OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL REGULATORY COMMISSION

In the Matter of:	)	
	)	
MAIL PROCESSING NETWORK	)	Docket No. N2012-1
RATIONALIZATION SERVICE	)	
CHANGES, 2012	)	

VOLUME #3

Date: March 21, 2012

Place: Washington, D.C.

Pages: 437 through 895

HERITAGE REPORTING CORPORATION
Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888
contracts@hrccourtreporters.com

POSTAL REGULATORY COMMISSION

In the Matter of:	)	
	)	
MAIL PROCESSING NETWORK	)	Docket No. N2012-1
RATIONALIZATION SERVICE	)	
CHANGES, 2012	)	

Suite 200, Hearing Room
Postal Regulatory Commission
901 New York Avenue, N.W.
Washington, D.C.

Volume 3
Wednesday, March 21, 2012

The above-entitled matter came on for hearing pursuant to notice, at 9:33 a.m.

BEFORE:

HON. RUTH Y. GOLDWAY, CHAIRMAN
HON. NANCI E. LANGLEY, VICE CHAIRMAN
HON. MARK ACTON, COMMISSIONER
HON. ROBERT TAUB, COMMISSIONER

APPEARANCES:

On behalf of the United States Postal Service:

MICHAEL T. TIDWELL, Esquire
KENNETH N. HOLLIES, Esquire
United States Postal Service
475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-3083

On behalf of the Alliance of Nonprofit Mailers:

(No Appearance.)

APPEARANCES: (Cont'd.)

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

DARRYL J. ANDERSON, Esquire
JENNIFER L. WOOD, Esquire
O'Donnell, Schwartz & Anderson, P.C.
1300 L Street, N.W., Suite 1200
Washington, D.C. 20005-5236
(202) 898-1707

On behalf of Association for Postal Commerce:

(No Appearance.)

On behalf of Douglas F. Carlson:

(No Appearance.)

On behalf of Direct Marketing Association:

(No Appearance.)

On behalf of Financial Services Roundtable:

(No Appearance.)

On behalf of Greeting Card Association:

(No Appearance)

On behalf of Magazine Publishers of America, Inc.:

(No Appearance.)

On behalf of National Association of Letters Carriers, AFL-CIO (NALC):

PETER D. DeCHIARA, Esquire
Cohen, Weiss & Simon, LLP
330 West 42nd Street
New York, New York 10036
(212) 356-0216

APPEARANCES: (Cont'd.)

On behalf of National Association of Postmasters of the United States:

(No Appearance.)

On behalf of National Association of Presort Mailers:

(No Appearance.)

On behalf of National Newspaper Association (NNA):

(No Appearance.)

On behalf of the National Postal Mail Handlers Union (NPMHU):

(No Appearance.)

On behalf of the National Postal Policy Council:

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

On behalf of City of New Orleans:

(No Appearance.)

On behalf of Newspaper Association of America:

(No Appearance.)

On behalf of Pitney Bowes:

(No Appearance.)

APPEARANCES: (Cont'd.)

On behalf of David Popkin:

(No Appearance.)

On behalf of the Public Representative:

CHRISTOPHER J. LAVER, Esquire
Postal Regulatory Commission
Office of Consumer Advocate
901 New York Avenue, N.W., Suite 200
Washington, D.C. 20268-0001
(202) 789-6889

On behalf of Time, Inc.:

(No Appearance.)

On behalf of Valpak Dealers Association, as well as Valpak Direct Marketing Systems:

(No Appearance.)

On behalf of Parcel Shippers Association:

(No Appearance.)

C O N T E N T S

WITNESSES APPEARING:
SUSAN M. LaCHANCE
REBECCA ELMORE-YALCH
GREGORY M. WHITEMAN

WITNESSES:	DIRECT	CROSS	REDIRECT	RECROSS	VOIR DIRE
Susan M. LaChance (Written Testimony Only)	--	--	--	--	--
Rebecca Elmore-Yalch	474	--			
By Mr. DeChiara	--	572	--	--	--
By Mr. Laver	--	598	--	--	--
By Mr. Wood	--	610	--	--	--
	--	626	--	--	--
By Mr. Baker	--	635	--	--	--
By Mr. Laver	--	646	--	--	--
By Mr. Wood	--	648	--	--	--
By Mr. DeChaira	--	649	--	--	--
By Mr. Hollies	--	--	685	--	--
Gregory Whiteman					
By Mr. Hollies	696	--	--	--	--
By Ms. Wood	--	806	--	--	--
By Mr. DeChiara	--	828	--	--	--
By Mr. Laver	--	844	--	--	--
By Mr. Baker	--	852	--	--	--

DOCUMENTS TRANSCRIBED INTO THE RECORD	PAGE
Corrected designated written cross-examination of Susan M. LaChance, USPS-T-13	447
Corrected designated written cross-examination of Rebecca Elmore-Yalch, USPS-T-11	480
Corrected designated written cross-examination of Gregory M. Whiteman, USPS-T-12	700

E X H I B I T S

EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
Direct testimony of Susan M. LaChance on behalf of United States Postal Service, USPS-T-13	444	445
Corrected designated written cross-examination of Susan M. LaChance on behalf of United States Postal Service, USPS-T-13	446	446
Direct testimony of Rebecca Elmore-Yalch on behalf of United States Postal Service, USPS-T-11	474	477
Corrected designated written cross-examination of Rebecca Elmore-Yalch on behalf of United States Postal Service, USPS-T-11	479	479
Direct testimony of Gregory M. Whiteman on behalf of United States Postal Service, USPS-T-12	695	697
Corrected designated written cross-examination of Gregory M. Whiteman on behalf of United States Postal Service, USPS-T-12	699	699
APWU Exhibit 1 "All Sources" Market Research Preliminary Results	856	--

1 P R O C E E D I N G S

2 (9:33 a.m.)

3 CHAIRMAN GOLDWAY: Good morning. This is
4 the continuation of the hearing of the Postal
5 Regulatory Commission, and it will now come to order.
6 In today's hearing the Commission will
7 continue to receive Postal Service evidence in support
8 of its plan for mail processing network
9 rationalization and associated service changes. The
10 Commission will evaluate this evidence when
11 considering the Postal Service's request for an
12 advisory opinion in Docket No. N2012-1.
13 For the record, I am Ruth Goldway, Chairman
14 of the Postal Regulatory Commission, and joining me on
15 the dais this morning are Vice Chairman Langley,
16 Commissioners Acton and Taub.
17 Now we have some procedural matters. There
18 has been no indication that a closed hearing will be
19 necessary today. It is the responsibility of counsel
20 to alert me if this circumstance changes. If it
21 becomes necessary, a closed session will be convened
22 at the end of each hearing day to consider material
23 under seal.
24 Does any participant have a procedural
25 matter to raise at this time?

1 (No response.)

2 CHAIRMAN GOLDWAY: Three witnesses are

3 scheduled for today. They are witnesses LaChance,

4 Elmore-Yalch and Whiteman. There are no requests for

5 oral cross-examination for Witness LaChance. She has

6 been excused from appearing today. Her testimony and

7 written cross-examination will be entered into the

8 record by motion. Then we will proceed to enter

9 Witness Elmore-Yalch's testimony and then Witness

10 Whiteman's testimony.

11 Today we will begin with Witness LaChance.

12 Because Witness LaChance is not present in the hearing

13 room today, her testimony will be received by motion

14 from Postal Service counsel. Mr. Hollies or Mr.

15 Tidwell?

16 MR. TIDWELL: Good morning, Madam Chairman.

17 Mr. Tidwell for the Postal Service. I have before me

18 two copies of a document entitled Direct Testimony of

19 Susan M. LaChance on Behalf of the United States.

20 It's been designated as USPS-T-13 for purposes of this

21 proceeding.

22 (The document referred to was

23 marked for identification as

24 Exhibit No. USPS-T-13.)

25 MR. TIDWELL: Appended to each copy is a

1 declaration signed by Ms. LaChance attesting to the
2 contents and indicating that if she were to provide
3 the content of these documents orally today the
4 testimony would be the same. The Postal Service
5 hereby moves that her direct testimony be entered into
6 evidence.
7 CHAIRMAN GOLDWAY: Are there any objections?
8 (No response.)
9 CHAIRMAN GOLDWAY: Hearing none, I will
10 direct counsel to provide the reporter with two copies
11 of the direct testimony of Witness LaChance and the
12 witness' declaration of authenticity.
13 That testimony is received into evidence.
14 However, consistent with Commission practice it will
15 not be transcribed.
16 (The document referred to,
17 previously identified as
18 Exhibit No. USPS-T-13, was
19 received in evidence.)
20 CHAIRMAN GOLDWAY: Counsel, can you identify
21 any library references that have been filed by Witness
22 LaChance in this docket?
23 MR. TIDWELL: Madam Chairman, there are none
24 associated with her testimony.
25 CHAIRMAN GOLDWAY: Okay. Next we will

1 receive written cross-examination. Mr. Tidwell, you
2 have been provided with Witness LaChance's designation
3 packet. Are there any corrections or additions that
4 need to be made?
5 MR. TIDWELL: No, Madam Chairman. The
6 packets have been reviewed, and we have appended
7 declarations of Witness LaChance to each set.
8 CHAIRMAN GOLDWAY: Everything is in order,
9 so would you please provide two copies of the
10 corrected designated written cross-examination of
11 Witness LaChance to the reporter?
12 That material is received into evidence, and
13 it is to be transcribed into the record. The
14 previously submitted declaration of authenticity
15 applies to this material as well.
16 (The document referred to was
17 marked for identification as
18 Exhibit No. USPS-T-13 and was
19 received in evidence.)
20 //
21 //
22 //
23 //
24 //
25 //

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Mail Processing Network Rationalization
Service Changes, 2012

Docket No. N2012-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS SUSAN M. LACHANCE
(USPS-T-13)

Party	Interrogatories
American Postal Workers Union, AFL-CIO	APWU/USPS-T13-5 DFC/USPS-T13-1-6 GCA/USPS-T13-1-3
National Postal Mail Handlers Union	GCA/USPS-T13-2
Public Representative	APWU/USPS-T13-5 GCA/USPS-T13-1-2

Respectfully submitted,

Shoshana M. Grove
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS SUSAN M. LACHANCE (T-13)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
APWU/USPS-T13-5	APWU, PR
DFC/USPS-T13-1	APWU
DFC/USPS-T13-2	APWU
DFC/USPS-T13-3	APWU
DFC/USPS-T13-4	APWU
DFC/USPS-T13-5	APWU
DFC/USPS-T13-6	APWU
GCA/USPS-T13-1	APWU, PR
GCA/USPS-T13-2	APWU, NPMHU, PR
GCA/USPS-T13-3	APWU

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

APWU/USPS-T13-5

In your testimony you state that the Postal Service's objective is to provide "all stakeholders-through multiple, accessible channels-with information that is timely, clear, and sufficient to facilitate informed customer feedback, and help customers prepare for and adjust to the changes in postal services and operations contemplated by the network rationalization plan."

(a) The web page showing the Postal Service's public documents on the ongoing AMPs, www.usps.com/all/amp.htm, appears to have disappeared following the February 23rd announcement of the current round of approved AMPs. Is that a permanent change in your communications plan?

(b) Will all the information that was previously on that page still be available to the public? Please address specifically the availability of the AMP notices, summaries of the feasibility studies, copies of the public meeting slides, summaries of the public meetings, and final decision notices. If so, how will it be made available?

(c) If this information is not going to be made available, what is the rationale for not providing it now when the Postal Service has been providing it for several years?

RESPONSE

(a) No, it is not a permanent change. The AMP page maintained by Network Operations was taken down in order to allow for the careful coordination of the posting of hundreds of individual documents related to the 264 processing facilities studied. As soon as all of these documents – including AMP notices, summaries of feasibility studies, copies of the public meeting slides, summaries of the public meetings, and final decision notices, as appropriate, for each of the 264 facilities studied – are loaded for posting on www.USPS.com/all/amp.htm, the site will again become active. Please note that on February 23, when the Postal Service announced that the AMP studies announced in September 2011 had been completed, the list of facilities and the decisions made about each was posted and available to the public at

http://about.usps.com/news/electronic-press-kits/our-future-network/communications-list-2292012.htm, as well as on the "Information for Mailers" web page at http://about.usps.com/news/facility-studies/welcome.htm.

(b) Yes. All of the listed documents will be available to the public on www.USPS.com/all/amp.htm. A link to the AMP page will also be provided on the "Information for Mailers" web page.

(c) It will be made available.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T13-1

Please describe the efforts that the Postal Service has made in the past 15 years to inform customers of the service standards that apply to individual pieces of First-Class Mail that they send or seek to send.

RESPONSE (A partial objection to this interrogatory has been filed)

The Postal Service formerly made available CD-ROM and hard-copy ZIP Code directories to customers, which contained information on service standards. More recently, information for customers about the service standards that apply to individual pieces of First-Class Mail is available to customers on www.usps.com, and at the retail counter.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T13-2

Please explain, and provide documents that explain, the Postal Service's policies and practices, both current and at any time in the past 15 years, for encouraging, enticing, "upselling," or otherwise causing customers who appear at a retail service window to purchase Express Mail or Priority Mail for mail that they wish to send. This interrogatory specifically encompasses policies or practices that might cause the Postal Service not to inform customers of the correct and applicable service standard for First-Class Mail when the Postal Service offers Express Mail or Priority Mail to customers seeking to send mail.

RESPONSE (A partial objection to this interrogatory has been filed)

Customers are informed at the retail counter of their mailing options, both in terms of service level and prices, so that they can determine what best suits their needs. Information is also available at www.usps.com. The Postal Service advertises the availability of products through the public airwaves and in print media with the expectation that in doing so, customers are able to make informed choices about the mailing products and services they choose to purchase. There are no postal policies designed or intended to provide customers with incorrect or inapplicable information regarding products and services.

It is important to note that First-Class Mail weighing more than 13 ounces, that is not entered at commercial plus prices, must be upgraded to Priority Mail. Therefore, First-Class Mail would not be an option for a customer mailing at retail a package weighing more than 13 ounces. (*See* DMM 101.6.1, Maximum Weight and Size)

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF DOUGLAS F. CARLSON

The following training, guideline, and presentation documents (provided in library reference USPS LR-N2012-1/NP18) contain information pertinent to this interrogatory request:

- Retail Customer Experience Coordinator Training
- Revenue Generation/Rate Case materials for FY 2007, FY 2008 and FY 2009 *(training was not developed for FY 2010 and FY 2011)*
- USPS Training Guidelines ("BARE International" document), July 2011
- Sales Skills Clinic, Participant and Facilitator Guides, September 2011

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T13-3

Please confirm that the Postal Service has had policies or practices in place in various retail channels, including Automated Postal Centers, retail windows, and *www.usps.gov*, for at least 15 years to encourage customers to use Express Mail or Priority Mail instead of First-Class Mail to send mail. If you do not confirm, please explain.

RESPONSE (A partial objection to this interrogatory has been filed)

The Postal Service has policies in place that encourage customers to consider a variety of shipping options, including First-Class Mail, Priority Mail, Express Mail, and Parcel Post.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T13-4

Please identify all advertising campaigns and similar efforts that the Postal Service has undertaken in the past 15 years to encourage customers to use First-Class Mail or to inform customers of the service standards for First-Class Mail. Please provide documents and details.

