17. You're
7 talking about the express mail impact there.

8 A Uh-huh.

9 Q And you mention that some of the companies
10 would charge, you know, Visa, most customers indicated
11 they would use express mail. Then in Chart 1 of your
12 testimony on page 15, if you'd indulge me by turning
13 there.

14 A Uh-huh.

15 Q You see on your column, which I'll call
16 column 2, volume-change percentage caption?

17 A Uh-huh.

18 Q For express mail, under product?

19 A Uh-huh.

20 Q I'm seeing a negative-4.43 percent. Could
21 you, is there a reconciliation needed here? Or am
22 I --

23 A No. The 4.43 indicates that in total,
24 across all the applications for which express mail is
25 being used, we do know that Saturday delivery of

1 express mail is a, is a critical aspect of why both
2 consumers and companies use express mail. There is a
3 competitive advantage.

4 And so we know implementing five-day
5 delivery, you know, will have that impact on express
6 mail.

7 Q The negative-4.43.

8 A Right. But we also know, though, that, just
9 like your past reference to the, the upgrade, you
10 know, to priority mail, that if we, you know, since we
11 will continue to deliver express mail on Saturday,
12 that if someone has to, and has a requirement that the
13 delivery absolutely has to be made on Saturday, as
14 opposed to priority mail, is that, you will get some
15 customers up-rating to express mail because of that
16 critical necessity for Saturday delivery.

17 A lot of other companies, you know, tell us
18 I'm using priority mail, using first class mail for
19 Saturday delivery, but you know, I can readjust my
20 schedules to either get that piece delivered on Friday
21 to void having to use express mail for Saturday. Or
22 in other cases they say, you know, I'm getting
23 Saturday delivery, but, you know, do we really need
24 Saturday delivery. What happens to us if that piece
25 of communication was delivered on Monday.

1 Q This isn't express relative to priority,
2 it's express as a whole.

3 A But for those who actually require Saturday
4 delivery, you know, then, under five-day delivery, the
5 only way you're going to be able to get Saturday
6 delivery is --

7 Q So that was --

8 A -- going to express mail.

9 MS. GALLAGHER: Thank you, that was helpful.
10 Those other areas were covered by previous counsel, so
11 that's it for us.

12 CHAIRMAN GOLDWAY: Thank you. Questions
13 from the Bench. And I think I'll jump in here, if I
14 can.

15 I was taken by the line of questioning
16 regarding the adjustments that you made to the
17 likelihood of change. Is this the standard procedure
18 that most companies would use?

19 When I saw this, what I thought would be
20 that you would ask people, on a scale of minus-five to
21 plus-five, whether they thought their estimates were
22 accurate, likely lower, or likely higher. And that
23 way you would get a number that wouldn't automatically
24 decrease the volume by measuring this. Since you,
25 yourself, said that some people could do 80 percent,

1 and some people 120.

2 Why didn't you choose the minus-five to
3 plus-five, which I think would provide you less bias
4 in the answer?

5 THE WITNESS: To, to ask a question to a
6 customer which, you know, you ask for their volume
7 estimate; and then if you ask them, you know, are you,
8 is this a correct answer. Customers are, you know,
9 probably going to never acknowledge that the answer I
10 just gave you is incorrect. You know, they're going
11 to, you know, basically say I just told you what I
12 thought the effects would be; it's correct. It's my
13 best estimate of what I think --

14 CHAIRMAN GOLDWAY: So they're more likely to
15 say --

16 THE WITNESS: A hundred percent that they --

17 CHAIRMAN GOLDWAY: Or they're more likely to
18 say zero, you know, no change.

19 THE WITNESS: No change. There would be a
20 tendency for them not to acknowledge --

21 CHAIRMAN GOLDWAY: But wouldn't you rather
22 give them the opportunity to say up or down?

23 THE WITNESS: Well, in effect, that's what
24 we're doing. We're just asking the question in a way
25 that we're not confronting the customer, you know,

1 with an implied statement.

2 CHAIRMAN GOLDWAY: Well, you're not.
3 There's no way to go up on this, just to go down. On
4 the measurements that you presented here.

