

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Mail Processing Network :  
Rationalization Service : Docket No. N2012-1  
Changes, 2012 :

GREETING CARD ASSOCIATION INTERROGATORIES TO  
POSTAL SERVICE WITNESS WHITEMAN

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, the Greeting Card Association herewith submits interrogatories and requests for production of documents; specifically:

Interrogatories to Postal Service witness Whiteman:

GCA/USPS-T12-1 to -25

The term "documents" includes, without limitation, letters, telegrams, memoranda, reports, studies, articles from periodicals, speeches, testimonies, books, pamphlets, tabulations, and workpapers. In terms of format, "documents" includes written or printed records and disks, tapes, or other recorded media (together with such written material as is necessary to understand and use such disks, tapes, or other media). If necessary, an interrogatory may be redirected to another witness, or to the Postal Service, in the interest of a complete and accurate response.

February 24, 2012

Respectfully submitted,

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GCA/USPS-T12-1

On lines 12-16 of page 4 of your testimony, you note that many customers “perceive that First-Class Mail service performance takes longer than the current service standards (and longer than our actual service performance)” and that, accordingly, they did not perceive the service standard change as "significant."

(a) Was any effort made to correct these customers' misperception of the Postal Service's actual service performance? If your answer is not an unqualified "no," please provide references to all instances of such efforts in the research.

(b) If your answer to (a) is negative, please explain fully the reasons for allowing customers to proceed under their misperception of service performance.

GCA/USPS-T12-2

On page 5, lines 1-3 of your testimony you indicate survey results show that “most consumers and commercial organizations will accept the service standard changes if it is necessary to help the Postal Service regain its financial stability”.

(a) Did the ORC survey provide respondents with other alternatives to ending overnight delivery for stamped First-Class Mail (FCM) or raising rates that would *a/so* solve its financial problems?

(b) If you answer to a. is “No”, why did ORC not structure its survey questions in this way?

(c) If your answer to a. is “Yes”, what other alternatives than rate increases or ending overnight delivery did you present to respondents? Please provide references to the survey material showing the alternatives presented.

#### GCA/USPS-T12-3

On page 5 lines 16-19, you discuss perceptions of delivery times for consumers and small businesses in Alaska and Hawaii. Why should the perceptions of mail delivery from these states to the continental U.S. be any different than the perceptions of consumers and small businesses send coast to coast mail with the lower 48 states, given the distance comparisons?

#### GCA/USPS-T12-4

On page 6, lines 8 – 11, (and page 10, line 21 through page 11 line 6), you assert that consumers and small commercial organizations “have already begun” reducing their use of First-Class Mail “due, in part, to the recent economic downturn”.

(a) Please confirm that these groups *began* reducing their use of FCM well before the 2008-2009 recession, and have continued to reduce their use of Single-Piece First-Class Letter Mail (FCLM) since it ended at roughly the same annual rates of decline. If you do not confirm, please explain why.

(b) How does the proposition referred to above have any relevance to the issue of ending overnight delivery of stamped FCM or the issue of network “rationalization” in this case?

(c) When was this area of questioning made part of this ORC survey, and at whose suggestion, ORC’s or the Postal Service’s?

(d) (i) When was the answer to this question available to postal management, as either final or preliminary information? (ii) If your answer to (i) indicates that the answer was available in time, was the answer to this survey question a motivating factor in your November 7, 2011, notice to the Commission that you would continue with the exigent rate increase case on remand? Please fully explain either an affirmative or a negative answer to (ii).

(e) (i) Please confirm that at the time the survey was conducted the Postal Service already had a CPI cap increase filing in process and was in the process of deciding whether to continue the exigent case on remand. If you do not confirm, please explain your answer. (ii) If your answer to (i) is a confirmation or partial confirmation, please explain why the survey asked respondents about ending overnight delivery *versus* raising rates.

#### GCA/USPS-T12-5

On page 6, lines 12-13, you assert that the proposed service standard change “will not by itself be a tipping point for major diversion to the internet”.