RESPONSE (A partial objection to this interrogatory has been filed)

The Postal Service has not purchased advertising for the purpose of specifically encouraging the use of First-Class Mail or informing customers of First-Class Mail service standards, but such information is made available to customers on www.usps.com. The Postal Service, however, has purchased general advertising encouraging customers to use the mail; copies of two such recent television commercials are provided in library reference USPS LR-N2012-1/74.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T13-5

Please confirm that the customer-facing display connected to POS terminals in some post offices currently suggests, during at least certain periods of the day, that First-Class Mail that customers send will be delivered in one more day than the actual applicable service standard. If you do not confirm, please explain.

RESPONSE

Confirmed. The customer-facing display on the Point of Service (POS) terminal shows the expected delivery date as calculated by the service delivery calculator, based on the current time (of mailing) and the cut-off time for that location in the service standard delivery file.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T13-6

Please confirm that election officials have expressed concerns to the Postal Service about the effect of changes in service standards on timely delivery of mailed ballots in the November 2012 presidential election. If you do not confirm, please explain.

RESPONSE

Confirmed.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF GREETING CARD ASSOCIATION

GCA/USPS-T13-1

Please describe fully the Postal Service's outreach to consumers, as distinguished from business mailers or other entities in the mailing industry, regarding the service standard changes at issue in this Docket since August 2011. If written materials or other documents were prepared and used in connection with such consumer outreach, please provide copies or, for Internet material, information as to where they may be accessed.

RESPONSE

As referenced on page 11, lines 13 through 16 of my testimony, notice to the general public (including consumers, or household mailers) is broadcast in accordance with the established USPS Handbook PO-408 AMP process, which solicits customer feedback on service changes associated with plant consolidations. In addition, the Postal Service relied heavily on extensive media coverage achieved through Corporate Communications press releases, including Release Nos. 11-103 and 11-132 (available at http://about.usps.com/news/national-releases/welcome.htm) and news stories based on the media kits posted at http://about.usps.com/news/electronic-press-kits/our-future-network/welcome.htm.

The Information for Mailers page, at http://about.usps.com/news/facility-studies/welcome.htm, is also publicly accessible and available to consumers.

Additionally, outreach to consumers involved the use of signage in Post Office lobbies, as well as core language for call center scripting and employee messaging. Copies of signage and scripting are attached to this response as Attachments 1 through 3.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF GREETING CARD ASSOCIATION

GCA/USPS-T13-2

Please refer to your prefiled testimony at page 5, line 7, through page 7, line 5.

(a) Please describe fully any initiatives directed at consumers and small businesses through the channels mentioned in this portion of your testimony which focused on the service standard changes at issue in this Docket, or any preliminary or developmental version of those changes. If written materials or other documents were prepared and used in connection with such initiatives, please provide copies or, for Internet material, information as to where they may be accessed.

(b) Please describe fully any initiatives of the type referred to in (a) which (i) preceded the development of the Mail Processing Network Rationalization plan and/or the associated service standard changes, or (ii) sought input from the consumers or small businesses addressed with respect to the development of such a plan and/or associated service standard changes. If written materials or other documents were prepared and used in connection with such initiatives, please provide copies or, for Internet material, information as to where they may be accessed.

RESPONSE

(a) In addition to those initiatives set forth in response to GCA/USPS-T13-1, standardized letters were sent to small businesses with active permits, as discussed on page11 at lines 5-9 of my testimony. Copies of these letters are attached to this response as Attachments 1 through 3. Information was also available to small businesses that attended Postal Customer Council meetings held on September 13, 2011. The standard presentation utilized for those meetings was previously provided in USPS-LR-N2012-1/41.

(b)(i) There are none. All materials referenced in my response to GCA/USPS-T13-2(a) were an integral part of the Mail Processing Network Rationalization plan and did not precede development of the plan.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF GREETING CARD ASSOCIATION

(b)(ii) As part of the Mail Processing Network Rationalization plan, on September 21, 2011, the Postal Service published an Advance Notice of Proposed Rulemaking in the Federal Register (76 FR 58433) soliciting comments from the public. In addition, while market research conducted may have sought input from consumers or small businesses, market research initiatives are fully described in the Testimony of Witness Whiteman (USPS-T-12).

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LACHANCE TO INTERROGATORIES OF GREETING CARD ASSOCIATION

GCA/USPS-T13-3

Please refer to your prefiled testimony at page 6, line 14-16.

Please identify by page and line numbers the portion(s) of Mr. Whiteman's testimony to which this statement refers.

RESPONSE

This statement refers to page 3, line 10 through page 3, line 13 and page 9, line 1 through page 13, line 5 of USPS-T-12.

USPS National Area Mail Processing Study

This is an informational notice of intent that the United States Postal Service is conducting Area Mail Processing (AMP) studies to evaluate the consolidation of mail processing operations.

Community meetings will be held in locations where studies are being conducted to give customers an opportunity to offer their input prior to a final decision.

The Postal Service will make every possible attempt to minimize the impact for our customers.

Notification of community meetings will be published in local newspapers as well as on signs posted in facilities that will be included in the study.

Information about additional opportunities to comment on the AMP studies is available at:

http://about.USPS.com/news/facility-studies/welcome.htm

Please post on September 15th at 11:00am
And remove COB November 10th

Core Language

Title: Area Mail Processing Studies

Dear **<INSERT NAME or "Customer">**,

Thank you for contacting the United States Postal Service.

The Postal Service is facing the most critical period in its history. With the economic downturn and increased diversion to the Internet, mail volumes have dropped drastically. Even when the economy recovers, mail volume is not expected to return to previous peak levels. The mail volume decline has left the Postal Service with a mail processing network that is too large for the amount of mail it now processes.

As a self-supporting government agency that receives no tax dollars for its operating expenses, the Postal Service must rely on the sale of postage and products and services to generate revenue. In the face of unsustainable deficits due to the unprecedented decline in mail volume and loss of revenue, the Postal Service must seek ways to cut costs and reduce the size of its network.

We have to match our resources to the volume of mail we have to process. The fact remains that we have an excess capacity of equipment, staff and facilities to process a declining volume of mail. It is critical that we pursue the realignment of our network in order to improve efficiency and cut costs if the Postal Service is to remain viable.

To that end, the Postal Service is conducting Area Mail Processing (AMP) studies to evaluate the consolidation of mail-processing operations.

We recognize the significant employee and community concerns associated with any potential change in postal operations. As we undertake this AMP study, you can be assured we will seek the public's input and give full consideration to any concerns before making a decision.

Community meetings will be held in locations where studies are being conducted to give customers the opportunity to offer their input prior to a final decision and the Postal Service will make every possible attempt to minimize the impact to our customers.

Thank you for contacting us.

<INSERT NAME OF EMPLOYEE OR OFFICE>

Agent Scripting

Opening: Thank you for contacting the United States Postal Service regarding our recent announcement on Area Mail Processing studies.

Why: We have to match our resources to the volume of mail we have to process. To that end, the Postal Service is conducting Area Mail Processing (AMP) studies to evaluate the consolidation of mail-processing operations.

We recognize the significant employee and community concerns associated with any potential change in postal operations. As we undertake this AMP study, you can be assured we will seek the public's input and give full consideration to any concerns before making a decision.

Who: The list of facilities being studied is available at http://about.usps.com/news/facility-studies/welcome.htm. FAQS and additional information will also be available on this website. Comments can also be submitted on this web page.

Upcoming events:

Community meetings will be held in locations where studies are being conducted to give customers the opportunity to offer their input prior to a final decision

Notification for local meetings will be published in local newspapers and at facilities being studied.

Closing: Thank you for contacting us and giving us the opportunity to address your question.

FOR INTERNAL USE ONLY

National Area Mail Processing Studies
Frequently Asked Questions

Audience: Consumer & Industry Contact and Business Mail Entry Units

General

What is happening?

On September 15th, the Postal Service announced a national Area Mail Processing (AMP) study to determine if there are opportunities to increase efficiency and improve productivity.

Why is this happening?

We have to match our resources to the volume of mail we have to process. To that end, the Postal Service is conducting Area Mail Processing (AMP) studies to evaluate the consolidation of mail-processing operations.

We recognize the significant employee and community concerns associated with any potential change in postal operations. As we undertake this AMP study, you can be assured we will seek the public's input and give full consideration to any concerns before making a decision.

Who is being studied: The list of facilities being studied is available at http://about.usps.com/news/facility-studies/welcome.htm. FAQS and additional information will also be available on this website. Comments can also be submitted on this web page.

Will customers have an opportunity to provide input?

Community meetings will be held in locations where studies are being conducted to give customers the opportunity to offer their input prior to a final decision

Notification for local meetings will be published in local newspapers and at facilities being studied.

What type of improvements might this study identify?

At this time, the Postal Service is only conducting a feasibility study and no decisions have been made. In the event the study identifies opportunity for improvements, the community will be notified. Generally speaking, AMP studies can identify improved efficiency through consolidation of some mail processing operations with a nearby mail processing facility.

Could this affect mail service to customers?

At this time, the Postal Service is only conducting a feasibility study and no decisions have been made. Our customers will continue to receive the high level of service they have come to expect.

Could we lose our local postmark?

Even if a decision is ultimately made to relocate some mail processing operations, the (CITY NAME) Post Office will continue to provide a local postmark for those customers who want it. Business customers will continue to use their own postage meters and permits with a (CITY NAME) postmark. Business mail of this type is the overwhelming majority of the volume processed.

Could this result in slower mail service?

Providing a high level of service to our customers is a priority for the Postal Service. Should we choose to make changes, we expect them to be transparent to most customers.

Could employees lose their jobs?

Every effort will me made to assist career nonbargaining unit employees released from their positions, and we will reassign affected bargaining unit career employees to other jobs in accordance with applicable collective bargaining agreements.

When will the AMP study be completed?

From the time the AMP study is announced till the time a decision is made is approximately 5 months. We will notify the community when the AMP proposal is approved for implementation or deemed not feasible.

Business Mail Entry

What about Business Mail Entry units? How many are inside processing facilities being studied?

The Postal Service has Business Mail Entry Units in a significant portion of our processing facilities nationwide. Virtually all of the plants that will be studied have Business Mail Entry Units. During the study phase, the Postal Service will determine the best method to manage the impact on business mailers. This may include increasing acceptance at mailer facilities or moving mail acceptance to other local post office facilities.

How will the Postal Service communicate proposed plans on plant and BMEU closings?

The proposed network optimization and service standard changes are being communicated through many channels, including: USPS.com, aboutusps.com (aboutusps.com/facilitystudies), RIBBS, the AMP process which includes public meetings, a Federal Register notice, and meetings and discussions between postal officials and mailers.

Will entry procedures be different at optimized plants?
Standard procedures will be followed to accept and verify mail as we do today. BME facilities will manage their operating plans, volume arrival profiles and critical acceptance times to ensure adequate resources and space to accept and verify the mail to meet the needs of mailers.

How will the network optimization studies affect BMEU locations and hours?

BMEU hours and locations will depend primarily on workload and suitable acceptance locations and hours. BME facilities will manage their operating plans, volume arrival profiles and critical acceptance times to ensure adequate resources and space to accept and verify the mail to meet the needs of mailers.

What are the impacts of Business Mail Entry Units (BMEU) since there will be more mail entered at fewer number of places? Can the BMEU handle the load?

BMEUs will still be available at consolidated sites, and/or located at nearby facilities, after mail processing is moved. Reviews of acceptance and verification procedures are ongoing with the industry in an effort to reduce current verification processes. Workloads and operating windows will be reviewed and adjusted as needed.

Does the Postal Service's plan consider the impact of the proposed changes on how customers make their mailings?

Yes, and it will continue to do so throughout this process which is why your feedback is so important. The network study will include a full review of current acceptance operations at impacted facilities. Several factors will be considered including the # of impacted mailers, the # of mailings accepted and logistics associated with the network study.

Will customers have to move their mailing permits if a facility is closed?

Every effort will be made to avoid customers having to move their mailing permits. However, in some cases, customers may be required to move or open new permits.

Will customers have to pay for new permits if the permits are moved?

In general, a customer will be able to move existing permits at no cost.

What is the Postal Service's plan to counter the congestion issues that will occur once the BMEUs that remain open start dealing with larger entry volumes?

Facility capacity will be considered as a part of network optimization study.

Will BMEU operational hours change if a facility is impacted?

Some BMEU operational hours may change as a result of the network optimization.

Will resources continue to be available to assist BMEU customers impacted by the network optimization?

Yes. Local and District USPS BME staff will provide assistance throughout the process to ensure all customer questions are answered and issues are addressed.

How will the network optimization studies affect BMEU locations and hours?

BMEU hours and locations will depend primarily on workload and suitable acceptance locations and hours. The Postal Service will work with mailers to assess the impact and develop viable solutions.

Who can answer technical questions for mailers, such as whether more binding lines need to be used, and more destinations for printing?

Guidance relating to a mailer's specific capacity/capability will be limited to the information provided during the network study. District Managers, Business Mail Entry will be available to respond to specific questions relating to impacted facilities within their control.

[GENERAL NOTICE OF INTENT TO CONDUCT AMP FEASIBILITY STUDY TO LOCAL MAILERS]
(Use VP Consumer and Industry Affairs Letterhead)

UNITED STATES
POSTAL SERVICE

(Name)
(Company Name)
(Street address)
(City, State, ZIP Code)

Dear Mr./Ms. (NAME):

This letter is an informational notice of the U.S. Postal Service's intent to conduct an Area Mail Processing (AMP) study of mail processing facilities to determine whether consolidation of some operations is appropriate.

The Postal Service is facing some of the most difficult challenges in its history. The current economic downturn and continued diversion of mail to the Internet has led to a dramatic 20 percent decline in mail volume since 2007. The decline in mail volume has also meant a decline in postal revenue. As a result, today the Postal Service has not only *more* equipment, personnel and facilities than it needs to process a decreasing amount of mail, but also *less* revenue than it needs to cover the costs of that large processing and delivery network.

The economic reality demands that the Postal Service reduce its network. Aligning postal facilities and resources with the demand for postal services by consolidating postal operations and placing equipment and employees where needed makes sound business sense. To do otherwise would be fiscally irresponsible.

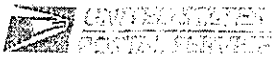
Information about the AMP study process and the facilities that will be studied is available on www.USPS.com. Public input is being solicited as part of the study process and will be considered in the decision-making process. In communities where the Postal Service's initial review supports the business case for changing mail processing operations, public meetings will be held. Additional information will be shared by the Postal Service, and members of the community will be invited to ask questions and provide feedback. Information about additional opportunities to comment on the AMP studies is available at: http://about.USPS.com/news/facility-studies/welcome.htm

On behalf of the Postal Service, thank you for the trust you have placed in us over the years to deliver your mail. We appreciate your business, and are working harder than ever to position the Postal Service so that we can continue to serve you for many years to come.