5 THE WITNESS: Well, you asked is this a
6 standard, you know, practice in quantitative research.
7 In quantitative research there will always be a
8 tendency for the reported results from the research.
9 If you just take the reported results, without any way
10 to what we call modeling the answer down, is you're
11 always going to end up with a number that's going to
12 be what we call high side on any estimate.

13 And there's two key reasons why that occurs.
14 First of all, you, in effect, have created 100-percent
15 awareness of whatever that change is. So when you do
16 research, you know for a certainty that you've created
17 a marketplace in which 100 percent of the customers
18 are aware of the change, and that they basically
19 recognize that this change is important, and I should
20 be responding to the change.

21 In the real marketplace, you're never going
22 to get that 100-percent awareness level. So we
23 artificially create a marketplace that is much more
24 knowledgeable and is much more conscious of the change
25 than it otherwise would be in the marketplace.

1 Second thing is, you know, when you ask
2 customers what do you think your response will be --

3 CHAIRMAN GOLDWAY: No, but I just think your
4 answer just contradicted what you were saying.
5 Because you're saying that people are, are sensitive
6 to overreacting.

7 THE WITNESS: So the answers we get, the
8 answers we would get if we didn't do any adjustments
9 would be --

10 CHAIRMAN GOLDWAY: No, that means they would
11 be --

12 THE WITNESS: Higher. Higher than they
13 otherwise would be.

14 CHAIRMAN GOLDWAY: Higher volume declines
15 than they would otherwise be. But then you don't give
16 them a chance to adjust, either way. You just give
17 them --

18 THE WITNESS: As a matter of fact, the
19 adjustment occurs from the fact that, you know, as the
20 counsel over here --

21 CHAIRMAN GOLDWAY: You're asking them for an
22 adjustment. If you're saying that there's an
23 automatic factor to reduce, that's one thing. But
24 when you're asking them for the adjustment, then
25 you're predetermining what that adjustment will be.

1 THE WITNESS: Well, they really don't know
2 what the purpose of that, of that question is. All
3 we're asking is, the number you just gave us, you
4 know, how likely is it that you will actually do what
5 you just indicated. It's not, it's not an attempt to
6 tell them that we think your answer is wrong. It's
7 just that, you know, we recognize that there's going
8 to be a tendency for customers to overstate the
9 answers, collectively.

10 And so the way, in research, that you
11 recognize that is you basically, you then ask the
12 customer how certain are you that what you just told
13 us is, is what you're going to do. But the question
14 is written in a way --

15 CHAIRMAN GOLDWAY: So you would then under,
16 you would reduce the number of people who said I can
17 adjust to five-day delivery. Because, you know, you
18 would, you would say well, they're over-estimating
19 their ability to adjust. So you'd ratchet it down
20 some? Did you do that in your reporting?

21 THE WITNESS: The assumption is, is that,
22 you know, whatever their response is, I think in this
23 case on a volume basis, is that collectively, across
24 all the respondents, is that you will get a number
25 that is overstated than what it will be in the

1 marketplace.

2 CHAIRMAN GOLDWAY: So a response, when they
3 say we can adjust and manage, is overstated, and you'd
4 have to adjust that down. Did you adjust that down?

5 THE WITNESS: We adjusted it down for what
6 we considered to be the, you know, the tendency in
7 research to end up with overstated results. That's
8 how we used that --

9 CHAIRMAN GOLDWAY: You did that for volume.
10 I'm asking if you did it for what people will do just
11 to adjust to the mail.

12 THE WITNESS: We only asked that question in
13 context of the volume estimate that they gave us.

14 CHAIRMAN GOLDWAY: Okay. Have you heard of
15 a procedure that's most widely used in market
16 research, called conjoint analysis?

17 THE WITNESS: Yes.

18 CHAIRMAN GOLDWAY: In that procedure,
19 respondents in a market research interview are asked
20 to make choices of rankings of preferences. And
21 they're given groups of product, they're given a
22 variety of alternatives. And they rank them. And
23 then you give different respondents a different
24 ranking, so that you don't prejudice them.

25 Did you consider using that process in this,

1 in this effort?

2 THE WITNESS: You would use a conjoint
3 approach if the objective of the research was to
4 evaluate multiple changes that you could introduce,
5 including product changes, channel changes, pricing
6 changes. And you're using the research to basically
7 allow you to determine what is the best configuration
8 of the product changes, price changes, channel
9 changes, to move forward on.

