

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

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO
INTERROGATORIES OF DOUGLAS F. CARLSON
DFC/USPS-T12-1-9**

The United States Postal Service hereby provides the responses of witness Whiteman to the above-listed Carlson interrogatories, dated February 13, 2012. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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DFC/USPS-T12-1. Please refer to your testimony at page 3, lines 1–9.

- a. Please identify all time periods during 2010 and 2011 in which the Postal Service or its contractors conducted any market research — whether qualitative, quantitative, or otherwise, and whether already filed in this docket or not — relating wholly or partially to any considered, possible, proposed, or actual changes in service standards.
- b. Please provide all documents not already filed in this docket that relate to market research of any type that the Postal Service or its contractors conducted during 2010 or 2011 that was designed, at least in part, to provide insight into mailer or public reaction to any considered, possible, proposed, or actual change in service standards for First-Class Mail, to estimate volume, revenue, or contribution effects of any considered, possible, proposed, or actual changes in service standards, or otherwise to inform the Postal Service about possible or likely consequences of any considered, possible, proposed, or actual changes in service standards. This interrogatory specifically encompasses, and is not limited to, questions that the Postal Service asked mailers or other members of the public, materials relating to the conduct of focus groups, and results, conclusions, recommendations, and findings of any market research. This interrogatory also encompasses, and is not limited to, market research that only partially relates to changes in service standards.

RESPONSE:

- a. July through December 2011.
- b. As this question seems to anticipate, I can only respond in my role as a market research expert for the Postal Service. See the response to DFC/USPS-9.

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DFC/USPS-T12-2. Please refer to your testimony at page 4, lines 1–5. Please identify and provide all information available to you, including findings of market research of any type, that do not or may not support your statement that changes to service standards “would have a limited impact” on the “mailing behavior” and “use of the internet as an alternative to mail” of “most consumers and small commercial organizations.”

RESPONSE:

This question springs from a section of my testimony where I observe, based on the market research, that the proposed service standards changes would have a limited impact upon the mailing behavior of most consumers and small commercial organizations. However, the question’s breadth exceeds my capacity to respond since “all information available to [me]” could extend to all information in existence or on the web, and the further focus upon information “that may or may not” support the referenced statement does nothing meaningful to narrow the question. Without reference in the question to specific information or documents, I am unable to formulate a conclusion regarding the hypothetical this question presents.

See also, the response to DFC/USPS-T12-9.

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DFC/USPS-T12-3. Please refer to your testimony at page 4, lines 12–16. Please discuss whether, notwithstanding your findings described in lines 12–16, customers may actually notice slower First-Class Mail service if the Postal Service implements the changes proposed in this docket. Please provide all documents that support or undermine your conclusion.

RESPONSE:

My testimony offers general observations that lose no salience if a customer were to notice a change in overnight delivery performance. While I am aware of no market research or other documents indicating that customers either generally or specifically will notice, it is perfectly plausible that some will do so. This plausibility is based upon my knowledge and understanding rather than specific documents.

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DFC/USPS-T12-4. Please discuss, based on findings of all available market research of any type, whether mailers of all types and sizes likely would not support the changes in service standards proposed in this docket if these changes were not necessary for the Postal Service to regain its financial stability.

RESPONSE:

This question shares the weakness of breadth exhibited by DFC/USPS-T12-2 regarding the span of market research that might bear on the question. Yet the hypothetical it poses is possible to answer; however, I have not identified any documents or information that would specifically support an affirmative response. If the question is reduced to a form that asks: would mailers welcome the proposed service standards changes if tied to nothing else? I think, based on my general understanding of postal customers, the “all else being equal” answer might well be “no” since a decrease in service without explanation or understanding behind the change is unlikely to be welcomed.

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DFC/USPS-T12-5. Please refer to your testimony at page 7, lines 18–22. Please identify and provide all information available to you, including findings of market research of any type, that do not or may not support your statement that “the impact on volume, revenue and contribution from the changes in the service standards will be a reduction of 2.9 billion pieces or 1.7 percent of total volume, producing a loss in revenue of \$1.3 billion or two percent, and a loss in contribution of \$499 million or two percent, using FY2010 volume, revenue, and contribution data.”

RESPONSE:

My analysis is intended to support the conclusions in my testimony. Without reference to specific information or documents, I am not able to formulate a conclusion regarding the hypothetical this question presents.

See also, the response to DFC/USPS-T12-9.