Sincerely,

Susan M. LaChance

SUSAN M. LACHANCE
VICE PRESIDENT
CONSUMER & INDUSTRY AFFAIRS



September 14, 2011

INDUSTRY ASSOCIATION EXECUTIVES
MTAC INDUSTRY LEADERSHIP COMMITTEE
PCC CO-CHAIRS

SUBJECT: Announcement by the Postal Service on September 15, 2011

Tomorrow the Postal Service will hold a press conference to announce a proposal that contemplates dramatic changes to its network of processing facilities and corresponding adjustments to service standards.

Because you are key stakeholders in everything the Postal Service undertakes, you need to be aware of – and involved in shaping – the actions that will be taken at every stage in the process. Perhaps more than any other group of stakeholders, you understand the challenges the Postal Service is facing in both financial and operational terms. We are counting on you to play a major role in the discussions that will follow tomorrow's announcement.

As the Postal Service publicly examines changes to its network and service standards in the coming months – beginning with tomorrow's press conference – you have my commitment to see that your questions are answered, and that you have ready access to the most current information available. I will send you another message tomorrow with links to more extensive information about the proposal and opportunities for providing feedback.

On behalf of the Postal Service, thank you for your continued support and partnership during these challenging times.

Sincerely,

Susan M. LaChance

Susan M. LaChance

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-5000
202-268-5555
FAX: 202-268-4200
WWW.USPS.COM

SUSAN M. LACHANCE
VICE PRESIDENT
CONSUMER & INDUSTRY AFFAIRS

September 15, 2011

INDUSTRY ASSOCIATION EXECUTIVES
MTAC INDUSTRY LEADERSHIP COMMITTEE
PCC CO-CHAIRS
CUSTOMERS, MANAGED ACCOUNTS

SUBJECT: USPS Network Optimization Proposal and Service Standards Changes Proposal

This morning at a national media event in Washington, D.C., the Postal Service proposed sweeping changes to its massive nationwide infrastructure and adjustments to service standards. To make accessing information about these proposals as easy as possible for you, we have created a web page specifically for the industry and mailers at:

http://about.usps.com/news/facility-studies/welcome.htm

This web page can be accessed immediately. It contains:

- Link to the media kit, which includes:
  - Press release
  - Frequently Asked Questions (FAQs for media)
  - Advance Notice of Proposed Rulemaking (Federal Register)
  - Fact sheets
  - List of processing plants to be studied
- A video from the Postmaster General
- Industry FAQs (in process)

Because the questions and concerns expressed by the industry and mail owners are likely to be more sophisticated and technical than those of consumers and the media, materials will be developed specifically for you. The materials will be updated periodically throughout the Network Optimization study process to include FAQs reflecting the evolution of the process.

The industry and mailers are key stakeholders in everything the Postal Service undertakes. We know that these proposed changes, if implemented, will impact all of you in some way. That is why *together* we will continue to discuss the potential effects of the network optimization proposal and service standards changes, and work toward mutually acceptable solutions wherever possible. The exchange of information, ideas, and concerns that began in general with many of you last month will continue in earnest as the study process evolves and we all have more information.

There are a number of ways to convey your questions, comments and concerns to the Postal Service and others. Public input meetings will be scheduled in locations featuring a processing facility on the new AMP study list released today. An email address has been set up for your use in corresponding with us on the proposed service standard changes that are the subject of the Advance Notice in the Federal Register. The address is industryfeedback@usps.gov.

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-6300
202-268-6556
FAX: 202 268-4253
WWW.USPS.COM

We will work hard to keep you updated at every step of the way during this process, and to see that your questions, ideas and concerns are reviewed and considered.

On behalf of the Postal Service, I thank you for your ongoing efforts to help keep the mailing industry strong and vibrant.

Sincerely,

Susan M. LaChance

cc: FAST User Group
PostalOne User Group
PCC Insiders Mailing List
DMM Advisor Mailing List
MTAC Members

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

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011 DOCKET NO. N2012-1

DECLARATION OF SUSAN M. LACHANCE

I, Susan M. LaChance, hereby declare under penalty of perjury that:

The designated responses to written cross-examination filed under my name were prepared by me or under my direction; and

Were I to respond orally to the questions appearing in the interrogatories, my answers would be the same.

Susan M. LaChance

March 21, 2012

1 CHAIRMAN GOLDWAY: Is there any additional
2 written cross-examination for Witness LaChance?
3 (No response.)
4 CHAIRMAN GOLDWAY: If not, then this
5 concludes the submission of material from Witness
6 LaChance and we can begin with our next witness. We
7 will proceed to the testimony of Witness Elmore-Yalch.
8 Mr. Hollies or Mr. Tidwell?
9 MR. HOLLIES: Madam Chairman, this is Mr.
10 Hollies for the Postal Service. The Postal Service
11 calls Ms. Rebecca Elmore-Yalch to the stand.
12 CHAIRMAN GOLDWAY: Before you sit down, it
13 might be easier.
14 Whereupon,
15 REBECCA ELMORE-YALCH
16 having been duly sworn, was called as a
17 witness and was examined and testified as follows:
18 CHAIRMAN GOLDWAY: Thank you. Now you can
19 be seated.
20 (The document referred to was
21 marked for identification as
22 Exhibit No. USPS-T-11.)
23 DIRECT EXAMINATION
24 BY MR. HOLLIES:
25 Q Ms. Elmore-Yalch, before you I believe are

1 two copies of a document styled as Direct Testimony of
2 Rebecca Elmore-Yalch on Behalf of the United States
3 Postal Service identified for purposes of this
4 proceeding as USPS-T-11. Do you have those in front
5 of you?
6 A Yes, I do.
7 Q If you were to testify today, would your
8 testimony be the same as embodied in that document?
9 A Very possibly, yes.
10 Q Are there any errata that have been made to
11 your testimony? Press the button.
12 A There. Now it is. Sorry.
13 CHAIRMAN GOLDWAY: Do you need anything
14 repeated? Are you okay? Why don't we repeat them for
15 the record.
16 MR. HOLLIES: Let's see. I called Ms.
17 Rebecca Yalch to the stand. I've asked her if she has
18 in front of her two copies of the Direct Testimony of
19 Rebecca Elmore-Yalch on Behalf of the United States
20 Postal Service identified as USPS-T-11. She answered.
21 THE WITNESS: Yes.
22 MR. HOLLIES: And I asked that if she were
23 to testify orally today would her testimony be the
24 same.
25 THE WITNESS: Yes. Yes.

1 MR. HOLLIES: And then I moved on to a
2 question about whether or not we had any errata to
3 that testimony.
4 BY MR. HOLLIES:
5 Q And I could call your attention to the front
6 cover of the testimony on the lower left-hand corner.
7 The front cover. Does it not reflect that we filed
8 errata on March 9 to pages II, as in Roman II, and
9 page 82?
10 A That's correct.
11 Q And are those errata in that set?
12 A Yes, they are.
13 Q Do we have any other errata to the
14 testimony?
15 A No.
16 MR. HOLLIES: With that, the Postal Service
17 moves for admission of Ms. Elmore-Yalch's written
18 direct testimony into the evidentiary record.
19 CHAIRMAN GOLDWAY: Are there any objections?
20 (No response.)
21 CHAIRMAN GOLDWAY: Hearing none, I will
22 direct counsel to provide the reporter with two copies
23 of the corrected testimony of Rebecca Elmore-Yalch.
24 This testimony is received into evidence.
25 However, consistent with the Commission practice it

1 will not be transcribed.

2 (The document referred to,

3 previously identified as

4 Exhibit No. USPS-T-11, was

5 received in evidence.)

6 CHAIRMAN GOLDWAY: Counsel, can you identify

7 the library references that have been filed by Witness

8 Elmore-Yalch in this docket and indicate if she's

9 relying on that material or not?

10 BY MR. HOLLIES:

11 Q Ms. Elmore-Yalch, we filed two library

12 references in support of the market research

13 testimony. One is identified as USPS-LR-N2012-1/NP1,

14 as in Nonpublic 1, and the second was a publicly filed

15 library reference colloquially known as No. 26 or

16 USPS-LR-N2012-1/26. Do you sponsor portions of those

17 library references?

18 A Yes, I do.

19 CHAIRMAN GOLDWAY: Okay. Thank you. Next

20 we will receive written cross-examination. Ms.

21 Elmore-Yalch, have you had an opportunity to examine

22 the packet of designated written cross-examination

23 that was made available to you in the hearing room

24 today?

25 THE WITNESS: Yes, I have.

1 CHAIRMAN GOLDWAY: Are there any corrections
2 or additions that need to be made?
3 THE WITNESS: We had made a few.
4 MR. HOLLIES: For the record, Madam
5 Chairman, in the response to APWU/USPS-T12-14, which
6 was redirected to Ms. Elmore-Yalch, in the fourth to
7 last line of the response we have in effect moved a
8 period from after the word "internet" to after the
9 word "services", three words to the right, so a period
10 that was in the middle of the sentence has been moved
11 to the end.
12 Similarly, in Witness Elmore-Yalch's
13 response to Presiding Officer's Information Request
14 No. 1, Question 19, on the second page "a remnant
15 tract change" has been whited out.
16 Then on the following page, that's the third
17 page of POIR 1-Q19, the response thereto, in the
18 second to right-hand column on the bottom row a
19 decimal point has been inserted so that what showed as
20 530 percent has become 53 percent. Those are our
21 changes.
22 THE WITNESS: Actually, I believe there was
23 one other one. We changed an "are" to an "is".
24 MR. HOLLIES: Yes.
25 THE WITNESS: I believe it was NALC. Yes.

1 MR. HOLLIES: NALC-T11-1.

2 THE WITNESS: Correct.

3 MR. HOLLIES: Grammar was corrected in the

4 use. A single subject was conformed by changing "are"

5 to "is".

6 CHAIRMAN GOLDWAY: Okay. With those

7 corrections, if the questions contained in the packet

8 were posed to you orally today would your answers be

9 the same as those you've provided in writing?

10 THE WITNESS: Yes.

11 CHAIRMAN GOLDWAY: If everything is in

12 order, counsel, would you please provide two copies of

13 the corrected designated written cross-examination of

14 Witness Elmore-Yalch to the reporter?

15 That material is received into evidence, and

16 it is to be transcribed into the record.

17 (The document referred to was

18 marked for identification as

19 Exhibit No. USPS-T-11 and was

20 received in evidence.)

21 //

22 //

23 //

24 //

25 //

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Mail Processing Network Rationalization
Service Changes, 2012

Docket No. N2012-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS REBECCA ELMORE-YALCH
(USPS-T-11)

Party	Interrogatories
American Postal Workers Union, AFL-CIO	APWU/USPS-T11-2, 4-5, 13 NALC/USPS-T11-2
Greeting Card Association	APWU/USPS-T11-11, 13 GCA/USPS-T11-1-6 GCA/USPS-T12-1-2, 12 redirected to T11 NPPC/USPS-T11-14
National Association of Letter Carriers	NALC/USPS-T11-4-5 NALC/USPS-T12-5, 13 redirected to T11
National Postal Mail Handlers Union	APWU/USPS-T11-6-8, 11
National Postal Policy Council, Inc.	APWU/USPS-T11-1-2, 6-8, 12, 14 GCA/USPS-T11-1-2, 4-6 NPPC/USPS-T11-1-4, 6-13 NPPC/USPS-T12-11b-c redirected to T11 PR/USPS-T11-8 PRC/USPS-T11-POIR No.1 - Q18a PRC/USPS-T11-POIR No.1 - Q19 PRC/USPS-T11-POIR No.2 - Q10 PRC/USPS-T11-POIR No.5 - Q24
Postal Regulatory Commission	NALC/USPS-T11-1-3 PRC/USPS-T11-POIR No.1 - Q17 PRC/USPS-T11-POIR No.1 - Q18a PRC/USPS-T11-POIR No.1 - Q19 PRC/USPS-T11-POIR No.1 - Q20

PRC/USPS-T11-POIR No.2 - Q10
PRC/USPS/T11-POIR No.4 - Q10
PRC/USPS-T11-POIR No.5 - Q24

Public Representative

APWU/USPS-T11-1, 6-8, 10-12, 14, 16
GCA/USPS-T11-1, 3-6
GCA/USPS-T12-1-2, 12 redirected to T11
NPPC/USPS-T11-1-3, 7, 10, 13-14
PR/USPS-T11-1-2, 4-5, 7
PRC/USPS-T11-POIR No.1 - Q19
PRC/USPS-T11-POIR No.1 - Q20
PRC/USPS-T11-POIR No.2 - Q10
PRC/USPS-T11-POIR No.5 - Q24

Respectfully submitted,

Shoshana M. Grove
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS REBECCA ELMORE-YALCH (T-11)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
APWU/USPS-T11-1	NPPC, PR
APWU/USPS-T11-2	APWU, NPPC
APWU/USPS-T11-4	APWU
APWU/USPS-T11-5	APWU
APWU/USPS-T11-6	NPMHU, NPPC, PR
APWU/USPS-T11-7	NPMHU, NPPC, PR
APWU/USPS-T11-8	NPMHU, NPPC, PR
APWU/USPS-T11-10	PR
APWU/USPS-T11-11	GCA, NPMHU, PR
APWU/USPS-T11-12	NPPC, PR
APWU/USPS-T11-13	APWU, GCA
APWU/USPS-T11-14	NPPC, PR
APWU/USPS-T11-16	PR
GCA/USPS-T11-1	GCA, NPPC, PR
GCA/USPS-T11-2	GCA, NPPC
GCA/USPS-T11-3	GCA, PR
GCA/USPS-T11-4	GCA, NPPC, PR
GCA/USPS-T11-5	GCA, NPPC, PR
GCA/USPS-T11-6	GCA, NPPC, PR
GCA/USPS-T12-1 redirected to T11	GCA, PR
GCA/USPS-T12-2 redirected to T11	GCA, PR
GCA/USPS-T12-12 redirected to T11	GCA, PR
NALC/USPS-T11-1	PRC
NALC/USPS-T11-2	APWU, PRC
NALC/USPS-T11-3	PRC
NALC/USPS-T11-4	NALC
NALC/USPS-T11-5	NALC
NALC/USPS-T12-5 redirected to T11	NALC
NALC/USPS-T12-13 redirected to T11	NALC
NPPC/USPS-T11-1	NPPC, PR
NPPC/USPS-T11-2	NPPC, PR

Interrogatory	Designating Parties
NPPC/USPS-T11-3	NPPC, PR
NPPC/USPS-T11-4	NPPC
NPPC/USPS-T11-6	NPPC
NPPC/USPS-T11-7	NPPC, PR
NPPC/USPS-T11-8	NPPC
NPPC/USPS-T11-9	NPPC
NPPC/USPS-T11-10	NPPC, PR
NPPC/USPS-T11-11	NPPC
NPPC/USPS-T11-12	NPPC
NPPC/USPS-T11-13	NPPC, PR
NPPC/USPS-T11-14	GCA, PR
NPPC/USPS-T12-11b redirected to T11	NPPC
NPPC/USPS-T12-11c redirected to T11	NPPC
PR/USPS-T11-1	PR
PR/USPS-T11-2	PR
PR/USPS-T11-4	PR
PR/USPS-T11-5	PR
PR/USPS-T11-7	PR
PR/USPS-T11-8	NPPC
PRC/USPS-T11-POIR No.1 - Q17	PRC
PRC/USPS-T11-POIR No.1 - Q18a	NPPC, PRC
PRC/USPS-T11-POIR No.1 - Q19	NPPC, PR, PRC
PRC/USPS-T11-POIR No.1 - Q20	PR, PRC
PRC/USPS-T11-POIR No.2 - Q10	NPPC, PR, PRC
PRC/USPS-T11-POIR No.4 - Q10	PRC
PRC/USPS-T11-POIR No.5 - Q24	NPPC

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

APWU/USPS-T11-1: On page 6 of your testimony you indicate that one objective of the qualitative research was to "understand why consumers and businesses would respond as they do." Was this objective achieved? If so, what was learned?