10 The effect of this research was that in
11 March of 2008, the Postal Service established a work
12 team to evaluate five-day delivery, and to come back
13 and make a recommendation on implementation of five-
14 day delivery. So the purpose of our research --

15 CHAIRMAN GOLDWAY: Was to facilitate
16 implementation of five-day delivery.

17 THE WITNESS: -- was to, was to provide
18 information back to the management team that if we
19 implemented five-day delivery, what would be the
20 impact on customers, both in context of knowing how
21 this could affect them from a business process
22 standpoint, how they could adjust. And then also to
23 allow us to understand what would be the volume and
24 revenue impact.

25 The purpose of the research was not to

1 evaluate multiple changes across product, channel, and
2 pricing strategies.

3 CHAIRMAN GOLDWAY: So that's why there were
4 no alternatives presented to people.

5 THE WITNESS: Right.

6 CHAIRMAN GOLDWAY: You didn't ask them about
7 other alternatives. And you presented them with one
8 alternative.

9 THE WITNESS: In the qualitative.

10 CHAIRMAN GOLDWAY: It was kind of a Hobson's
11 choice, you know. You take this, or you get nothing.
12 You get 10-percent rate increases, which Ms. Elmore-
13 Yalch may not be familiar with, how price-sensitive
14 mailers are, if we can look at the evidence of the
15 five-percent increase you're proposing now. Ten
16 percent. A Hobson's choice.

17 I guess I'll just close with asking you, we
18 asked Ms. Elmore-Yalch to provide for us her estimate
19 of the margins of error with regard to the surveys in
20 the quantitative area. And I'd like you now to go
21 through the process you went through with that data,
22 to create the actual volumes, and determine the margin
23 of error in your calculations that go beyond the
24 margin of errors that she has in her study. Because
25 one is iterative of another. Is it possible for you

1 to do that?

2 THE WITNESS: That's a very interesting
3 question, but to be honest with you, I don't think
4 that we could calculate statistically a margin of
5 error on numbers.

6 I mean, what I think has been done is to
7 look at the steps we went through. And I know others
8 have done it, which is to assess their reactions to,
9 you know, sort of the logic behind our process, and to
10 form their judgment in regards to whether the process
11 we followed, the methodology we followed to take the
12 volume estimates from the ORC research, then calculate
13 first, you know, the volume impact, you know, at the
14 product class of mail level. And then to --

15 CHAIRMAN GOLDWAY: There are margins of
16 error in terms of the number of the volume of mail as
17 well. If you are projecting those volumes, you have
18 to measure those projections against her margin-of-
19 error projections, I would think, to come up with --

20 MR. HOLLIES: Madame Chairman, I think that,
21 rather than trying to debate this question here today,
22 the Postal Service can agree to undertake an effort
23 either to do as you request, or explain why it ought
24 not or cannot be done.

25 CHAIRMAN GOLDWAY: Okay, I'm satisfied with

1 that. Thank you.

2 Commissioner Langley?

3 COMMISSIONER LANGLEY: Thank you. And thank
4 you, Mr. Whiteman, for your testimony.

5 Ms. Elmore-Yalch direct testimony states
6 that the Postal Service regularly uses ORC's Caravan
7 Program, and has been doing so extensively, I believe,
8 since 2004.

9 She testified that the Caravan Program does
10 not cover Alaska and Hawaii in its surveys. Why would
11 the Postal Service fail to include Alaska and Hawaii
12 from this very important survey that it's using to
13 prove that customers don't mind having a day of
14 delivery cut?

15 THE WITNESS: From my standpoint, the
16 marketing sector, the way that, you know, the Postal
17 Service uses research -- and this is research
18 regardless of the supplier, and we have multiple
19 suppliers. And you know, we follow a very similar
20 approach when we do quantitative research.

21 The basic premise of quantitative research
22 is that you -- and this is in the consumer's space --
23 is that you create a sample frame that reflects the
24 demographic characteristics of the American consumer.
25 So you have what is called a representative sample,

1 and it's going to be representative based upon income
2 segmentation, geographical location, sex, age,
3 education. And these are, these are very standard
4 ways that any research supplier and company using
5 research will structure their research.