(a) If not by itself, what proposed combinations of deficit reduction proposals in combination with this one would create such a “tipping point”?

(b) Did any survey results, public or non-public, identify what factors could be a tipping point?

(c) Did the survey attempt to identify what combination(s) of factors might serve as the tipping point? Please explain fully any negative answer.

GCA/USPS-T12-6

As with the five day delivery case, ORC and USPS ask respondents which they would prefer, a rate increase or the proposal, in this case ending overnight delivery for stamped mail. The Postal Service already has planned a rate increase in January, 2012, and it has asked the Commission for an exigent increase in revenue and rates, although no rate structure of this case in remand has to date been proposed by USPS. In addition, the Congress has talked about legislating a rate increase for the Postal Service.

(a) In light of the possible rate increases already scheduled or proposed before USPS filed this case, did ORC ask respondents if a rate increase on top of ending overnight delivery of stamped mail might be a “tipping point” of further accelerating diversion to the Internet? Please fully explain any negative answer.

(b) Did ORC ask respondents what set of deficit reduction proposals including ending overnight delivery might be a tipping point, apart from a rate increase? If not, why not?

GCA/USPS-T12-7

On page 6, lines 16-20, you discuss the reaction of large, bulk mailer customers to the proposed service changes.

(a) Before asking them their reaction, were they informed that under the proposal First-Class Mail (FCM) bulk mail entry could still be delivered overnight, albeit with changed daily deadlines for entry at the BMEU or related facility?

(b) Were credit card companies, utilities and others that send regular invoices to customers with an unstamped return envelope asked any survey ques-

tions about their loss of financial “spread” caused by the end of overnight delivery of stamped mail with a payment enclosed arriving later at their post office lock boxes? If so, please supply references to such questions in the research materials. If not, why not?

#### GCA/USPS-T12-8

On page 6, lines 21-22, you indicate that executives surveyed in the IDIs with National and Premier Account customers would favor ending overnight delivery of stamped mail, and possibly some bulk First-Class Letter Mail, if “that minimizes the need to raise prices.” If this proposal to save a net \$2.1 billion annually were adopted, does that mean that (i) the Postal Service would withdraw its exigent rate case, which appears designed to generate about the same level of deficit reduction (\$2.3 billion)? (ii) the Postal Service would oppose postal reform legislation which proposed a rate increase?

#### GCA/USPS-T12-9

On page 7, lines 1-13, you elaborate on the survey finding that: “Many felt that it is never good when an organization reduces service, especially if it also increases prices.”

(a) Were respondents allowed to answer a question of the form “How would you feel if the Postal Service reduces service and raises rates? If so, please supply references to the research materials. If not, why was no such question posed, since that is the actual context within which cutting overnight delivery is being posed?”

(b) Would you agree that the negative financial impact on the Postal Service of cutting overnight delivery and raising the price of a stamp to 50 cents is likely to be greater than estimating the financial impact of each change taken in isolation because of interaction effects, especially if it constitutes a tipping point situation? If your answer is negative, please explain fully.

(c) On line 13, what is the meaning of “discretionary mail”?

### GCA/USPS-T12-10

On page 8, line 5, you state that “Market research creates 100 percent awareness in the marketplace, a condition that *never exists in reality.*” (Emphasis added.)

(a) Please provide data, or your best estimate, on how many news reports were published in the first week alone since the December 5, 2011, release of the Postal Service proposal to end overnight delivery of FCM? Please provide your answer on the basis of all such materials known to you, including reports from the major national, regional, and local television and radio networks, all cable/satellite TV channels, all national, regional and local print media including news articles, editorials, op-eds and cartoons.

(b) (i) Did the Postal Service and/or ORC attempt to allow in advance for widespread publicity surrounding the public announcement of the proposal to end overnight delivery? (ii) Since the public announcement of the proposal, has the Postal Service and/or ORC re-evaluated the difference, if any, between the degree of awareness exhibited by the general public and that exhibited by respondents to the survey? If your answer is not an unqualified "no," please fully describe such re-evaluation and any conclusions reached.