RESPONSE:

Yes, this objective was achieved. The transcripts (see USPS-LR-N2012-1/26) and the Final Qualitative Research Report (which was recently finalized and made part of that same library reference) provide details on what was learned from the qualitative research.

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

APWU/USPS-T11-2. Would you agree that focus groups cannot provide statistically valid estimates of changes in mail volume?

RESPONSE:

Generally speaking, yes. That is not to say you cannot derive any statistically valid reports from qualitative research, such as the numbers of respondents who agreed to attend specific focus group sessions, but did or did not show up for those groups. But if the goal is statistically valid estimates of mail volume changes, quantitative research would be the way to do so.

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

APWU/USPS-T11-4: How did the information obtained in the qualitative market research impact the current proposal to eliminate overnight delivery and close processing facilities?

(a) If this information did not inform the current proposal, what was the purpose of conducting this research with regard to this proposal and how has the Postal Service used the qualitative market research?

RESPONSE:

This was not an objective of the qualitative market research. See page 6 of my testimony as to the objectives of the research as well as the moderator's guides in Appendix C for the questions asked in the qualitative research.

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

APWU/USPS-T11-5: Why was the CBCIS list from August 2009 used as the sampling frame for the National, Premier and Preferred Accounts?

RESPONSE:

These were the files provided to ORC International for use in the previous Five-Day Delivery research. Discussion with the Postal Service indicated that accounts contained in each of these segments do not change significantly over time. These files had been setup for telephone data collection for the Five-Day Delivery research. It was therefore more efficient to use the existing files rather than run new files which would largely duplicate the files in hand.

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

APWU/USPS-T11-6: On page 25 of your testimony you state that you conducted interviews with respondents at 26 unique National Accounts, or approximately 11 percent of the total universe of National Accounts that the Postal Service had in August 2009.

a. What percentage of the mail volume of all the National Account holders did these 26 companies represent?

b. You seem to have tried to contact all the National Account holders that were not on your do-not-call list. What reasons did the others give you for not participating in the survey?

c. Of what type of businesses are National Account holders representative? (by firm size, single or multi-establishment.

d. Were the changes to the service standards explained to National Account holders using the statement in Appendix E at page 88? If not, what description of the service standard changes was provided to the National Account holders

e. The description on page 88 describes the change in service standards and describes mail delivery as though it would happen according to the optimum described.

   i. What percentage of the time are current service standards achieved for the National Account holders?

   ii. Were National Account holders provided a description of the likely actual mail delivery profile their mail would be provided?

f. Were National Account holders interviewed about their likely response to a combination of this change in service standards combined with a change to 5-day delivery?

g. Were National Account holders provided with a list of mail processing facilities that are being examined for closure at the time of the interview?

h. What information were National Account holders given about the status of the specific mail processing locations that each of them use?

i. What percentage of National Account holders indicated they thought they could prepare and deliver mail to the Postal Service to meet the requirements for overnight local delivery?

j. Were any of the National Account holders asked if they had been impacted by a mail processing facility closure between 2008 and the present? Is so, what types of questions were they asked?

k. You state that no weighting was required for the National Account holders. Did you assume that the percentage change in mail volume resulting from the change in service standards calculated for this subset of National Account holders was applicable to all the National Account holders?

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

RESPONSE:

(a) This information is not available from the research.

(b) Various reasons explain why we were unable to complete an interview with all National Accounts. In some instances, the individual identified as the appropriate contact was not available or we were unable to reach a contact during the time the research was being conducted. The primary reasons given for not completing the survey were (1) a company policy against completing survey research or (2) no time then available to complete survey..

(c) This information was neither necessary to nor developed by the research.

(d) The description on page 88 was read to individuals from National and Preferred Accounts that were interviewed as part of the qualitative research. The description on page 100 was read to those responding to the quantitative survey.

(e) (i) I do not have this information and it was not necessary to the research.

(ii) No. Descriptions provided to National Accounts were those on pages 88 and 100 of my testimony.

(f) No.

(g) No.

(h) Information provided to National Accounts is described on pages 88 and 100 of my testimony.

(i) This was not a question asked in this research.

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

(j) No.

(k) My testimony on page 27 provides the reasons why, based on the sampling plan, weights for this segment were not applicable.

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

APWU/USPS-T11-7: On page 27 of your testimony you state that you conducted interviews with respondents at 416 unique Premier Accounts, or approximately 1.7 percent of the total universe of Premier Accounts that the Postal Service had in August 2009.

(a) What percentage of the mail volume of all the Premier Account holders did these 416 respondents represent?
(b) Did you make an attempt to contact each of the Premier Account holders? If not, how was this subset of account holders selected?
(c) Of what type of businesses are Premier Account holders representative? (by firm size, single or multi establishment)
(d) Were the changes to the service standards explained to Premier Account holders using the statement in Appendix E at page 88? If not, what description of the service standard changes was provided to the Premier Account holders?
(e) The description on page 88 describes the change in service standards and describes mail delivery as though it would happen according to the optimum described.

i. What percentage of the time are current service standards achieved for the Premier Account holders?

ii. Were Premier Account holders provided a description of the likely actual mail delivery profile their mail would be provided?

(f) Were Premier Account holders interviewed about their likely response to a combination of this change in service standards combined with a change to 5-day delivery?
(g) Were Premier Account holders provided with a list of mail processing facilities that are being examined for closure at the time of the interview?
(h) What information were Premier Account holders given about the status of the specific mail processing locations that each of them use?
(i) What percentage of Premier Account holders indicated they thought they could prepare and deliver mail to the Postal Service to meet the requirements for overnight local delivery?
(j) Were any of the Premier Account holders asked if they had been impacted by a mail processing facility closure since 2008? If so, what sort of questions were they asked?
(j) Were any of the Premier Account holders asked if they had been impacted by a mail processing facility closure since 2008? If so, what sort of questions were they asked
(k) You state that no weighting was required for the Premier Account holders. Did you assume that the percentage change in mail volume resulting from the change in service standards calculated for this subset of Premier Account holders was applicable to all the Premier Account holders?

RESPONSE:

(a) This information is not available from the research.

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

(b) As stated on page 27 of my testimony, among 24,754 sample elements available, 9,697 had identified telephone numbers (provided by USPS or looked up by ORC). Our sampling procedure did not exhaust this pool before the requisite number of interviews were obtained. We did not attempt to contact every available sample element. Dialing protocols were established so that multiple attempts were made to reach each sample element before it was replaced. Of the 9,697 available sample elements, 648 were unusable as they were disconnected, were fax numbers, privacy managers were in place, *etc.* An additional 167 were screened out because they did not meet the screening criteria. Six hundred seven sample elements reached the maximum number of attempts (6) established by the dialing protocols. A total of 2,722 sample elements were not used as there were adequate numbers (4,376) remaining in the queue. These sample elements were attempted multiple times (on average 3) but a contact was not reached before the required number of interviews was completed. These elements had not reached the maximum number of attempts but had been dialed on average several times.

(c) This information was neither necessary to nor developed by the research.

(d) The description on page 88 was read to individuals from National and Preferred Accounts that were interviewed as part of the qualitative research. The description on page 100 was read to those responding to the quantitative survey.

(e) (i) This information was neither necessary to nor developed by the research.

(ii) No. Descriptions provided to Premier Accounts were those on

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

pages 88 and 100 of my testimony.

(f) No.

(g) No.

(h) Information provided to Premier Accounts is described on pages 88 and 100 of my testimony.

(i) This question was not examined in the research.

(j) No.

(k) My testimony on page 29 provides the reasons why, based on the sampling plan, weights for this segment were not applicable.

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

APWU/USPS-T11-8: On page 29 of your testimony you state that you used interviews with respondents at 414 unique Preferred Accounts, or approximately 0.1 percent of the total universe of Premier Accounts that the Postal Service had in August 2009.

(a) What percentage of the mail volume of all the Preferred Account holders did these 414 respondents represent?

b) Of what type of businesses are the preferred accounts representative? (by firm size, single or multi-establishment)?

(c) Please describe the sampling procedures that resulted in these accounts being selected?

(d) Were the changes to the service standards explained to Preferred Account holders using the statement in Appendix F at page 100? If not, what description of the service standard changes was provided to the Preferred Account holders?

(e) The description on page 100 describes the change in service standards and describes mail delivery as though it would happen according to the optimum described?

i. What percentage of the time are current service standards achieved for the Preferred Account holders?

ii. Were Preferred Account holders provided a description of the likely actual mail delivery profile their mail would be provided?

(f) Were Preferred Account holders interviewed about their likely response to a combination of this change in service standards combined with a change to 5-day delivery?

(g) Were Preferred Account holders provided with a list of mail processing facilities that are being examined for closure at the time of the interview?

(h) What information were Preferred Account holders given about the status of the specific mail processing locations that each of them use?

(i) What percentage of Preferred Account holders indicated they thought they could prepare and deliver mail to the Postal Service to meet the requirements for overnight local delivery?

(j) Were any of the Preferred Account holders asked if they had been impacted by the closure of a mail processing facility since 2008? If so, what questions were they asked?

(k) You state that no weighting was required for the Premier Account holders. Did you assume that the percentage change in mail volume resulting from the change in service standards calculated for this subset of Premier Account holders was applicable to all the Premier Account holders?

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

RESPONSE:

(a) This information was neither necessary to nor developed by the research.

(b) This information was neither necessary to nor developed by the research.

(c) As stated on page 35 of my testimony, there were more than 3.36 million elements in the sample frame. ORC International drew a random sample of 18,612 elements from this frame.

(d) The description on page 100 was read to those responding to the quantitative survey.

(e) (i) This information was neither necessary to nor developed by the research.

(ii) No. Descriptions provided to Preferred Accounts were those on pages 88 and 100 of my testimony.

(f) No.

(g) No.

(h) Information provided to Preferred Accounts is described on pages 88 and 100 of my testimony.

(i) This question was not examined in the research.

(j) No.

(k) See the response to APWU/USPS-T11-7(k).

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

APWU/USPS-T11-10: Was the description of service standard changes provided to consumers the description in Appendix F at page 142? If not, what description was used?

RESPONSE:

Yes.

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

APWU/USPS-T11-11: Were consumers participating in the quantitative survey asked about their potential behavior if these changes in service standards were combined with the proposed changes necessary for 5-day delivery?

RESPONSE:

No.

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

APWU/USPS-T11-12: What information, if any, were the participants in the quantitative survey provided about the rates of the postal products affected by the proposed service standard changes?

RESPONSE:

The only information provided to participants in the quantitative survey is provided on pages 100 (Commercial Accounts), 127 (Small and Home-Based Business Accounts), and 142 (Consumers) in Appendix F of my testimony.

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

APWU/USPS-T11-13: Were consumers participating in the quantitative survey asked about their potential behavior if these changes in service standards were combined with an increase in postal rates?

RESPONSE:

No.

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

APWU/USPS-T11-14: For Figures 34-39, are the percentages based on the percentage of respondents that chose each point on the likelihood scale or the percentage of mail volume corresponding to the respondents that had chosen the given level on the likelihood scale?

RESPONSE:

Responses are based on the number of respondents in each segment identifying a scale point between 0 and 10.

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

APWU/USPS-T11-16 On page 31 of your testimony you indicate that screening questions were used to screen out companies that pay for postage via a postage meter, permit imprint, pre-cancelled stamps, or Express Mail corporate account?

(a) Of what subset of all businesses is this sample designed to be representative?

(b) How are businesses that are not account holders of the Postal Service (National, Premier or Preferred) but do use postage meters represented in your quantitative survey?

RESPONSE:

(a) The cited testimony involves all businesses that do not have an account with the U.S. Postal Service. All businesses making use of a postage meter, permit imprint, pre-cancelled stamps, or Express Mail corporate account have an account with the U.S. Postal Service and are therefore included among those in the Commercial Accounts (National, Premier, and Preferred) sample frames.

(b) Any business with a postage meter has an account with the U.S. Postal Service and is included somewhere in the Commercial Accounts (National, Premier, and Preferred) sample frames.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO GREETING CARD ASSOCIATION INTERROGATORY

GCA/USPS-T11-1: Please explain fully, with references to the forms and guides used for your opinion research, whether, and if so, how, respondents and participants were made aware of (i) the potential reduction of delivery days from six to five per week, and (ii) the effect on speed of delivery of a possible combination of this reduction with the change in service standards at issue in this Docket.

RESPONSE:

The concept statement contained in Appendix D, Part 2, contains the only information that was given to focus group participants regarding changes to service. Participants were told that one change in addition to the change in First-Class Mail service standards would be "eliminating Saturday mail delivery to homes and businesses."

Information provided to respondents in the quantitative market research was limited to the proposed changes to First-Class Mail service standards. The survey questionnaires contain the description that was read to Large Commercial Accounts [page 100], Consumers [page 142]) or by Small and Home-Based Businesses [page 127]) regarding purchasing behavior for a product currently offered.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO GREETING CARD ASSOCIATION INTERROGATORY

GCA/USPS-T11-2. Please refer to your prefiled testimony at page 5, lines 17-18. Does "holiday cards" refer to holiday cards sent by businesses to their customers, holiday cards sent by households, or both?

RESPONSE:

The focus group research indicated that consumers send both holiday and other event cards such as birthday cards. On the other hand, most businesses limit cards to holidays. Therefore we did not limit the description for consumers to holiday cards. Use of the term "holiday cards" in the descriptions of mail applications should accordingly not be construed as words of limitation excluding other uses of greeting cards.

The descriptions of communications (businesses) and correspondence (consumers) questionnaires were slightly different to reflect the differences between the segments. Wording is as follows:

1. For Businesses: General communications including customer notifications, holiday cards, investor/shareholder mailings, etc.

2. For Consumers: Correspondence, such as a letter or cards.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO GREETING CARD ASSOCIATION INTERROGATORY

GCA/USPS-T11-3. Please refer to the description of Alaska and Hawaii interviews in your pre-filed testimony at page 13, and in particular the observation concerning relative impact at lines 2-3. Did the interviewees in this part of your research include any located with-in (i) the Intra-SCF Honolulu area (other than Guam), or (ii) ZIP codes 99501-99539 in Alaska?

RESPONSE:

The ZIP Codes for the 10 IDIs conducted in Alaska and Hawaii include:

- Alaska: 99901 (Business), 99701 (Business), 99705 (Consumer), 99654 (Consumer)
- Hawaii: 96819 (Business), 96813 (Business), 96701 (Consumer), 96792 (Consumer), 96706 (Consumer).