6 And so the basic premise of quantitative
7 research in which you have a statistical
8 representative sample, the American household, is that
9 a household in Maine that is in a particular
10 classification category, representing, you know, age
11 and income and region, household size, children, is
12 equivalent to another household in Arizona. That
13 statistically that, the basic premise is that a
14 consumer typically is going to respond regardless of
15 their location.

16 Now, there is one category of industry in
17 which that premise, you know, can't hold, you know,
18 true, and that's retailers. So if you're a retailer
19 that sells winter clothing, you may not have customers
20 in Florida responding the same way as customers in
21 Maine.

22 But for the Postal Service, we know very
23 clearly that a consumer representing that category of
24 consumers in Maine is going to react the same way as a
25 customer in Arizona, or the customer in Hawaii; that

1 their use of mail, their use of mail as a sender and
2 their use of mail as a receiver is really tied to the
3 home life. And how mail comes into the home, and how
4 it helps a consumer in doing home jobs: in managing
5 their finances, in buying, in taking care of their
6 relationships with their insurance company or their
7 cell phone company.

8 For consumers, the mail that comes into our
9 home and the mail that we send out, there are
10 consumers around the country that are representative
11 of me.

12 So when we did the consumer research, there
13 was a consumer in the sample frame who, if you looked
14 at that consumer and the characteristics, and you
15 looked at my personal demographics, you would be able
16 to say with that particular customer, it's possible
17 that the interview that was held with that consumer in
18 California would represent my behavior, my response to
19 five-day delivery, even though I live in, in Bethesda.

20 And so the basic premise of quantitative
21 research with a sample is customer represents other
22 customers who are equivalent to them around the
23 country. And we have never seen that there basically
24 is any issue around the, the location of residence of
25 a consumer.

1 So we're very, very comfortable that, when
2 we do this type of consumer research, is that, while
3 we didn't speak to anyone in Hawaii, there were people
4 in the survey who were representing very, very
5 adequately in terms of their demographics,
6 representing that potential consumer in Hawaii.

7 CHAIRMAN GOLDWAY: Have you done surveys
8 that included Hawaii and Alaska in the past, so you
9 can affirm that?

10 THE WITNESS: To be honest with you, I can't
11 say for certain. Because typically when we do
12 consumer research, we will establish the need for one
13 of our suppliers to do a representative sample of
14 American households. And they select a particular
15 supplier.

16 I do know that ORC, in their consumer
17 research, they only include consumers in the
18 continental U.S. I can't say for certain that if
19 another supplier used another source of the
20 representative sample for America, that they could or
21 could not include Hawaii and Alaska.

22 The general understanding, though, is the
23 reason that witness, Elmore-Yalch, testified to, my
24 basic understanding is most companies who provide the
25 source files for consumer research do not include

1 respondents from Hawaii and Alaska, for the reason
2 that she described.

3 COMMISSIONER LANGLEY: Okay. Let me ask,
4 this is the United States Postal Service, which is a
5 government agency. Do you believe that there is
6 representative sampling within the continental United
7 States that adequately represents somebody in Hawaii
8 who receives mail on a different performance level, or
9 performance standard, measurement standard, than the
10 other states?

11 There is a longer length of time in which
12 mail can be delivered to Hawaii. There are unique
13 attributes of both Hawaii and Alaska. And while I
14 understand that ORC's Caravan Program does not take
15 into account non-contiguous areas, I am suggesting
16 that it might behoove the Postal Service to pay more
17 attention to the needs of those individuals.

18 But I do appreciate, you know, the, the more
19 academic response. And I do understand it. But
20 because of the time and because my colleagues, I'm
21 sure, have questions, I do have a couple more
22 questions.

23 I know that you are an experienced marketing
24 executive; you're a member of the five-day review
25 team. Was there any discussion of leveraging the

1 Postal Service's competitive advantage of six-day-a-
2 week delivery and its monopoly over the mailbox, to
3 expand service rather than contract service?

4 THE WITNESS: In specific to the
5 implementation of the task force team, no. I do know,
6 from my own personal experience, that, you know, over
7 the years, that that question has come up. And, you
8 know, you could analyze that from a variety of
9 different sort of perspectives, and have a different
10 way to react to that.

