

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

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

Docket No. N2010-1

REVISED INTERROGATORIES AND REQUEST FOR DOCUMENTS
DIRECTED BY THE UNITED STATES POSTAL SERVICE TO
NATIONAL ASSOCIATION OF LETTER CARRIERS
WITNESS MICHAEL CREW
(USPS/NALC-T4-7 THROUGH T4-32)
(August 17, 2010)
[ERRATA]

The United States Postal Service hereby directs the following revised interrogatories and requests for the production of documents to National Association of Letter Carriers witness Michael Crew: (NALC-T-4): USPS/PR-T4-7 through T4-32. The revised interrogatories supersede the interrogatories originally bearing the same numerical designations that were directed by the Postal Service to Dr. Crew on August 13, 2010.

The revised interrogatories filed today reflect material changes in many questions originally filed on August 13, plus some minor clarifying changes in wording and the correction of typographical errors. Although not all of the interrogatories (or subparts thereof) in the set filed on August 13 have been revised, the Postal Service harbors no expectation that NALC is obliged to file responses to any of the questions in USPS/NALC-T4-7 through T4-32 before August 31, 2010.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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August 17, 2010

USPS Interrogatories to NALC witness Crew

USPS/NALC-T4-7.

Please refer to page 2 of your testimony, the first full paragraph, wherein you state that elimination of Saturday delivery “may cause a far more significant drop in mail volume than the Postal Service projects”. Aside from any documents filed by the Postal Service in this docket, please provide copies of all data, analyses, market research studies and other documents, upon which this conclusion is based.

USPS/NALC-T4-8.

Please refer to page 2, the second full paragraph of your testimony wherein you state that “by ending Saturday delivery, the Postal Service would be abandoning a valuable part of its enterprise, giving existing or future private sector competitors the opportunity to fill the gap in service.” Have you conducted any primary or secondary research or analyses with or about existing competitors to determine their reaction to the proposed change? If your answer is affirmative, please provide copies of all such research or analyses.

USPS/NALC-T4-9.

- (a) Have you conducted, managed, directed or reviewed any economic or market studies of the change in volumes of foreign postal administrations that have eliminated Saturday delivery since 1960? If your answer is affirmative, please provide copies of all such studies.
- (b) Have you performed any analyses, economic or otherwise, of the change in volumes of foreign postal administrations that have eliminated Saturday delivery since 1960? If your answer is affirmative, please provide copies of all such analyses.
- (c) If your answers to subparts (a) or (b) are negative, are you aware that several foreign postal administrations have eliminated Saturday delivery since 1960? If so, please identify the posts that, to your knowledge, have eliminated Saturday delivery and state your understanding of the change in volume they experienced in the first year after eliminating Saturday delivery.

USPS/NALC-T4-10.

Please refer to page 2, last paragraph of your testimony, wherein you state that implementation of five-day delivery “would likely be irreversible.” Please provide and explain the basis for this statement and provide all data, documents, analyses and economic and market studies you have prepared or reviewed to support this statement.

USPS/NALC-T4-11.

Please refer to page 3 of your testimony, top line, heading, wherein you state that ending Saturday delivery may cause a greater drop in mail volume than the Postal Service anticipates. Have you performed any analyses of economic or market studies to reach this conclusion? If yes, please provide a copy of all documents that you reviewed together with any that support your claim.

USPS Interrogatories to NALC witness Crew

USPS/NALC-T4-12.

Please refer to page 2, the last line of your testimony, wherein you state: “it is my opinion that rather than cutting services, the Postal Service should make its services more accessible and attractive to its customers.”

- (a) Please provide copies of all data, studies, analyses or other documents that you created, reviewed or used to reach this opinion?
- (b) Have you performed any analyses or estimates of the amount of net revenue the Postal Service would realize if it were to do what you suggest?
- (c) If your answer to subpart (b) is affirmative, please provide copies of documents reflecting such analyses or estimates.
- (d) What is your estimate of the costs required to “make . . . services more accessible and attractive to customers.” Please break them out by cost segment and component.

USPS/NALC-T4-13.

Please refer to page 3 of your testimony, first line, where in you state that “There is no question that ending Saturday delivery will cause a drop in mail volume.” Is it your conclusion that every postal product will realize a loss of volume due to the elimination of Saturday delivery to street addresses? If your answer is affirmative, please provide copies of all analyses of economic or market studies that you used or relied on to reach this conclusion. If your answer is negative, what products do you conclude will realize an increase in volume and explain in detail the bases for your conclusion? Provide copies of documents reflecting all analyses of economic or market studies that you used or relied on to support your conclusion.

USPS/NALC-T4-14.

On page 7 of your testimony you assert that the Postal Service should have undertaken an econometric analysis of the effect on mail volumes of eliminating Saturday delivery.