The following table provides a listing of the ZIP Codes associated with the consumer surveys conducted in Alaska and Hawaii.

State			Frequency
AK	Valid	99501	1
		99508	1
		99507	1
		99654	1
		99669	2
		99688	1
		99827	1
		99829	1
		99999 – Don't Know	1
		Total	10
HI	Valid	96573	1
		96701	1
		96744	1
		96771	1
		96772	1
		96782	1
		96792	1
		96816	2
		96819	1
		96822	1
		Total	11

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO GREETING CARD ASSOCIATION INTERROGATORY

GCA/USPS-T11-4: Please refer to Appendix C, Part 1 (Business Groups), of your prefiled testimony, at page 75, and to Appendix D, at page 81.

(a) Please explain fully why, in the Moderator's instructions (Appendix C, Part 1), at lines 6-19, the Moderator is directed to discuss "current," "outstanding," and "long" service standards, while at the cited page of Appendix D there is provision for participants to estimate times for "too long" standards as well as for the three just mentioned, and for estimating usage levels under "outstanding," "long," and "too long" scenarios.

(b) Please provide the same information with respect to the corresponding part of Appendix C, Part 2 (Consumer Groups).

RESPONSE:

The overall purpose of the qualitative research was to evaluate how the proposed changes to First-Class Mail service standards would impact consumers and businesses. As a first step in this process, the objectives of the section and questions / instructions in the Moderator's Guide referenced in GCA/USPS-T11-4 were to obtain insights into business and consumer current levels of awareness of, and perceptions of, existing First-Class Mail service standards to allow for interpretation of their responses to subsequent questions regarding changes to these service standards. The Moderator focused on three scenarios to get a general feel for customer expectations within the time limits allocated to this written exercise and follow-up discussion (approximately 15 minutes out of the total 1.5 to 2 hours available for the entire discussion). The distinctions observed in this question between guides for oral and written instruments used with business and consumer customers reflect the greater detail allowed in written as opposed to oral communication.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO GREETING CARD ASSOCIATION INTERROGATORY

GCA/USPS-T11-5: Please refer to section 6.4 of your prefiled testimony, beginning on page 44, and to Appendix F.
(a) At lines 16-17 of page 44 you refer to "the likelihood they [i.e., respondents] would change the way they send their mail." Please explain fully (i) what options were intended to fall under the concept "the way they send their mail," and (ii) how, if at all, this range of options was conveyed to respondents.

(b) At Appendix F, Part 1 (page 89) the interviewer is directed, as part of the introduction, to ask for an interviewee "who makes decisions and/or recommendations on how to send the majority of your organization's mail? [AS NEEDED: By how to send, I mean decisions or recommendations as to what Postal Service products to use to send your organization's mail".

(i) Does the sentence following "AS NEEDED" correspond in any way to the concept "the way they send their mail" referred to in (a)? Please explain fully either an affirmative or a negative answer.

(ii) Does that sentence exhaust the concept "the way they send their mail"? If your answer is not an unqualified "yes," does the concept "the way they send their mail" cover communication or shipping options not covered by the sentence following "AS NEEDED"? If so, please describe and explain them.

(iii) Please explain under what circumstances an interviewer was to decide that the sentence following "AS NEEDED" should be added to his/her introduction.

(c) At several places in Appendix F, the phrase "(AS NEEDED: using the U.S. Postal Service)" appears as part of a question (e.g., Q2A, p. 93). Is this phrase intended to convey all and only the same meaning as the "AS NEEDED" sentence referred to in (b), above? If your answer is not an unqualified "yes," please explain fully its intended meaning.

RESPONSE:

a) The question read to Large Commercial Account customers and consumers or read by Small and Home-Based Businesses was as follows:

> And what is the likelihood that the First-Class Mail service standards that you just read will cause your organization to **modify the <u>way</u> your organization <u>mails</u> different items in 2012?**

This question followed the question regarding the **<u>number</u> of individual pieces of <u>mail</u> their organization would mail in 2012.**

The options intended to fall under the second question were the extent to which an organization would modify its use of Postal Service products. The questionnaire consistently uses the verb "mails" to denote use of Postal Service products.

(b) (i) As stated in response to the first question, the use of the term "mails" throughout the questionnaire refers to use of Postal Service products.

(ii) Yes.

(iii) Interviewers were instructed to read the additional language contained in "AS NEEDED" when a respondent asked for clarification of the question or asked for more information.

(c) Yes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO GREETING CARD ASSOCIATION INTERROGATORY

GCA/USPS-T11-6: Please refer to (i) the prefiled testimony of witness Whiteman, USPS-T12, at pages 18, line 6, to 19, line 6, and (ii) your own prefiled testimony, at section 6.4.1.

(a) Mr. Whiteman, discussing a "tendency for over-projecting results," states that a more detailed discussion of techniques for dealing with it appears at the cited section of your testimony. Please provide references to all discussions or descriptions of such a tendency or of techniques for dealing with it which appear in your prefiled testimony or the Library References associated with your testimony or Mr. Whiteman's.

(b) To the extent such information is not supplied in the references requested in (a), please describe fully (i) the reasons for believing that responses in this research were overstated, (ii) the techniques used to adjust or otherwise deal with such perceived overstatement, and (iii) the difference, in each case where such a technique was used, between the adjusted and unadjusted results.

(c) Please provide all documents setting forth, explaining, or evaluating the matters covered by (b).

RESPONSE:

Discussions and descriptions of how survey respondents reply to questions regarding intentions and techniques for dealing with these tendencies are contained in the references provided in the footnotes on page 44 of my testimony. The bibliography contains an extensive list of references outlining the use of the Juster Probability Scale as well as other literature on how survey respondents respond to intention questions. In addition, the second footnote referencing testimony provided in PRC Docket No. N2010-1 provides additional comment on and descriptions of the referenced tendency and techniques for dealing with it, specifically the common use of the Juster Probability Scale.

See also my forthcoming response to POIR1, Q 20, which will provide appropriate citations to literature for use of the Juster Purchase Probability Scale to forecast a decrease in purchasing behavior for a product currently offered.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ELMORE-YALCH TO GCA INTERROGATORY, REDIRECTED FROM WITNESS WHITEMAN

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.

RESPONSE:

(a) All groups were provided with details regarding the Postal Service's current service standards. The information they were provided is contained in the written concept provided to all participants (USPS-T-11, Appendix D, Part 2). Specifically, participants were told that in the continental U.S., the service standard for First-Class Mail delivery is 1 to 3 days. Currently,

- Delivery in the local area is next delivery day.
- Delivery to destinations outside the local area up to 1,000 miles is 2 days.
- Delivery to destinations over 1,000 miles within the continental U.S. is 3 days.

For those living in Alaska and Hawaii, delivery to anywhere in the continental U.S. is 4 days.

b. The purpose of the market research was limited to evaluating the impact of changes to First-Class Mail service standards.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ELMORE-YALCH TO GCA INTERROGATORY, REDIRECTED FROM WITNESS WHITEMAN

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 *also* 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.

RESPONSE:

The first paragraph of the question mischaracterizes witness Whiteman's summary of the qualitative market research.

(a) No. The purpose of the market research was to evaluate the impact of changes in First-Class Mail service standards.

(b) Measuring response to other alternatives was not an objective of this research.

(c) N.A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO GCA INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

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?

RESPONSE:

The first paragraph of this question misstates the focus of the quantitative market research, which sought to quantify changes in mailing behavior in response to changes in First-Class Mail service standards.

(a) The specific questions posed to the quantitative market research respondents are detailed in the written, direct testimony of witness Elmore-Yalch, USPS-T-11. Questions in the qualitative market research were not constrained closely. However, the moderators' guides are also found in that testimony. Any interested party is also free to examine transcripts of the qualitative market research sessions, where the moderators' use of professional discretion can also be observed. *See* USPS-LR-N2012-1/26.

(b) The written, direct testimony of witness Elmore-Yalch, USPS-T-11, contains the frequency of responses to the two questions asked in the surveys that asked for the likelihood that the volume of mail they send or the way in which they would send their mail would change as a result of proposed changes to First-Class

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO GCA INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

Mail service standards (Figures 34 to 39 beginning on page 45). Note that these frequencies represent combined responses to the two questions asked in the survey as described on page 45.

(c-d) Please refer to USPS-T-11. Those questions were not asked.

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

NALC/USPS-T11-1: Figure 41 on page 49 of your testimony shows that a "probability of change" scale was used in calculating the estimated change in mail volume that would result from the proposed service standard changes. Please state by how much USPS's estimate of mail volume change of 1.7% would be different if the "probability of change" scale had not been used and explain how you calculated that difference.

RESPONSE:

The use of the probability of change scale (more commonly known as the Juster Scale) is strongly supported in academic literature and in practice. ORC International understands that the application of this scale is both appropriate and supported by industry practice and academic literature. As such, utilizing data that does not apply this adjustment would be inappropriate and potentially misleading. It is ORC's policy not to conduct or report statistics that do not conform to accepted procedures.

However, any party interested in sponsoring such calculations ~~are~~ is able to perform the analysis using materials previously filed as part of library reference USPS-LR-N2012-1/26. Further, ORC International is prepared to provide informal technical assistance to any party that may need assistance in understanding technical details of ORC International's approach or the contents of these data files as a prelude to performing that analysis. In this context, should shared understanding develop that provision of additional or alternative data might be of assistance that may also be possible.

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

NALC/USPS-T11-2: Figure 41 on page 49 of your testimony shows that a "% of Increase/Decrease in Volume Solely Attributable to Change to FCM Standards" factor was used in calculating the estimated change in mail volume that would result from the proposed service standard changes. Please state by how much USPS's estimate of mail volume change of 1.7% would be different if that factor had not been used and explain how you calculated that difference?

RESPONSE:

The "% of Increase/Decrease in Volume Solely Attributable to Change to FCM Standards" was applied to ensure that any impact on respondents' estimates for volume changes or how mail was sent were attributable exclusively to the proposed changes in First-Class Mail service standards. We thus ensured exclusion of any impacts resulting from collateral postal matters that have gained significant media coverage. (*See also,* response to POIR #1, Question 19.)

As stated in response to NALC/USPS-T11-1, we believe that this adjustment is necessary and appropriate given the research objectives and research practices.

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

NALC/USPS-T11-3: Please state by how much USPS's estimate of mail volume change of 1.7% would be different if neither the "probability of change" scale nor the "% of Increase/Decrease in Volume Solely Attributable to Change to FCM Standards" factor had been used and explain how you calculated that difference.

RESPONSE:

See responses to NALC/USPS-T11-1 and NALC/USPS-T11-2.

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

NALC/USPS-T11-4: Page 15, lines 12-20 of your testimony lists five different business segments. Please provide for each segment the (1) mean reported volume decline for respondents in that segment; (2) the mean "probability of change" score for respondents in that segment; and (3) the correlation between the mean reported volume decline and the mean "probability of change" score for respondents in that segment.

RESPONSE:

Following are the requested data for (1) mean reported volume decline for respondents in each segment [column c] and (2) the mean "probability of change" score [column d] for each segment.

	Average Volume Before (a)	Average Volume After (b)	Mean Decline in Volume (c)	Mean Probability of Change Score (d)
National Accounts	103,892,737	103,750,425	(143,312)	.3308
Premier Accounts	3,282,785	3,250,464	(32,321)	.2774
Preferred	29,267	27,605	(1,662)	.2120
Small Businesses	3,027	3,002	(25)	.3246
Home-Based Businesses	1,227	1,212	(15)	.3439
Consumers	92	80	(12)	.2578

A correlation is a statistical measure of the degree to which a change in one variable relates to change in one or more other variables at the respondent level. As such, one cannot calculate a correlation between the mean reported volume decline and the mean "probability of change" score since both of these are point estimates, that is an average across respondents.

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

NALC/USPS-T11-5: Please provide the time period during which you conducted the quantitative market research referred to in your testimony?

RESPONSE:

As stated in my testimony on page 15, line 26, "Data collection was completed between October 26 and November 8, 2011."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

NALC/USPS-T12-5: Are you aware of any factors, including but not limited to the social desirability bias, that might bias respondents in a quantitative market research study to understate their reactions to a proposed change? If so, explain what these might be and how they may have affected respondents' reactions in USPS's quantitative market research regarding the proposed service standard changes here.

RESPONSE:

Bias represents a systematic error in responses such that estimates will consistently be larger or smaller than the true values, and should be distinguished from random errors which will be both larger or smaller than the true values but become closer to the true values as the sample size gets larger. Although there are many potential sources of bias in survey research, there are also techniques developed to reduce them. One example is measurement bias. Sources of measurement bias are well-documented in academic literature and known to experienced practitioners. Different types of measurement bias are described in market research texts and proven methods for anticipating, managing and minimizing them appear in the peer-reviewed literature. Professor Peter Boatwright succinctly summarized this literature for the Postal Regulatory Commission (USPS-RT-1, PRC Docket No. N2010-1; "*Potential Bias*" pp. 13-20). ORC International's market research for Network Rationalization considered the primary sources of bias that Professor Boatwright identified as well as other potential measurement biases and took specific measures to avoid them using a robust research design. These include:

1. Aggregation bias, which occurs when heterogeneous markets are treated as homogeneous. ORC International accordingly stratified the sample of postal customers into six segments: National Accounts, Premier

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

Accounts, Preferred Accounts, Small Businesses, Home-Based Businesses, and Consumers. Data were gathered and analyzed separately for each segment minimizing this source of bias.

2. Insensitive measurement bias occurs when the measurement tool(s) used are insufficiently sensitive to detect what might be important differences in the variable of interest. ORC International used a decomposition strategy when designing the survey questionnaires—that is, asking respondents to provide behavioral frequency responses to a series of questions (volume by application) rather than asking a single overarching question (total volume). This increased the validity of the individual estimates.

3. Bias from memory error can occur when asking a respondent to provide data that requires recall of past behaviors or events. Two types of memory error can occur: forgetting, which tends to result in under-reporting; and telescoping, in which respondents tend collapse response over time thereby overstating the frequency or extent of a behavior. Telescoping error can also be introduced by using too short a time period. The decomposition strategy already mentioned causes respondents to give more precise responses to focused questions, thereby minimizing possible bias from memory. Of course, by asking respondents to decompose their responses into both past (2011) and future (2012) events, forecasts of 2012 volumes are more likely to be accurate since they do not rely on memory. Moreover, use of a year's time frame

typically causes respondents to think about behaviors in a typical month and extrapolating that to an entire year. This minimizes the potential impact a specific major event might have upon volumes in a shorter time frame.

4. Social desirability bias (SDR) is the tendency of respondents to answer questions in a manner that will be viewed favorably by others. It can take the form of over-reporting good behavior or under-reporting bad behavior. Topics where SDR is of special concern are self-reports of abilities, personality, sexual behavior, and drug use or in the case of business surveys, business ethics. There is no evidence in this research that reporting future changes in volume as a result of a specific change in service would be biased upward, or even affected in any direction by social desirability. Respondents who indicated that they would be likely to change the amount of mail they send or the way in which they send mail were asked exactly the same questions as they were asked before they were told about the changes to service. Moreover, they were re-read by phone or shown (online) their original volume numbers or their distribution of volume across products as an anchor point. Finally, the respondents were provided with no information that a large or small change estimation would have any specific consequences.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

NALC/USPS-T12-13: In Chart 1, on page 22 of your testimony, you provide point estimates for volume, revenue, cost and net contribution changes were the proposed first-class mail service standard changes implemented.