(c) Assuming for purposes of the question that the general populace now has either 100% or a high degree of awareness of your proposal after the first week since it was released, please confirm that: (i) it would be analytically un-sound to assume that your respondents tended “to overstate their reactions”; and (ii) that as a result, your estimates of lost volume, revenue and contribution would be biased in the downward direction as a result of adjusting for overstatement of reactions.

GCA/USPS-T12-11

On page 9, lines 13-16, you state that “customers would not accept a significant price increase because it would not (by itself) ensure long term financial stability.” Were customers told beforehand and/or did they indicate in their answers that ending overnight delivery of FCM also would not by itself ensure long term financial stability? If your answer is affirmative in any degree, please provide references to the survey materials for such indications.

GCA/USPS-T12-12

In various places in your testimony such as page 9, lines 22 -23 through page 10, lines 1-4, you indicate that respondents said they could easily adapt to ending overnight delivery by e.g. mailing earlier than they do now and/or by switching to the Internet.

(a) Please provide the exact wording of all questions from qualitative or quantitative survey research which raised these issues or provide complete citations to same.



(b) What is the frequency of responses stating respondents' adaptation would consist mainly of continuing to use the mail as before, but adapting to the change?

(c) What is the frequency of responses stating adaptation would consist mainly of moving to the Internet?

(d) What is the frequency of responses stating adaptation would consist of adapting to the change in mail service and continuing to use the mail, but also using the Internet more than before the standards changes?

GCA/USPS-T12-13

Were you able to quantify what the impact of accelerated diversion would be as a result of the proposed service changes? If so, please provide the data.

GCA/USPS-T12-14

You note on page 11, lines 14-16, "key features" of First Class Mail important to most customers, but omit speed of delivery.

(a) Would you agree that the rapid diversion of First Class Mail to the Internet in recent years implies that speed is the key feature of written communications, for most customers? If you do not agree, please explain why.

(b) Would you agree that further slowing the delivery of hard copy First Class Mail will not help attract customers to the Postal Service's products? If you do not agree, please explain why.

(c) Would you agree that slowing the speed of delivery must be viewed as a loss of value to the customer? If not, please explain why.

GCA/USPS-T12-15

Please refer to your testimony at page 11, lines 17-22, where you discuss consumers' general lack of awareness of USPS service standards and their belief that mail takes longer than standards "or actual performance reflect" .

(a) Has the Postal Service investigated the possibility that in the week following the December 5, 2011, filing of the Postal Service's service standards changes proposal consumers across the nation became significantly more aware of the general issue of service performance, and, more specifically, of any disparity between actual service performance and their previous perception of it, than they were before December 5, 2011? If so, please describe fully the process and results of the investigation, and provide any documents setting forth, explaining, or evaluating them.

(b) Assuming for purposes of the question that consumers have gained the increased awareness described in (a), would it not be a logical conclusion from your reasoning (lines 17-19) that those consumers, ceteris paribus, would be less adaptable than you conclude from analysis of the survey results? Please explain fully either an affirmative or a negative answer.

GCA/USPS-T12-16

On page 13, lines 8-12, you state that opposition to a proposal from the survey research has to be "emotional" or "vocal" for it to indicate high importance to a respondent.

(a) Would you agree that there are other personality types in a survey or general population that could express opposition in a way that could not be characterized as vocal or emotional?

(b) If your answer in (a) is anything but an unqualified “yes”, please fully explain why opposition has to be emotional and vocal to indicate that the question is highly important to the respondent.

(c) If a small business owner expressed opposition couched in terms of quantified harm to his/her business, but not expressed "vocally" or "emotionally," would this answer be taken as indicating that the question was highly important to the respondent? Please explain either an affirmative or negative answer.

#### GCA/USPS-T12-17

On page 12 line 23 through page 13, line 3, you indicate respondents felt the Postal Service should improve “customer service to offset their loss in delivery service.”

(a) Did any respondents suggest that customer service could be improved by retaining Saturday delivery? Please provide references to any such responses.