11 But in terms of where we are today and how
12 we got to where we are today, you know, we did not
13 consider, you know, an alternative of going to seven
14 days whatsoever.

15 COMMISSIONER LANGLEY: So the only approach,
16 really, was eliminating a day of service.

17 THE WITNESS: For the purpose of the
18 implementation team, you know, we were asked by senior
19 management to just explore the implementation of five-
20 day.

21 COMMISSIONER LANGLEY: I have one final
22 question, if you will allow that.

23 CHAIRMAN GOLDWAY: By all means.

24 COMMISSIONER LANGLEY: During our field
25 hearings we heard that many customers prefer to

1 receive their packages on Saturday because they're
2 home. But the ORC surveys did not include any
3 questions about package services or parcel select,
4 which thus eliminated the review of these products
5 from the volume estimates.

6 Do you know why this decision was made?

7 THE WITNESS: Well, I think there's two, I
8 think you're asking two questions, which is the issue
9 of Saturday delivery for consumers. In our
10 qualitative research, yes, we know that Saturday, you
11 know, can be very attractive for consumers to receive
12 just not packages, accountable mail. But they also
13 told us that as long as we kept post offices open on
14 Saturday, where they could come down to pick up that
15 package that we had attempted delivery on Thursday,
16 that that was an alternative that most of them said
17 that if we eliminated Saturday delivery, as long as we
18 kept post offices open on Saturday, that that would be
19 a reasonable way for us to provide that level of
20 service.

21 In context of the quantitative research, the
22 reason why, you know, you saw what we saw in terms of
23 not being able to report, because the volume
24 estimates, customers who basically are sending parcel
25 select from incident standpoint is so small, and the

1 volume is so small, that it just, we just didn't
2 capture customers, you know, who were using parcel
3 select and could report out, then, what would be their
4 impact.

5 COMMISSIONER LANGLEY: Thank you.

6 CHAIRMAN GOLDWAY: Commissioner Blair.

7 COMMISSIONER BLAIR: Thank you, Madame
8 Chair. Just for clarification for my purposes, can
9 you tell me what your division of duties between what
10 you were doing with regards to the assessments that
11 you testified about, and what witness Elmore-Yalch's
12 responsibilities were?

13 THE WITNESS: Yes. I manage the entire
14 market research function for the Postal Service. So
15 my job is when I get requirements from internal
16 customers to do research. So in effect, for this
17 purpose is my internal customer was the five-day
18 implementation team. My job was to manage a research
19 assignment that would allow us, you know, as we both
20 testified to, to, in effect, assess the impact of
21 five-day delivery on our customers.

22 ORC is our supplier. So ORC's, you know,
23 responsibility was, was to functionally execute the
24 research assignment for us. So their job was to
25 basically manage the execution of the qualitative

1 research, setting up the focus groups, recruiting the
2 focus groups, moderating the focus groups, then
3 providing us their assessment of the insights from the
4 focus groups, and also for what we call the in-depth
5 interviews.

6 They also were responsible for executing the
7 quantitative study, and similar requirements, which
8 was then developing the sampling plan, developing the
9 questionnaire, executing then the survey of customers,
10 which, you know, basically was, depending upon the
11 source, either a telephone interview or an on-line
12 survey, data-processing the results, tabulating the
13 results, and then providing us at the segment and what
14 we call the application of product levels, providing
15 us the estimate of change on volume of the
16 respondents. And, as you may recall from my
17 testimony, was first class mail down to, you know,
18 parcel post.

19 So that was, their responsibility basically
20 was to execute the research assignment. My job was to
21 manage the execution of the research assignment for my
22 internal clients, directing ORC to do the work.

23 COMMISSIONER BLAIR: And you said that this
24 was part of the implementation team?

25 THE WITNESS: The five-day implementation

1 teams. Witness Proconols, you know, you know, is the
2 head of that implementation team.

3 COMMISSIONER BLAIR: So correct me if I'm
4 wrong, but if this is part of the implementation team,
5 the decision and the research that was conducted was
6 done after the decision to go to five-day delivery was
7 made.