(a) Provide the confidence interval at the 95 percent level for each of these point estimates.

(b) Provide what the confidence interval at the 95 percent level for each of these point estimates would be had respondents' responses not been adjusted by the "probability of change" scale.

(c) For the confidence intervals provided in response to (a) and (b) above, please provide a detailed explanation and illustrative calculations to show how the confidence intervals were derived.

RESPONSE:

(a) Confidence intervals can be computed at the 95 percent confidence level for each of the point estimates obtained in the survey research.

For National, Premier, and Preferred Accounts, the only point estimates from the survey research that were used in the calculations of mail volume by product following changes to First-Class Mail service standards are the percentage change in volume before and after the service change. These confidence intervals are show in the tables below.

National Accounts:

		Confidence Interval Percentage Change	
	% Change	Upper Bound	Lower Bound
First-Class Mail	-0.13%	0.15%	-0.40%
Presort FCM	-0.05%	0.04%	-0.13%
Priority Mail	2.58%	8.24%	-3.09%
Express Mail	-7.96%	9.52%	-25.44%
Regular Periodical	-0.41%	0.40%	-1.22%
Not-for-Profit Periodical	0.00%	0.00%	0.00%
Regular Bulk / Standard	0.00%	0.00%	0.00%
Not-for-Profit Bulk / Standard	0.00%	0.00%	0.00%
Total Mail Volume	-0.14%	0.12%	-0.39%

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

Premier Accounts:

		Confidence Interval Percentage Change	
	% Change	Upper Bound	Lower Bound
First-Class Mail	-0.19%	0.72%	-1.11%
Presort FCM	-1.39%	3.64%	-6.42%
Priority Mail	2.44%	5.89%	-1.02%
Express Mail	10.23%	24.83%	-4.37%
Regular Periodical	-1.21%	1.14%	-3.55%
Not-for-Profit Periodical	-10.92%	10.37%	-32.22%
Regular Bulk / Standard	-0.11%	0.94%	-1.16%
Not-for-Profit Bulk / Standard	-8.48%	4.35%	-21.31%
Total Mail Volume	-0.98%	0.08%	-2.05%

Preferred Accounts:

		Confidence Interval Percentage Change	
	% Change	Upper Bound	Lower Bound
First-Class Mail	-4.61%	4.94%	-14.15%
Presort FCM	-11.40%	9.44%	-32.23%
Priority Mail	-13.81%	4.28%	-31.90%
Express Mail	-8.07%	3.28%	-19.41%
Regular Periodical	1.64%	5.06%	-1.78%
Not-for-Profit Periodical	-23.14%	11.29%	-57.58%
Regular Bulk / Standard	-4.70%	10.04%	-19.45%
Not-for-Profit Bulk / Standard	-7.91%	16.62%	-32.43%
Total Mail Volume	-5.68%	0.49%	-11.85%

Volume estimates for small businesses, home-based businesses, and consumers used two point estimates – the mean volume estimate for 2012 and the percentage change in volume resulting from the change to First-Class Mail service standards. The confidence intervals for these estimates are presented in the tables below:

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

Small Businesses:

	Mean Volume Before Change	Confidence Interval Means			Confidence Interval Percentage Change	
		Upper Bound	Lower Bound	% Change	Upper Bound	Lower Bound
First-Class Mail	2,487	3,222	1,752	-0.64%	1.39%	-2.67%
Priority Mail	342	504	180	-3.05%	3.46%	-9.57%
Express Mail	198	322	74	0.56%	24.82%	-23.70%
Total Mail Volume	3,027	3,903	2,151	-0.83%	1.79%	-3.46%

Home-Based Businesses:

	Mean Volume Before Change	Confidence Interval Means			Confidence Interval Percentage Change	
		Upper Bound	Lower Bound	% Change	Upper Bound	Lower Bound
First-Class Mail	950	1,277	622	0.08%	6.06%	-5.89%
Priority Mail	156	248	65	-7.69%	10.14%	-25.52%
Express Mail	121	229	14	-3.55%	38.19%	-45.30%
Total Mail Volume	1,227	1,676	778	-1.27%	5.97%	-8.50%

Consumers:

	Mean Volume Before Change	Confidence Interval Means			Confidence Interval Percentage Change	
		Upper Bound	Lower Bound	% Change	Upper Bound	Lower Bound
First-Class Mail	84	95	72	-12.14%	-9.14%	-15.14%
Priority Mail	5	7	3	-17.84%	-5.33%	-30.36%
Express Mail	3	5	2	-14.27%	-5.84%	-22.71%
Total Mail Volume	92	105	79	-12.53%	-9.57%	-15.48%

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

Because different variables were used by witness Whiteman to compute total volumes, as necessitated by what was available (*see* USPS-T-12, pp. B-5 – B-6 (small businesses) and B-6 – B-7 (consumers)), it is not possible to compute confidence intervals around the total volume, revenue, cost and net contribution changes provided by witness Whiteman. This is because the estimates for small businesses, home-based businesses, and consumers use two estimates (mean volume before the change and percent change in volume as a result of the change) each of which have a margin of error surrounding these estimates. In addition, witness Whiteman computes total estimates of volume, revenue, cost, and net contribution for each product based on the individual segment estimates provided by ORC International, each of which has an estimate of error. Errors are not additive—that is, we cannot say the maximum error is the distribution around the mean plus the distribution around the percentage change. Similarly, one cannot simply add together the estimates with the assumption that each of the individual estimates has either the maximum or minimum error. This would simply never occur. Therefore, one cannot compute the maximum level of error around the volume, revenue, cost and net contribution changes computed by witness Whiteman.

(b) As stated in my response to NALC/USPS-T11-1 the Postal Service feels that application of the "probability of change" scale is appropriate as it is supported by both standard industry practices and academic literature.

(c) Computation of the confidence intervals for the point estimates of percentage change in volume for all segments was a four-step process.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

1. We first computed the difference in volume after and before the change in service: For example for all accounts we computed the difference in use of First-Class Mail as follows:

   TOTAL_FCM_Diff = TOTAL_FCM_2012_AFTER - TOTAL_FCM_2012_BEFORE (i)

2. We then computed the standard error around the sum of the difference in volumes as follows:

   ERROR TOTAL_FCM_DIFF_PLUS = SUM TOTAL_FCM_DIFF + 1.96 * STDDEV TOTAL_FCM_DIFF * SQRT (n) (ii)

   ERROR TOTAL_FCM_DIFF_MINUS = SUM TOTAL_FCM_DIFF - 1.96 * STDDEV TOTAL_FCM_DIFF * SQRT (n) (iii)

3. We then computed the confidence intervals around the sum of the differences in volumes as follows:

   SUM_FCM_CONFIDENCE_INTERVAL_PLUS = TOTAL_FCM_2012_BEFORE + ERROR TOTAL_FCM_DIFF_PLUS (iv)

   SUM_FCM_CONFIDENCE_INTERVAL_MINUS = TOTAL_FCM_2012_BEFORE + ERROR TOTAL_FCM_DIFF_MINUS (iv)

4. Finally, we computed the confidence intervals around the percentage change in volume as follows:

   %CHANGE_FCM_CONFIDENCE_INTERVAL_ UPPERBOUND = (SUM_FCM_CONFIDENCE_INTERVAL_PLUS - TOTAL_FCM_2012_BEFORE) / TOTAL_FCM_2012_BEFORE (iv)

   %CHANGE_FCM_CONFIDENCE_INTERVAL_ LOWERBOUND = (SUM_FCM_CONFIDENCE_INTERVAL_MINUS - TOTAL_FCM_2012_BEFORE) /

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

TOTAL_FCM_2012_BEFORE (v)

Computing the confidence interval surrounding the mean product volumes estimated for 2012 entailed two steps:

1. First we computed the standard error of measure for each mean.

   SEM_FCM_CONSUMERS = STD DEVIATION / SQRT (n) (vi)

2. Second we computed the confidence intervals around the mean volume as follows:

   FCM_CONSUMERS_CONFIDENCE_INTERVAL_UPPERBOUND = MEAN_BASE_2012 + 1.96 * SEM_FCM_CONSUMERS (VII)

   FCM_CONSUMERS_CONFIDENCE_INTERVAL_LOWERBOUND = MEAN_BASE_2012 - 1.96 * SEM_FCM_CONSUMERS (VII)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NALC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

Use of these and other strategies common to survey research minimizes bias errors; thereafter, we assume that any remaining estimation errors are random and should therefore reflect a balance of both over- and under-estimation. Finally, it is important to note that the majority of surveys in this research were completed with businesses, who have a financial interest in both their past and future business activity which helps ensure that they can use business records to provide accurate responses.

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

NPPC/USPS-T11-1: Please refer to your response to GCA/USPS-T11-1. Do you believe that Large Commercial Account respondents in the quantitative market research were probably aware of the Postal Service's proposal regarding Saturday delivery, even if that proposal was not specifically mentioned to them by your research team?

RESPONSE:

We did expect some awareness among Large Commercial Account respondents that elimination of Saturday delivery was a topic of discussion. For that reason the questionnaire was structured carefully to exclude volume changes arising out of that awareness.

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

NPPC/USPS-T11-2: Please refer to your response to GCA/USPS-T11-2 and the categories of applications listed at page 5, lines 11 through 21, of your testimony. Were monthly account statements of the nature sent by banks, brokerage firms, and similar financial institutions considered "bills, invoices, or statements," "general communications," or "reports, contracts, policies, legal papers"?

RESPONSE:

I believe that the financial institutions surveyed included monthly account statements in the "bills, invoices, and statements" application.

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

NPPC/USPS-T11-3: Were any of the organizations that participated in one of the 17 "in-depth" interviews of National and Premier Accounts also included in the quantitative research? If so, please indicate how many participated in both types of research.

RESPONSE:

No.

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

NPPC/USPS-T11-4: Were the organizations that were part of the quantitative survey of National, Premier, and Preferred accounts provided with written survey forms? If not, was the quantitative research for those accounts conducted entirely by telephone?

RESPONSE:

Data collection for National, Premier, and Preferred Accounts was conducted entirely by telephone (*see* pages 25, line 14; 27, line 13; and 29, line 17). No written materials were provided to respondents in these segments.

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

NPPC/USPS-T11-6: Please refer to page 16, lines 6 through 8 (and Appendix F). If a business respondent were responsible for the "Bills, invoices, or statements" application but not for the "advertising or marketing materials) application, for what applications should that respondent have provided volume data and estimates?

RESPONSE:

Business respondents provided volume data and estimates only for those applications for which they had responsibility.

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

NPPC/USPS-T11-7: Was the quantitative market research designed to obtain data on the *total* mail volume that a National Account would send under the scenario presented to the respondent, or merely for those applications for which the person had responsibility? Please explain how the market research would have elicited information or estimates for a National Account's total mail volume.

RESPONSE:

The quantitative market research was designed to obtain reliable estimates of the **percentage change in volume** for each Postal Service product. This was accomplished by asking respondents about volume for each application; witness Whiteman then used the aggregated estimate of volume change for each product applied to the known postal volumes for each product to produce the volume change estimates in his Chart 1.

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

NPPC/USPS-T11-8: Was the quantitative market research designed to obtain data on the *total* mail volume that a Premier Account would send under the scenario presented to the respondent, or merely for those applications for which the person had responsibility? Please explain how the market research would have elicited information or estimates for a Premier Account's total mail volume.

RESPONSE:

See response to NPPC/USPS-T11-7.

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

NPPC/USPS-T11-9: Was the quantitative market research designed to obtain data on the *total* mail volume that a Preferred Account would send under the scenario presented to the respondent, or merely for those applications for which the person had responsibility? Please explain how the market research would have elicited information or estimates for a Preferred Account's total mail volume.

RESPONSE:

See response to NPPC/USPS-T11-7.

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

NPPC/USPS-T11-10: Please refer page 44, lines 16-17, of your testimony and to your response to GCA/USPS-T11-5(a).

a. If, in response to the service standard changes described by the market researcher, an organization would likely convert one-half of its marketing correspondence from First-Class Presort Mail to Standard Mail, would you have expected that conversion to be reported in response to the "way" question?

b. If, in response to the service standard changes described by the market researcher, an organization would likely convert one-half of its marketing correspondence from First-Class Presort 5-digit letter Mail to First-Class Presort 3-digit letter Mail, would you have expected that conversion to be reported in response to the "way" question?

c. If, in response to the service standard changes described by the market researcher, an organization would likely convert one-half of its account statements from First-Class Presort letter Mail to electronic alternatives, in response to which question would that change appear?

RESPONSE:

Respondents were asked two questions:

1. What is the likelihood that the First-Class Mail service standards that I have just described will cause your organization to **modify the <u>number</u> of individual pieces of <u>mail</u> your organization will mail in 2012?>**
2. What is the likelihood that the First-Class Mail service standards that I have just described will cause your organization to **modify the <u>way</u> your organization mails different items in 2012?**

Using the specific examples provided in the question, I believe we can assume that examples (a) and (b) would be reflected in a respondent's answer to Question #2 (the way in which the organization mails different items) and that example (c) would be reflected in a respondent's answer to Question #1 (the total number of individual pieces of mail their organization would send).

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

NPPC/USPS-T11-11: Please refer page 50, Figure 42. Does the line labeled "First-Class Mail" refer to Single-Piece mail only?

RESPONSE:

Yes.

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

NPPC/USPS-T11-12: Please refer to Appendix F of your testimony.

a. Please confirm that this contains the only script that was used in the quantitative surveys of large commercial accounts. If you cannot confirm, please identify what other script or scripts were used.

b. Please refer to page 89, lines 10-11, of Appendix F to your testimony. Did you considering phrasing the question (instead of or in addition to the question actually asked) as: "May I please speak with the person in your organization who makes decision and/or recommendations on whether to send communications via mail or electronic means?"

c. Did you consider whether to ask for the person with budget authority over customer or marketing communications? Either in addition to or instead of the person that makes decisions/recommendations on how to send mail? Please discuss.

RESPONSE:

a. Confirmed.

b. No.

c. No.

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

NPPC/USPS-T11-13: Please refer to Figures 42 through 44 of your testimony. These figures indicate that, among Presort First-Class mailers, the forecasted volume reduction would be smallest for the largest mailers (National Accounts), largest for the smallest mailers (Preferred Accounts), and in between for Premier accounts. Did the survey identify any factors that would account for these results?

RESPONSE:

No.

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

NPPC/USPS-T11-14: For the quantitative surveys conducted using Appendix F:

a. What guidance was provided to the interviewers regarding how long the survey should take and how much time respondents were given to respond to the questions?

b. What was the average length of time of a survey interview?

RESPONSE:

(a) Interviewers were told that the surveys would average between 20 and 25 minutes in length and would vary based on the number of applications for which an individual respondent was responsible. Interviewers completing the surveys were trained Executive Interviewers who are instructed to carefully read the questionnaire script verbatim, to allow the respondent adequate time to provide their responses, and to ask for clarification as needed.