- (a) Has NALC or any party in this docket asked you to perform such an econometric analysis? If your answer is affirmative, please identify that party.
- (b) Have you conducted an econometric analysis of the Postal Service’s proposal to eliminate Saturday delivery? If your answer is affirmative, please provide a copy of documents reflecting that econometric analysis. If your answer is negative, please explain why you did not perform such an analysis?
- (c) Please provide copies of any publication or peer-reviewed paper that embodies any econometric study that you performed personally.

USPS Interrogatories to NALC witness Crew

USPS/NALC-T4-15.

Please refer to page 4, second paragraph of your testimony, wherein you state: ORC's [market research] may be subject to significant biases." Please provide specific instances of biases in the ORC market research and provide all documents, data and references you used or relied on to support this statement, aside from any noted in the footnote on that page.

USPS/NALC-T4-16.

- (a) Do you agree that businesses, government agencies and postal administrations routinely use market research studies, to the exclusion of econometric analyses, to forecast the demand for new products and services and/or to determine impact of changes in service on demand? If you agree, please provide the circumstances under which businesses, government agency or postal administrations rely on such studies to forecast demand and provide examples of businesses, government and postal administrations that have used such studies to make such forecasts.
- (b) If you disagree, please provide citations to economic literature discussing or approving the use of econometric analyses exclusively or in conjunction with market research to forecast demand.
- (c) If you do not agree with the proposition in subpart (a), is it your opinion that businesses, government agencies and postal administrations should never rely on such studies to forecast demand. If so, explain in detail the reasons for your opinion. Please provide all documents, analyses and documents that form the basis for your disagreement.

USPS/NALC-T4-17.

On page 7 of your testimony you state:

"However, by estimating the value of a reduction in service quality for various customer segments and products, it is possible to estimate how a quality reduction would impact demand."

Do you agree that quantified value estimates can be obtained by conducting a market research study to indicate the importance of six-day delivery relative to other aspects of service quality? If your answer is negative, please explain in detail the reasons why you do not agree and provide all documents, analyses and documents that form the bases for your conclusion.

USPS/NALC-T4-18.

Is it your "experience" that respondents participating in quantitative market research studies that seek to forecast the demand for new products and services and/or to determine impact of changes in service on demand:

- (a) Tend to overstate their actual usage or purchase of a new product or service or the impact of changes in service on demand?
- (b) Tend to understate their actual usage or purchase of a new product or service or the impact of changes in service on demand?

USPS Interrogatories to NALC witness Crew

USPS/NALC-T4-18 (continued)

- (c) Please explain in detail the reasons why you believe that respondents tend to overstate or understate.
- (d) What techniques and methodologies have you used to account for the overstatement or understatement of usage or intent to purchase?
- (e) If your response to subpart (d) is that you have not used any such technique or methodology to account for either an overstatement or understatement, do you have knowledge of any such techniques or methodologies? If your answer is affirmative, please explain in detail those techniques or methodologies and provide all data, documents, articles or other materials you refer to or rely on to form the bases for your conclusion.

USPS/NALC-T4-19.

Please refer to your testimony on page 3, first paragraph, where you state: "Frequency of delivery is one of a number of attributes that constitute the quality of a mail service."

- (a) What other attributes are constituents of quality of mail service?
- (b) Where does frequency of delivery rank relative to these other attributes?
- (c) Have you conducted any research or analyses of the attributes that constitute the quality of mail service? If your answer is affirmative, please provide copies of all such research or analyses.
- (d) Please provide examples from economic literature that examine the relative value of constituent elements that bear upon some product's service quality.
- (e) Please provide examples from economic literature that quantify the relative value of respective components of service quality for a particular product.

USPS/NALC-T4-20.

Please refer to page 3, first paragraph of your testimony, wherein you state: "Reducing frequency, therefore, represents a reduction in quality."

- (a) Have you calculated how much of a reduction in quality will occur, if Saturday delivery to street addresses is eliminated?
- (b) If your answer to subpart (a) is affirmative, what is the result? Please provide the calculations and all data, documents and studies that you use or rely on to perform those calculations.
- (c) Have you calculated how much of a reduction in relative value of respective components of service quality will occur, if Saturday delivery to street addresses is eliminated?
- (d) If your answer to subpart (c) is affirmative, what is the result? Please provide the calculations and all data, documents and studies that you use or rely on to perform those calculations.

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USPS/NALC-T4-21.

Please refer to page 3, second paragraph of your testimony, wherein you state: "For example, local retailers, who time their advertising mail to reach customers' mailboxes on Saturday, would likely seek alternative means of advertising."

- (a) Please explain in detail and provide the basis of your statement that advertisers would "likely" seek alternative means of advertising.
- (b) Have you conducted any research or analyses with or about advertisers to determine their reaction to the proposed change? If your answer is affirmative, please provide copies of all such research or analyses.
- (c) How likely are such retailers to seek alternative means of advertising as compared with any other options they may have?