8 THE WITNESS: No. When I say implementation
9 team, back in March of 2008, when the team was
10 established, our responsibility was to assess the
11 implementation of five-day delivery, and come back to
12 management, you know, with a recommendation of whether
13 we should then implement.

14 I used the word "implementation team" just
15 in context of, our job was to assess whether we should
16 proceed forward. And so when we were doing the
17 research, it was research to support then an
18 evaluation of whether, you know, to then move forward,
19 implementing five-day delivery.

20 COMMISSIONER LANGLEY: So at that time, all
21 options were still on the table?

22 THE WITNESS: The options were basically,
23 from a research standpoint, was to assess and evaluate
24 five-day delivery. The decision in terms of how the
25 research would be used in making the decision would be

1 then a corporate management decision. It was not, it
2 was not a decision that, as the manager of research, I
3 came back and said we should implement. I came back
4 and provided the results of the research that then was
5 used as part of the management process to then make a
6 final determination of whether to proceed or not
7 proceed.

8 COMMISSIONER BLAIR: But as part of this
9 team, though, you were tasked with looking at five-day
10 delivery, as opposed to other options on the table.

11 THE WITNESS: Just five-day delivery.

12 COMMISSIONER BLAIR: Okay. Thank you very
13 much.y

14 CHAIRMAN GOLDWAY: Commissioner Acton.

15 COMMISSIONER ACTON: Thank you, Mr.
16 Whiteman, for your testimony today. I have no
17 questions, Madame Chairman.

18 CHAIRMAN GOLDWAY: Commissioner Hammond.

19 COMMISSIONER HAMMOND: Thank you, Madame
20 Chairman. And thank you for being here, Mr. Whiteman.
21 I am not really sure that this is a question or
22 anything, but, and I don't want to harp on it forever.
23 But I don't buy your argument that people in Yukon,
24 Alaska, have the same mailing habits as people in
25 Bethesda, Maryland. I mean, they live on a frozen

1 river much of the year, you know? We're above the
2 Arctic Circle at times. I've been on those bypass
3 planes at the request of people that care about mail
4 service, as Commissioner Goldway, or when she was
5 Commissioner Goldway, was, also.

6 We were up there. And I just don't buy
7 that, you know. Those people rely on the mail service
8 for different purposes than the rest of us do. I
9 mean, I would think that you would -- and I can
10 imagine that there are areas of Hawaii which
11 Commissioner Langley could mention which would be in
12 the same manner.

13 So I would urge you all to reconsider that.
14 And thank you for being here, again.

15 CHAIRMAN GOLDWAY: And I would note that
16 witness Elmore-Yalch pointed out that the federal
17 agency that she works with in Transportation, the
18 Federal Highway Administration, requires a survey that
19 includes Alaska and Hawaii. And this is a federal
20 agency, as well.

21 THE WITNESS: I do know, and I can't cite
22 the actual figure, but I do know that when they
23 constructed that research, which in effect was a
24 customized study designed purely for that one, the one
25 time, that the expense of that customized design study

1 was very, very extraordinarily high. Because of all
2 the requirements that they had to build into their,
3 you know, their whole execution plan of action.

4 So there is a, you know, there is a very
5 serious consequence of not, you know, I'm not taking
6 exceptions to your point of view. But from a research
7 design standpoint, there is a very, very major
8 consequence of that type of design.

9 CHAIRMAN GOLDWAY: I have just one more
10 approach. And I asked Mr. Corbett this, as well.

11 Have you had an opportunity to look at any
12 of the testimony that has been presented to us in the
13 field hearings that we've had?

14 THE WITNESS: No, I haven't.

15 CHAIRMAN GOLDWAY: Because our field
16 hearings, while they're not focus groups, they kind of
17 are like focus groups, in that we go around to
18 different regions of the country, and we ask people
19 who know about the mail to give us their opinions.

20 And unlike the one newspaper comment that
21 you got in your focus group, we've gotten a half a
22 dozen. All of whom say that they're not just thinking
23 about hiring a private delivery service for Saturday;
24 but that by going to Saturday, they will then consider
25 hiring private delivery for all seven days of the

1 week. And then try and get all of the standard mail
2 advertising that's now going through the mail to go
3 through their system.