(b) The average interview time for the Large Commercial Accounts was 21.5 minutes.

We do not have an average interview length for the Small and Home-Based Business interviews as these were completed online and there is no reliable means to measure how much time respondents spend completing the actual interview versus being logged into the survey but not responding (*i.e.*, starting, pausing, stepping away to perform another task, *etc.*)

We do not have an exact length of the consumer interviews as the timer also included those who screened out because they were not in charge of the household mail. Our estimate is that the consumer interviews averaged 7 to 8 minutes in length.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO NPPC INTERROGATORY,
REDIRECTED FROM WITNESS WHITEMAN

NPPC/USPS-T12-11. Please refer to your responses to NPPC/USPS-T12-5 and 6.

* * *

b. Did any of the four "Financial Services" organizations indicated in your response to NPPC/USPS-T12-5 provide responses regarding their use of the mail for Application "DD" – that is, "documents such as reports, contracts, policies, legal papers, etc." as defined by witness Elmore-Yalch (USPS-T11 at 17)? If yes, please explain.

c. Were any of the four "Financial Services" organizations indicated in your response to NPPC/USPS-T12-5 insurance companies?

RESPONSE:

* * *

b. No, as indicated in the response to NPPC/USPS-T12-5.

c. Yes, two of the financial services organizations were insurance companies.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO PUBLIC REPRESENTATIVE INTERROGATORY

PR/USPS-T11-1: Please provide focus group transcripts for each customer sector accompanied by any written exercises completed by participants.

RESPONSE:

Focus group transcripts were filed together with my testimony, as it notes on page 5. Please see USPS-LR-N2012-1/26. The written exercises will be filed shortly in a new library reference.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO PUBLIC REPRESENTATIVE INTERROGATORY

PR/USPS-T11-2. Please refer to page 81 of your testimony, where Appendix D contains and instruction for participants to "write in the number of days they feel are the number of days in transit" of First-Class Mail for destinations in their local area, 200 miles outside of their local area, 200 to 1000 miles outside their local area, and more than 1000 miles outside their local area. How was the term 'Local Area' defined for participants?

RESPONSE:

We did not provide participants with a precise definition of "local area." In some markets, including Atlanta and Pocatello, the moderators did ask participants for their definitions of the local area. It was clear from these responses that participants did have a clear idea of what would constitute their local area and where they might expect to have First-Class Mail delivery within one to two days.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO PUBLIC REPRESENTATIVE INTERROGATORY

PR/USPS-T11-4: Please describe the methodology used to gather and/or analyze key points/ideas/opinions focus groups participants.

RESPONSE:

The questions asked of focus group participants were generally open-ended in nature and responses were often lengthy, containing several points related to a topic. Moderators guided the responses to ensure they remained relevant to the specific question and went beyond simple yes / no or other one-word responses.

The analysis was focused on addressing the key objectives of the research and concentrated on the key questions that needed to be answered. For some topics (*e.g.*, methods used to send mail), the analysis was relatively simple and involved a summary of major themes across the groups. In other instances (*e.g.*, current awareness of or expectations for First-Class Mail service standards), the analysis called for more complex content analyses and comparisons between the groups as where a participant lived would potentially influence their responses.

Each moderator provided initial summaries of the focus groups or in-depth interviews each conducted. These summaries were incorporated into the Final Qualitative Research Report (which was recently finalized and will be filed as originally projected in USPS-LR-N2012-1/26 shortly). Transcripts were reviewed to ensure that analysis was objective and all points of view relevant to a specific topic were included.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO PUBLIC REPRESENTATIVE INTERROGATORY

PR/USPS-T11-5: Please refer to the file entitled "First-Class Mail_Consumers_Final Data File_USPS-LR-N2012-1.sav":

a. Please confirm if blank responses correspond to a refused or "don't know" answer in column heading "UE_A"?
b. Under the column heading "Likely_Change" please explain the missing data?
c. Please identify the specific data fields in the afore-mentioned file used to create Figure 47 on page 52 of your testimony.

RESPONSE:

a) These blanks reflect respondents who either gave a "don't know" response to UE_A or said "0 percent" to all four questions (UE_A, UE_B, UE_C, and UE_D).

b) These reflect respondents who refused to give a response or gave a response of "98 – NONE OF THESE" to Question UF (UF: Which of the following have you MAILED using the U.S. Postal Service for PERSONAL PURPOSES in the PAST 12 MONTHS?)

c) The following table provides the variables that were used to generate the output in Figure 47. The volume numbers are the sum statistic generated by the descriptives routine in SPSS (data is weighted using WT_FINAL variable).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ELMORE-YALCH TO PUBLIC REPRESENTATIVE INTERROGATORY

Product	Total Volume Sent – Current FCM Standards (A)	Total Volume Sent – New Standards Adjusted (B)
First-Class Mail	TOTAL_FCM_2012_BEFORE	TOTAL_FCM_2012_AFTER
Priority Mail	TOTAL_PRI_2012_BEFORE	TOTAL_PRI_2012_AFTER
Express Mail	TOTAL_EXP_2012_BEFORE	TOTAL_EXP_2012_AFTER
Total Mail Volume	TOTAL_MAIL_VOLUME_2012_BEFORE	TOTAL_MAIL_VOLUME_2012_AFTER

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO PUBLIC REPRESENTATIVE INTERROGATORY

PR/USPS-T11-7: Please refer to the file entitled "First-Class Mail_Large Commerical_Final_DataFile_USPS-LR-N2012-1.NP1.sav":

a. Please explain missing data in field names Q3, Q4, Q5A, Q6A, Q7A, Q8A, Q8C, Q9A, Q10A, and Q11A (variable view numbers 54-63)?
b. Please explain missing data in data columns corresponding to variable numbers 97 – 233?
c. Please identify variables and/or data fields corresponding to questions Q2A, Q2B, Q2C, Q2D, Q2DD, Q2E, Q2F, and Q2G listed on pages 93-95 of your testimony.

RESPONSE:

a) No data are missing for field names Q3 or Q4. Respondents provided data only for those applications for which they had direct responsibility. Therefore, missing data in Q5A, Q6A, Q7A, Q8A, Q8C, Q9A, Q10A, and Q11A correspond to respondents who were not responsible for that application.

b) As in the response to part (a), "missing" data in data columns corresponding to variable numbers 97 to 233 correspond to respondents who were not responsible for the application represented in that variable.

c) The processing steps between exporting the raw survey results from the CATI / Web completed interviews and computing the final variables that are used to estimate changes in volume are complex. The original data corresponding to questions Q2A, Q2B, Q2C, Q2D, Q2DD, Q2E, Q2F, and Q2G listed on pages 93-95 are not included in the data file because in their raw form they are not usable. We have provided a detailed description of the steps required to convert the raw data from its initial format to the variables necessary to compute the estimates required to meet the research objectives in response to the Presiding Officer (POIR1 Question 17).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO PUBLIC REPRESENTATIVE INTERROGATORY

PR/USPS-T11-8: Please refer to the file entitled "First-Class Mail_SmallHome_Final DataFile_USPS-LR-N2012-1.NP1." Please identify the variables and/or data fields corresponding to questions Q2A, Q2B, Q2C, Q2D, Q2DD, and Q2G listed on pages 122-123 of your testimony.

RESPONSE:

As with the Large Commercial Accounts file (First-Class Mail_Large Commerical_Final_DataFile_USPS-LR-N2012-1.NP1.sav"), there are a number of processing steps that were required to convert the raw data from the original web-programmed data file to the variables necessary to do the computations required to meet the study objectives. These steps are documented in the response to the Presiding Officer (POIR1 Question 17).

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

#17: Please refer to library reference USPS-LR-N2012-1/NP1 folder "OCR".

a. Please provide a data dictionary that links the variables provided in "First-Class Mail_LargeCommercial_Final_DataFile_USPS-LR-N2012-1_NP1.sav" with the survey questions provided in USPS-T-11 at 89, Appendix F, Part 1.

b. Please provide a data dictionary that links the variables provided in "First-Class Mail_SmallHome_Final DataFile_USPS-LR-N2012-1_NP1.sav" with the survey questions provided in USPS-T-11 at 139, Appendix F, Part 2.

c. Please provide a data dictionary that links the variable provided in "First-Class Mail_Consumers_Final DataFile_USPS-LR-N2012-1_NP1.sav" with the survey questions provided in USPS-T-11 at 148, Appendix F, Part 3.

RESPONSE:

The processing steps between exporting the raw survey results from the CATI / Web completed interviews and computing the final variables that are used to estimate changes in volume are complex. This response accordingly explains the processing steps that, as necessary, can also be applied to verify the results. In short, however, the raw results exported from the CATI / Web surveys could not be used as is. They needed to go through a series of documented processing steps. Once that was completed, respondent specific results could be aggregated across respondents, applications, and postal products as documented in the data files provided.

The initial data files exported the CATI- / Web-programmed survey questionnaires were quite complex and not in the format required for the final required analysis. A series of steps were needed to convert the raw data from its initial format to the variables necessary to compute the estimates required to meet the research objectives. The final data files in Library Reference NP1 include the final volume variables developed from these steps rather than the raw data exported from the original CATI / Web-programmed data files. The following describes the steps taken to convert raw data

from the survey questionnaires as they were programmed for CATI / Web administration and data entry into the form that appears in the data sets provided.

(a) Large Commercial Accounts Data

Each respondent was asked, for each application she controlled:

(1) How many total pieces of mail did she send for that application?

Respondents provided this information in terms of a number and a corresponding denomination—example illustrated below:

	Number of Pieces MAILED in Past 12 Months (Digits) (Q1A)	Number of Pieces MAILED in Past 12 Months (Denomination) (Q1A_unit)
A. Bills, invoices or statements	_____ (RECORD NUMBER UP TO 3 DIGITS)	01 99 or Less 02 Hundred 03 Thousand 04 Million 05 Billion 98 DON'T KNOW

A variable was computed to convert the two data entry values to a single volume number for the application. Syntax for computation of volume for the billing application follows.

```
IF (Q1A_UNIT=1) Q1A_RC=Q1A.
IF (Q1A_UNIT=4) Q1A_RC=Q1A * 1000000.
IF (Q1A_UNIT=3) Q1A_RC=Q1A * 1000.
IF ((Q1A < 100) AND Q1A_UNIT=2) Q1A_RC=Q1A * 100.
IF ((Q1A >= 100) AND Q1A_UNIT=2) Q1A_RC=Q1A.
IF (Q1A=0) Q1A_RC=0.
EXECUTE.
```

(i)

The same process is followed for each application—which for National Accounts means

eight applications. This process was also followed for each condition—2011 volumes (Q1), 2012 estimated volumes with current First-Class Mail service standards (Q1_2012), and 2012 estimated volumes with the proposed First-Class Mail service standards (Q5A, Q6A, Q7A, Q8A, Q8C, Q9A, Q10A, Q11A). The notation (_RC) in the new variable name indicates that the original data file variables were modified—in this case, by combining the volume number and denomination into a single variable.

(2) Respondents were then asked to estimate what percent of that volume was sent by respective Postal Service products.

Variables were computed to reflect the volume of mail for each application that was sent via each product, using the syntax shown below (this example is for the application Bills in the Base (2011) year.

```
IF (not missing (Q1A_RC) ) BILL_FCM_Base = Q1A_RC * (Q2A_02 / 100).
IF (not missing (Q1A_RC) ) BILL_PSFCM_Base = Q1A_RC * (Q2A_03 / 100).
IF (not missing (Q1A_RC) ) BILL_PRI_Base = Q1A_RC * (Q2A_06 / 100).
IF (not missing (Q1A_RC) ) BILL_EXP_Base = Q1A_RC * (Q2A_07 / 100).
EXECUTE.
```

(ii)

(3) The same process was followed to compute distribution of volume for each of the applicable Postal Service products for each application for the 2012 estimates.

```
IF (Q1A_2012_RC~= -1 and not missing (Q1A_2012_RC) ) BILL_FCM_Base_2012 =
Q1A_2012_RC  * (Q2A_2012_02 / 100).
IF (Q1A_2012_RC ~= -1 and not missing (Q1A_2012_RC ) ) BILL_PSFCM_Base_2012 =
Q1A_2012_RC  * (Q2A_2012_03 / 100).
IF (Q1A_2012_RC ~= -1 and not missing (Q1A_2012_RC ) ) BILL_PRI_Base_2012 =
Q1A_2012_RC  * (Q2A_2012_06 / 100).
IF (Q1A_2012_RC ~= -1 and not missing (Q1A_2012_RC ) ) BILL_EXP_Base_2012 =
Q1A_2012_RC  * (Q2A_2012_07 / 100).
EXECUTE.
```

(iii)

(4) We then computed the "maximum likelihood" that a respondent would change the volume of mail she would send as follows:

```
COMPUTE LIKELY_CHANGE=0.
IF (MAX(Q3, Q4) <= 10) Likely_Change = MAX(Q3, Q4)/10.
EXECUTE.
```
(iv)

(5) The volume estimates provided for 2012 with the proposed changes to First-Class Mail standards (Q5A_RC, Q6A_RC, Q7A_RC, Q8A_RC, Q8C_RC, Q9A_RC, Q10A_RC, Q11A_RC) were adjusted in accordance with the discussion in section 6.4 of my testimony regarding application of the Juster scale as well as the extent to which any reported changes (increases or decreases) in volume were solely attributable to studied changes in service standards. This syntax follows:

```
COMPUTE Q5A_RC_ADJUSTED = (Q5A_RC - Q1A_2012_RC) * (Q12BILLS / 100) *
LIKELY_CHANGE + Q1A_2012_RC.
COMPUTE Q6A_RC_ADJUSTED = (Q6A_RC - Q1B_2012_RC) * (Q12PAYMENTS /
100) * LIKELY_CHANGE + Q1B_2012_RC.
COMPUTE Q7A_RC_ADJUSTED = (Q7A_RC - Q1C_2012_RC) * (Q12ADVERTISING /
100) * LIKELY_CHANGE + Q1C_2012_RC.
COMPUTE Q8A_RC_ADJUSTED = (Q8A_RC - Q1D_2012_RC) *
(Q12COMMUNICATION / 100) * LIKELY_CHANGE + Q1D_2012_RC.
COMPUTE Q8C_RC_ADJUSTED = (Q8C_RC - Q1DD_2012_RC) * (Q12DOCUMENTS
/ 100) * LIKELY_CHANGE + Q1DD_2012_RC.
COMPUTE Q9A_RC_ADJUSTED = (Q9A_RC - Q1E_2012_RC) * (Q12MAGAZINES /
100) * LIKELY_CHANGE + Q1E_2012_RC.
COMPUTE Q10A_RC_ADJUSTED = (Q10A_RC - Q1F_2012_RC) *
(Q12NEWSPAPERS / 100) * LIKELY_CHANGE + Q1F_2012_RC.
COMPUTE Q11A_RC_ADJUSTED = (Q11A_RC - Q1G_2012_RC) *
(Q12NEWSLETTERS / 100) * LIKELY_CHANGE + Q1G_2012_RC.
EXECUTE.
```
(v)