USPS/NALC-T4-22.

Please refer to page 3 of your testimony, top paragraph, wherein you state: "Generally, when the quality of a product or service falls, everything else remaining equal, demand for that product or service falls too."

- (a) Have you calculated how much demand for mail will decrease, if Saturday delivery to street addresses is eliminated?
- (b) If your answer to subpart (a) is affirmative, what is the amount by which such demand will fall? Please provide the calculations and all data, documents and studies that you used or relied on to perform those calculations.
- (c) What other factors could drive a drop in demand?

USPS/NALC-T4-23.

Please refer to page 4, second paragraph of your testimony, where you open with the claim that responses to hypothetical questions are inherently unreliable, then state: "This is particularly the case since the individuals surveyed may not have fully understood how the reduction in delivery frequency would impact them or their organizations or mail recipients."

- (a) Please explain in detail why you believe that respondents in the market research failed to understand how the reduction in delivery frequency would impact them.
- (b) Please provide all documents, data, references or other facts you used or relied to support your response to subpart (a).

USPS/NALC-T4-24.

Please refer to page 4, second paragraph of your testimony, wherein you state: "This is particularly the case since the individuals surveyed may not have fully understood how the reduction in delivery frequency would impact them or their organizations or mail recipients."

- (a) Please provide the basis for this statement and explain in detail why you believe that respondents to the market research may have not fully understood how the elimination of Saturday delivery would affect them.
- (b) Please provide all documents, data and references you used or relied on making this statement and providing an answer to subpart (a).

USPS Interrogatories to NALC witness Crew

USPS/NALC-T4-25.

Please refer to page 4, second paragraph of your testimony, wherein you state: "In addition, unless they had studied the matter they would be unable to estimate the impact accurately."

- (a) Please describe what study would be necessary for a respondent to provide an accurate estimate.
- (b) Please cite to and describe your understanding of how respondents were informed about:
 - (1) their own businesses; and
 - (2) five-day delivery.
- (c) What specific additional study would have been sufficient for respondents to provide accurate survey responses?
- (d) Please provide all documents, data and references you used or relied on making this statement and providing an answer to subpart (a).

USPS/NALC-T4-26.

Do you agree that most Americans would adapt to elimination of Saturday street delivery, if it helps the Postal Service regain its financial stability? If you disagree, please explain in detail what you believe and provide all documents, data and references you used or relied on to support your response.

USPS/NALC-T4-27.

- (a) Do you agree that measuring percentage change in use is a common approach utilized in quantitative market research studies because, in part, it minimizes the impact of extraneous and uncontrollable events? If you disagree, please explain in detail what you believe and provide all documents, data and references you used or relied on to answer this interrogatory.
- (b) Do you recognize any strengths of survey market research as a tool for measuring the impact of a change upon respondents? If so, explain what such strengths may be, why market research is often used, and when it should and should not be used.

USPS/NALC-T4-28.

Please refer to page 6, second paragraph of your testimony, wherein you state that "As far as I can recall, ..." Did you do perform any review of the literature about market research in support of this statement? If yes, please provide all documents, data and references you used or relied on to formulate this statement.

USPS Interrogatories to NALC witness Crew

USPS/NALC-T4-29.

- (a) Do you agree that the research conducted by ORC examines a range between two points - Likelihood of no change and likelihood of change? If you disagree, please explain in detail what you believe and provide all documents, data and references you use or rely on to answer this interrogatory.
- (b) Given a forthcoming change (five-day delivery), what is your best estimate of the impact of that change?

USPS/NALC-T4-30.

Please refer to page 8, first full paragraph of your testimony, wherein you state that: "Rather than having a net annual savings of \$3.1 billion, as the Postal Service projects, see USPS-T-2, at p.15, the annual savings would be close to \$2.5 billion."

- (a) Is it your opinion that \$2.5 billion would be a significant annual cost savings?
- (b) Is it your opinion that \$2.5 billion in annual cost savings would help the Postal Service regain financial stability?
- (c) If your response to either subpart (a) or (b) is negative, please explain in detail why and provide all documents, data and references relied upon to reach your opinions.

USPS/NALC-T4-31.

Have you conducted any primary or secondary research or analyses with or about alternative (non-postal) delivery service providers to determine:

- (a) the business opportunity they would have if the Postal Service were to eliminate Saturday delivery?
- (b) the operational, cost, or economic barriers to establishing alternative (non-postal) delivery of newspapers currently mailed to subscribers?

If your answer is affirmative, please provide copies of all such research or analyses.

USPS/NALC-T4-32.

Please explain in detail what are the "dynamics of the market" that you refer to on page 9, first full paragraph of your testimony. Please identify each pertinent dynamic and provide all documents, data and references you use or rely on to formulate your explanatory response.