4 So that's a significant threat to volume
5 that I didn't see captured in any of the research that
6 you did.

7 THE WITNESS: On that one, I would caution,
8 you know, a great deal of sort of focus on that issue.
9 There have been attempts over the years for private
10 companies to offer budget delivery service. In the
11 nineties there were two national companies who
12 competed in the marketplace with the Postal Service.
13 And the quality of service was a very difficult one
14 for these companies to maintain. And both companies
15 basically folded operations --

16 CHAIRMAN GOLDWAY: Yes, I understand, I
17 understand that. But nevertheless, it's 2010. And
18 just like the Postal Service has a different volume
19 mix than it had in the nineties, this could be
20 different.

21 And are you aware that the Major Mailers
22 Association, the group that handles all the remittance
23 mail, testified and advocated against Saturday
24 delivery? Saying that there are many customers who
25 write their checks, and drop their checks in the mail

1 on Saturday itself? And that there would be volume
2 losses? Did you capture any of that in the research
3 that you did?

4 THE WITNESS: We definitely captured that in
5 our qualitative research with consumers. And that
6 was, that was a, you know, a large part of the
7 conversation that ensued in the groups.

8 And basically, you know, we know that
9 consumers really fall into three groups as it relates
10 to how they pay their bills. One third of consumers
11 pay their bills the day that they receive them.
12 Another third basically pay their bills when they get
13 paid. So if someone is being paid weekly by a
14 company, they tend to pay --

15 CHAIRMAN GOLDWAY: Like on a Friday, then
16 they pay their bill on Saturday.

17 THE WITNESS: If they're paid biweekly or
18 monthly, then they'll pay biweekly, or they'll pay
19 monthly.

20 And then a third of the consumers will pay
21 their bill based upon the due date of the bill. So
22 they're managing float as close as possible, so that
23 they don't write the check, or they don't go on line
24 to make the payment, until the absolute end of it. So
25 they're trying to retain their funds.

1 So what we found with consumers is,
2 depending upon how consumers pay their bills, that the
3 issue of Saturday, you know, for a good percent of
4 them, was not really an issue. Because they weren't
5 paying necessarily on a Saturday.

6 A third were paying, if they got a bill on
7 Monday, they were writing a check that night, on
8 Monday. If they got a bill on Wednesday, they were
9 paying the bill on Wednesday. That then when people
10 were paying by the due date, they were doing the same
11 thing, is they were paying, you know --

12 CHAIRMAN GOLDWAY: But a third of the
13 mailers pay more likely around a Friday or Saturday,
14 because they get paid on a Friday or Saturday.

15 THE WITNESS: And what they told us was
16 that, you know, since they have, you know, a
17 reasonable length of time to make the payment, and
18 they're not financially distressed, they just feel
19 very comfortable to know that I have funds in my bank
20 account to write the check. Even those, they said in
21 many cases you know, I can mail the payment --

22 CHAIRMAN GOLDWAY: So your research is
23 different from the Major Mailers Association research,
24 which told us that that was a significant concern of
25 theirs with their mailers.

1 THE WITNESS: If that's what they testified
2 to, then I would say, from my research, is, with
3 consumers, you know, we did not really identify that
4 paying bills in a five-day context was going to be a
5 major problem.

6 Would they have to change, some of them have
7 to change their weekly or daily practice? Yes, some
8 will. But what they told us was that that change was
9 not going to be a crucial one for them.

10 CHAIRMAN GOLDWAY: Are there other questions
11 from the participants? Yes?

12 MR. STOVER: Thank you, Madame Chairman.
13 One minor question, suggested by something which
14 Commissioner Hammond said. David Stover, I'm sorry,
15 for the Greeting Card Association.

16 BY MR. STOVER:

17 Q Mr. Whiteman, would you accept that -- this
18 is outside the context of your market studies for this
19 case. Would you accept that there could be such a
20 thing as a, as dependence on the mails, which could
21 vary substantially between one household and another?
22 Do you think that that's a concept that could be given
23 some kind of content, if you asked family A how much
24 do you depend on the mails, and family B, how much do
25 you depend on the mail, you might get two very

1 different answers?