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DFC/USPS-T12-6. Please refer to your testimony at page 7, lines 18–22. Please provide all volume, revenue, and contribution estimates that you, other Postal Service employees, or Postal Service contractors made at any time in 2010 or 2011 as a result of the market research that the Postal Service filed in this case, as a result of any market research that the Postal Service or its contractors conducted that was not filed in this case, or based on any other knowledge or information. This interrogatory applies to market research, knowledge, or information that relates wholly or partially to changes in service standards.

RESPONSE:

The cited section of my testimony states:

Overall, we conclude that the impact on volume, revenue and contribution from the changes in the service standards will be a reduction of 2.9 billion pieces or 1.7 percent of total volume, producing a loss in revenue of \$1.3 billion or two percent, and a loss in contribution of \$499 million or two percent, using FY2010 volume, revenue, and contribution data.

I am unaware of any alternative estimates that examine volume, revenue and contribution changes driven by the specific question examined in the market research the Postal Service relies upon in this docket: service standards changes intended to ensure the Postal Service's financial survival.

However, other market research was conducted by the Postal Service within the time period specified that examined changes driven by the sum of a broad series of changes that have been discussed publicly, including the potential of five-day delivery that was the subject of PRC Docket No. N2010-1. See the response to DFC/USPS-T12-9.

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DFC/USPS-T12-7. Please refer to your testimony at page 7, lines 18–22. Please provide all volume, revenue, and contribution estimates resulting from the combined effects of changes in service standards and any other service changes or reductions, initiatives, or internal or external factors that you, other Postal Service employees, or Postal Service contractors made at any time in 2010 or 2011 as a result of the market research that the Postal Service filed in this case, as a result of any market research that the Postal Service or its contractors conducted that was not filed in this case, or based on any other knowledge or information.

RESPONSE:

See the response to DFC/USPS-T12-9.

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DFC/USPS-T12-8. Please refer to your testimony at page 9, lines 13–16. Please provide any results from the market research that would explain whether customers would prefer a significant price increase to the changes in service standards if a significant price increase, along with other steps not including changes in service standards, would ensure long-term financial stability for the Postal Service.

RESPONSE:

We did not address this specific scenario.

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DFC/USPS-T12-9. Please provide all documents not already filed in this docket that relate to market research of any type that the Postal Service or its contractors conducted during 2010 or 2011 that was designed to (1) provide insight into mailer or public reaction to the combined effects of changes in service standards and any other service changes or reductions, initiatives, or internal or external factors, (2) estimate volume or revenue effects of changes in service standards combined with any other service change or reduction, initiative, or internal or external factor, or (3) otherwise inform the Postal Service about possible or likely consequences of the combined effects of changes in service standards and any other service change or reduction, initiative, or internal or external factor. This interrogatory specifically encompasses, and is not limited to, questions that the Postal Service asked mailers or other members of the public, materials relating to the conduct of focus groups, and results, conclusions, recommendations, and findings of any market research.

RESPONSE:

As various responses to other interrogatories in this set indicate, the Postal Service conducted another round of market research that addressed, at least in part, customer response to changes in service standards.

Documentation of that research will be filed in library references USPS-LR-N2012-1/70 and USPS-LR-N2012-1/NP14.

That research examined a much broader group of changes the Postal Service has examined as plausible responses to the financial challenges it faces. Indeed, the research framed its inquiry by starting with the financial challenge and identifying its sources and possible changes. As such, it encompassed declining mail volume, budget deficits past and expected in the near future, and the unsustainability of current service levels together with changes such as legislative action affecting prepayment of health and pension benefits, eliminating Saturday mail delivery to homes and businesses, closing many small Post Offices, shifting patterns of retail access to emphasize alternative locations and channels, and also service standards changes. That research thus assessed

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customer reaction to the sum of responses to its current situation that the Postal Service has considered.

In short order, the Postal Service plans to file two documents summarizing this research and its results. USPS-LR-N2012-1/70 will thus contain a chart summarizing the results in a form that is comparable to Chart 1 of my testimony, USPS-T-12, at 22. USPS-LR-N2012-1/NP14 will contain a file analogous to "Network Rationalization Volume Revenue Contribution Loss-FInal2.xls."¹

¹ Counsel informs me that the corrections to this file signaled in my responses in Presiding Officer's Information Request No. 2, questions 17-19, together with another set of correction affecting additional cells that I discovered when answering those questions, should soon be filed.