(b) Would it be your understanding of improvement in customer service, as these respondents intended it, that preventing a situation in which a letter mailed on Thursday would not be delivered, even locally, until the following Monday (Tuesday in the case of a Monday-holiday week) would count as such an improvement? Please explain any negative answer.

GCA/USPS-T12-18

You state that several consumers and small businesses “expressed amazement at the ability of the Postal Service to deliver a letter dependably and safely across [the] country for \$0.44.” (Page 13, lines 13-14.) Would you agree that such respondents would be likely to find it equally amazing that a phone call or fax from coast to coast since telecommunications deregulation only costs pennies, and that an e-mail or text message coast to coast has zero marginal cost?

GCA/USPS-T12-19

Referring to your comments on page 13, lines 19-22, why would you conduct an interview with the “primary decision maker” for direct marketing in large organizations that focuses on service changes for First Class Mail and periodicals, as opposed for example to Standard letter ad mail?

GCA/USPS-T12-20

(a) Referring to page 14, lines 1-5, why do the opinions of “executives in larger commercial organizations” matter with respect to ending overnight delivery when in fact it is stamped mail and not bulk mail that is mainly affected?

(b) Were such executives informed before the questions that the proposal offers two new windows for delivering their bulk mail that will enable overnight delivery within that current service standard area?

(c) Referring to lines 12-13, you state executives “would be able to adapt to the proposed changes in the service standards.” Do you mean the changed

entry times for overnight delivery of bulk FCM, or (as in the case with single piece) the elimination of overnight delivery for some bulk mail? Please explain.

GCA/USPS-T12-21

On page 15, lines 4-6, you indicate “a few of the larger mailers also projected logistical problems if the nearest plant where they drop large volume mailings is closed.” However, seventeen IDI’s does not capture a very large sample of the number of national and premier accounts.

(a) For each proposed plant closing nationally, please estimate the number of national and premier accounts which would run into logistical problems for their large volume mailings in FCM based on your survey results for the seventeen respondents.

(c) For each proposed plant closing, please indicate the annual volume of all such accounts combined at each plant that would be impacted.

GCA/USPS-T12-22

On page 16, lines 1-4 you note that “[l]arger mailers generally perceive that service performance for First Class Mail takes longer than the current service standards; this helps explain their understanding that proposed changes are not major.”

(a) Are you referencing overnight, two day or three day standards, or some combination of the three standards?

(c) Is it the Postal Service's belief that Presort FCLM generally takes an extra day to deliver compared to FCLM which enters the postal network at upstream facilities?

(c) If your answer to (b) is "yes", please explain why the combination of one day extra for Presort mail that cannot meet the new service standard windows along with one extra day from the proposed service changes would not delay bulk mail delivery by two or more days?

GCA/USPS-T12-23

Please refer to your testimony at p. 17, lines 19 – 26.

(a) What Postal Service price increases are you referring to on line 23?

(b) Please confirm that your qualitative research gave respondents a choice between a service cut (overnight delivery) and a rate increase, while here you acknowledge the reality, which respondents and the public face, is that the Postal Service is doing both? If you do not confirm, please explain why.

(c) The Postal Service is both raising prices and cutting service, as you state on lines 22-24. Please explain why this real world situation did not form the basis of at least some question(s) asked respondents.

GCA/USPS-T12-24

Referencing your statement on page 18 that there exists a literature for adjusting to a "tendency for over-projecting results" –

(a) Please confirm that there are circumstances where the results are underestimated. If you do not confirm, please state your understanding of why such circumstances do not exist.

(b) Please reference the leading literature in the market research field and academia where survey results underestimate the population result.

GCA/USPS-T12-25

(a) If a proposal, by the Postal Service or another entity, for electronic “mail boxes” were highly successful, could it form the basis for putting scanned images of FCLM in the electronic mailboxes?

(b) Would the changes posed in (a) increase the speed of FCLM delivery, and if so by how much?

(c) Would the changes posed in (a) restore overnight (electronic) delivery for stamped mail?

(d) Would the changes posed in a. improve all current delivery standards for FCLM?