2 A And I agree with you. And we know that from
3 other research that we've done.

4 Q Okay. So the concept does have some meaning
5 for you.

6 A Yes.

7 Q Now, you did a lot of work to measure the
8 volume effect of the five-day service proposal. And
9 you got some answers which, whether they're
10 mathematically respectable or not, seem to you to
11 predict with some accuracy the volume effect.

12 My question is, do you believe that there is
13 any degree of correlation between the volume, either
14 originating or destinating, for a particular
15 household, and that household's dependence on the
16 mails?

17 A Could you repeat that? Because I want to
18 make sure I understand.

19 Q Okay. I want to find out whether it's your
20 view, if you have one that you're satisfied with, is
21 it your view that there is or is not a correlation
22 between the volume of mail, which either is originated
23 by or destimates with a particular household, and that
24 household's degree of dependence on the mail?

25 A No. And for one particular reason, and

1 there's others. But the major reason would be, you
2 could have a low-income household that depends on the
3 mail. But because it's low-income, it's going to be a
4 low-volume household. And then you could have an
5 upper-income household that receives a lot of mail
6 today; but because they also, you know, potentially
7 are using the internet for more communications, feel
8 less dependent upon the mail.

9 So the issue of dependency reflects, you
10 know, basically how households basically use
11 alternative ways of communicating and shipping. But
12 that doesn't mean that there is a direct correlation
13 between their dependence and their mail volume.

14 MR. STOVER: Thank you. Thank you, Madame
15 Chairman.

16 CHAIRMAN GOLDWAY: You're welcome. Any
17 other questions?

18 MR. ANDERSON: Madame Chairman, I have three
19 questions I think are quite brief, and needn't detain
20 us for long.

21 BY MR. ANDERSON:

22 Q Mr. Whiteman, if you'd look at page 1 of
23 your testimony. On the executive summary, lines 13
24 and 14, you're describing the qualitative research, or
25 the types of research you did. And I'm focusing on

1 the phrase there, "personal in-depth interviews with
2 larger organizations."

3 Personal in-depth interviews with larger
4 organizations. That strikes me as an oxymoron. Would
5 you agree?

6 A What this meant was we had, we had an
7 individual who calls another individual in a company.

8 Q Okay. But I, you disagree, I understand.
9 Secondly, this is my second question. I only have
10 three. Secondly, is it possible that the, the Postal
11 Service five-day implementation team is living in a
12 parallel universe, with its own separate reality from
13 the rest of us?

14 A I wouldn't even want to respond to that.

15 Q Okay. And my third question is, and maybe I
16 should have directed this to Ms. Elmore-Yalch. Do you
17 know whether Elvis still has relatives living in
18 Tupelo?

19 MR. HOLLIES: Objection to the question.

20 MR. ANDERSON: I withdraw the question.

21 CHAIRMAN GOLDWAY: All right. Any other
22 questions? Would you like some time with your
23 witness? How much time do you think you'll need?

24 MR. HOLLIES: Ten minutes, please.

25 CHAIRMAN GOLDWAY: Okay. We'll adjourn for

1 10 minutes, and be back here. Thank you.

2 (Whereupon, a short recess was taken.)

3 CHAIRMAN GOLDWAY: We'll reconvene now.

4 Counsel for the Postal Service, do you have questions
5 for your witness?

6 MR. HOLLIES: I do not have any redirect.

7 CHAIRMAN GOLDWAY: That's good. So that
8 means that we have completed today's hearing schedule.
9 Thank you, Mr. Whiteman, for your testimony, and for
10 your patience with all the questions that were asked
11 of you. We appreciate the contributions you've made
12 to our record, and I'm pleased to say that you are
13 excused.

14 (Witness excused.)

15 CHAIRMAN GOLDWAY: And we will reconvene
16 tomorrow morning at 9:30 a.m. Thank you very much.

17 (Whereupon, at 3:14 p.m., the hearing in the
18 above-entitled matter was adjourned, to reconvene at
19 9:30 a.m. the following day, Thursday, July 22, 2010.)

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REPORTER'S CERTIFICATE

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7/21/10

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I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes or digital recording reported by me at the hearing in the above case before the Postal Regulatory Commission.

Date:

7/21/10



Official Reporter
Heritage Reporting Corporation
Suite 600
1220 L Street, N.W.
Washington, D.C. 20005-4018