(6) Step 5 provides an estimate of respondent-specific total mail volumes for each application. We then computed the volume for each product using the same process as we did for the Base (2011) and Base_2012 estimates. By way of example,

the syntax for computing volume across products for the Bills application is shown below:

```
IF ( not missing (Q5A_RC_ADJUSTED ) ) BILL_FCM_Condl = Q5A_RC_ADJUSTED *
(Q5B_02 / 100).
IF ( not missing (Q5A_RC_ADJUSTED ) ) BILL_PSFCM_Condl = Q5A_RC_ADJUSTED
* (Q5B_03 / 100).
IF ( not missing (Q5A_RC_ADJUSTED ) ) BILL_PRI_Condl = Q5A_RC_ADJUSTED *
(Q5B_06 / 100).
IF ( not missing (Q5A_RC_ADJUSTED ) ) BILL_EXP_Condl = Q5A_RC_ADJUSTED *
(Q5B_07 / 100).
EXECUTE.
```

(vi)

(7) To ensure that the bases were the same for all three volume estimates, we used the following to eliminate those instances where we had missing values listwise (that is, for each case, a missing value exists in at least one of the three estimates). The syntax to accomplish this is shown for a single application—Bills):

```
DO IF (not (missing (Q1A_RC ) or missing (Q1A_2012_RC ) or missing
(Q5A_RC_ADJUSTED )) ).
        COMPUTE BILL_FCM_Base_Final = BILL_FCM_Base.
        COMPUTE BILL_PSFCM_Base_Final = BILL_PSFCM_Base.
        COMPUTE BILL_PRI_Base_Final = BILL_PRI_Base.
        COMPUTE BILL_EXP_Base_Final = BILL_EXP_Base.

        COMPUTE BILL_FCM_Base_2012_Final = BILL_FCM_Base_2012.
        COMPUTE BILL_PSFCM_Base_2012_Final = BILL_PSFCM_Base_2012.
        COMPUTE BILL_PRI_Base_2012_Final = BILL_PRI_Base_2012.
        COMPUTE BILL_EXP_Base_2012_Final = BILL_EXP_Base_2012.

        COMPUTE BILL_FCM_Condl_Final = BILL_FCM_Condl.
        COMPUTE BILL_PSFCM_Condl_Final = BILL_PSFCM_Condl.
        COMPUTE BILL_PRI_Condl_Final = BILL_PRI_Condl.
        COMPUTE BILL_EXP_Condl_Final = BILL_EXP_Condl.
END IF.
EXECUTE.
```

(vii)

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

(8) Finally, the total volume of mail for each product for each condition (2011, 2012 estimates with current service standards, and 2012 with proposed service standards) were computed:

```
COMPUTE BASE_FCM_2011 = SUM( BILL_FCM_BASE_FINAL ,
PMT_FCM_BASE_FINAL , ADM_FCM_BASE_FINAL , COMM_FCM_BASE_FINAL ,
DOC_FCM_BASE_FINAL , NWSL_FCM_BASE_FINAL).

COMPUTE BASE_PSFCM_2011 = SUM( BILL_PSFCM_BASE_FINAL ,
PMT_PSFCM_BASE_FINAL , ADM_PSFCM_BASE_FINAL ,
COMM_PSFCM_BASE_FINAL , DOC_PSFCM_BASE_FINAL ,
NWSL_PSFCM_Base_Final ).

COMPUTE BASE_PRI_2011 = SUM (BILL_PRI_BASE_FINAL , PMT_PRI_BASE_FINAL
, COMM_PRI_BASE_FINAL , DOC_PRI_BASE_FINAL ).

COMPUTE BASE_EXP_2011 = SUM(BILL_EXP_BASE_FINAL ,
PMT_EXP_BASE_FINAL , COMM_EXP_BASE_FINAL , DOC_EXP_BASE_FINAL).

COMPUTE BASE_RPM_2011 = SUM(MAG_RPM_BASE_FINAL ,
NWSP_RPM_BASE_FINAL , NWSL_RPM_BASE_FINAL).

COMPUTE BASE_NPPM_2011 = SUM(MAG_NPPM_BASE_FINAL ,
NWSP_NPPM_BASE_FINAL , NWSL_NPPM_BASE_FINAL).

COMPUTE BASE_RBM_2011 = SUM(MAG_RBM_BASE_FINAL ,
NWSP_RBM_BASE_FINAL , ADM_RBM_BASE_FINAL , NWSL_RBM_BASE_FINAL).

COMPUTE BASE_NPBM_2011 = SUM(MAG_NPBM_BASE_FINAL ,
NWSP_NPBM_BASE_FINAL , ADM_NPBM_BASE_FINAL ,
NWSL_NPBM_BASE_FINAL).

COMPUTE TOTAL_MAIL_VOLUME_2011 = SUM(BASE_FCM_2011 ,
BASE_PSFCM_2011, BASE_PRI_2011, BASE_EXP_2011, BASE_RPM_2011,
BASE_NPPM_2011, BASE_RBM_2011 ,

BASE_NPBM_2011).


COMPUTE BASE_FCM_2012 = SUM(BILL_FCM_BASE_2012_FINAL ,
PMT_FCM_BASE_2012_FINAL , ADM_FCM_BASE_2012_FINAL ,
COMM_FCM_BASE_2012_FINAL , DOC_FCM_BASE_2012_FINAL ,
NWSL_FCM_BASE_2012_FINAL).

COMPUTE BASE_PSFCM_2012 = SUM(BILL_PSFCM_BASE_2012_FINAL ,
PMT_PSFCM_BASE_2012_FINAL , ADM_PSFCM_BASE_2012_FINAL ,
COMM_PSFCM_BASE_2012_FINAL , DOC_PSFCM_BASE_2012_FINAL ,
NWSL_PSFCM_Base_2012_Final).

COMPUTE BASE_PRI_2012 = SUM(BILL_PRI_BASE_2012_FINAL ,
PMT_PRI_BASE_2012_FINAL , COMM_PRI_BASE_2012_FINAL ,
DOC_PRI_BASE_2012_FINAL ).

COMPUTE BASE_EXP_2012 = SUM(BILL_EXP_BASE_2012_FINAL ,
PMT_EXP_BASE_2012_FINAL , COMM_EXP_BASE_2012_FINAL ,
DOC_EXP_BASE_2012_FINAL).
```

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

```
COMPUTE BASE_RPM_2012 = SUM(MAG_RPM_BASE_2012_FINAL ,
NWSP_RPM_BASE_2012_FINAL , NWSL_RPM_BASE_2012_FINAL).

COMPUTE BASE_NPPM_2012 = SUM(MAG_NPPM_BASE_2012_FINAL ,
NWSP_NPPM_BASE_2012_FINAL , NWSL_NPPM_BASE_2012_FINAL).

COMPUTE BASE_RBM_2012 = SUM(MAG_RBM_BASE_2012_FINAL ,
NWSP_RBM_BASE_2012_FINAL , ADM_RBM_BASE_2012_FINAL ,
NWSL_RBM_BASE_2012_FINAL).

COMPUTE BASE_NPBM_2012 = SUM(MAG_NPBM_BASE_2012_FINAL ,
NWSP_NPBM_BASE_2012_FINAL , ADM_NPBM_BASE_2012_FINAL ,
NWSL_NPBM_BASE_2012_FINAL).

COMPUTE TOTAL_MAIL_VOLUME_2012_BEFORE = SUM(BASE_FCM_2012 ,
BASE_PSFCM_2012, BASE_PRI_2012, BASE_EXP_2012, BASE_RPM_2012,
BASE_NPPM_2012, BASE_RBM_2012 , BASE_NPBM_2012).


COMPUTE CONDL_FCM_2012 = SUM(BILL_FCM_CONDL_FINAL ,
PMT_FCM_CONDL_FINAL , ADM_FCM_CONDL_FINAL ,
COMM_FCM_CONDL_FINAL , DOC_FCM_CONDL_FINAL ,
NWSL_FCM_CONDL_FINAL).

COMPUTE CONDL_PSFCM_2012 = SUM(BILL_PSFCM_CONDL_FINAL ,
PMT_PSFCM_CONDL_FINAL , ADM_PSFCM_CONDL_FINAL ,
COMM_PSFCM_CONDL_FINAL , DOC_PSFCM_CONDL_FINAL ,
NWSL_PSFCM_Condl_Final).

COMPUTE CONDL_PRI_2012 = SUM( BILL_PRI_CONDL_FINAL ,
PMT_PRI_CONDL_FINAL , COMM_PRI_CONDL_FINAL , DOC_PRI_CONDL_FINAL ).

COMPUTE CONDL_EXP_2012 = SUM(BILL_EXP_CONDL_FINAL ,
PMT_EXP_CONDL_FINAL , COMM_EXP_CONDL_FINAL ,
DOC_EXP_CONDL_FINAL).

COMPUTE CONDL_RPM_2012 = SUM(MAG_RPM_CONDL_FINAL ,
NWSP_RPM_CONDL_FINAL , NWSL_RPM_CONDL_FINAL).

COMPUTE CONDL_NPPM_2012 = SUM(MAG_NPPM_CONDL_FINAL ,
NWSP_NPPM_CONDL_FINAL , NWSL_NPPM_CONDL_FINAL).

COMPUTE CONDL_RBM_2012 = SUM(MAG_RBM_CONDL_FINAL ,
NWSP_RBM_CONDL_FINAL , ADM_RBM_CONDL_FINAL ,
NWSL_RBM_CONDL_FINAL).

COMPUTE CONDL_NPBM_2012 = SUM(MAG_NPBM_CONDL_FINAL ,
NWSP_NPBM_CONDL_FINAL , ADM_NPBM_CONDL_FINAL ,
NWSL_NPBM_CONDL_FINAL).

COMPUTE TOTAL_MAIL_VOLUME_2012_AFTER = SUM(CONDL_FCM_2012 ,
CONDL_PSFCM_2012 , CONDL_PRI_2012, CONDL_EXP_2012, CONDL_RPM_2012 ,
CONDL_NPPM_2012 , CONDL_RBM_2012, CONDL_NPBM_2012).

EXECUTE.
```

(viii)

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

(b) The same process described above was also executed for the Small and Home-Based Businesses data file. The only material difference was fewer (only 6) applications—bills, payments, advertising mail, communications, documents, and newsletters.

(c) The same process described above was also executed for the Consumer data file with only 3 applications—payments, correspondence, and documents.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

18. Please refer to library reference USPS-LR-N2012-1/NP1.

    a. Please explain how missing responses are handled in datasets "First-Class Mail_LargeCommercial_Final_DataFile_USPS-LR-N2012-1_NP1.sav", "First-Class Mail_SmallHome_Final DataFile_USPS-LR-N2012-1_NP1.sav", and "First-Class Mail_Consumers_Final DataFile_USPS-LR-N2012-1_NP1.sav" in calculating the statistic "Average Annual Pieces per Customer" found in "Network Rationalization Volume Revenue Contribution Loss-Final2.xls".

    b. (Redirected to witness Whiteman)

RESPONSE:

The forecasts provided to the Postal Service for average number of pieces sent for each product only included those cases where data were provided for both the before and after measures. Data were not used (declared missing) on a listwise basis for the two time periods—that is, a respondent needed to provide data for both time periods (2012 current standards and 2012 new standards) for their responses to be used.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

19. Please refer to USPS-T-11 at 49, figure 41. The calculation of volume forecasts due to the change in service standards is adjusted by the "% of Increase/Decrease in Volume Solely Attributable to Changes to FCM Standards". *Id.* column 3. This adjustment factor is determined from the answer to the following survey question.

> You indicated that based on the First-Class Mail service standards I described the total number of PAYMENTS you would mail using the U.S. Postal Service in 2012 would [DECREASE/INCREASE] by [RESTORE DIFFERENCE_BILLS] piece(s). What percentage of this [DECREASE/INCREASE] is solely because of the First Class Mail service standards that I described?

USPS-T-11 at 144, Appendix F, Part 3.

a. Please provide a detailed explanation of the purpose of this survey question.

b. Please provide the mean response to this question.

c. Please discuss the Postal Service's understanding of why respondents' answers to this question would be anything less than 100 percent.

RESPONSE:

(a) At the time of the survey, there was considerable media coverage of financial issues facing the Postal Service. This coverage encompassed issues beyond the proposed changes to First-Class Mail service standards. The statement regarding proposed changes presented in the qualitative research included a description of changes far beyond those related solely to changes to First-Class Mail service standards. It was clear in the qualitative research that participants considered many, if not all, of what they had heard about the Postal Service, such as the large deficit experienced by the Postal Service, the potential for defaulting on its payments, the implementation of Five Day Delivery in their response to the impact of changes to First-Class Mail service standards.

The purpose of including this question was to ensure that any impact on respondents' estimates for volume changes or how mail was sent was attributable exclusively to the

proposed changes in First-Class Mail service standards while excluding any impacts resulting from collateral postal matters that gained significant media coverage at the time of the study.

(b) This adjustment was applied at the application level. The following tables provide the mean responses for these individual questions by segment. In addition, these questions were asked of only a subset of respondents—those who indicated that the volume of mail they send under the new standards for a specific application would increase or decrease. We have included the number and percent of respondents who were asked this question for each application.

Large Commercial Accounts:

	Bills	*Payments*	*Advertising Mail*
# of Respondents	73	53	51
% of Respondents	9%	6%	6%
Mean	53.0%	58.6%	53.8%
	Communications	*Documents*	
# of Respondents	52	59	
% of Respondents	6%	7%	
Mean	55.9%	64.2%	
	Magazines	*Newspapers*	*Newsletters*
# of Respondents	15	11	30
% of Respondents	2%	1%	4%
Mean	77.0%	43.6%	52.4%

Small Businesses

	Bills	*Payments*	*Advertising Mail*
# of Respondents	83	80	39
% of Respondents	15%	15%	7%
Mean	71.3%	72.6%	70.0%
	Communications	*Documents*	*Newsletters*

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

# of Respondents	61	75	15
% of Respondents	11%	14%	3%
Mean	70.9%	68.5%	63.0%

Home-Based Businesses

	Bills	*Payments*	*Advertising Mail*
# of Respondents	60	49	33
% of Respondents	9%	8%	5%
Mean	67.3%	69.9%	58.5%
	Communications	*Documents*	*Newsletters*
# of Respondents	37	45	14
% of Respondents	10%	12%	4%
Mean	72.2%	66.6%	60.2%

Consumers:

	Payments	*Correspondence*	*Documents*
# of Respondents	57	49	25
% of Respondents	6%	5%	3%
Mean	48.3%	530%	48.5%

(c) As stated in response to part (a), it was clear from the qualitative research that respondents' answers could be influenced by other information about changes to service. During the time of the study there was considerable media coverage of the financial issues the Postal Service faces. We used this question as a last check to ensure that responses to questions related to volume changes or methods used to send mail were attributable solely to the proposed changes to First-Class Mail service standards as opposed to other extraneous sources.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

20. On page 44 of her testimony, witness Elmore-Yalch (USPS-T-11) states that the use of the Juster Purchase Probability Scale is "widely used and is supported by extensive research." The academic literature the Commission has reviewed supports the application of the Juster Scale for predicting consumer behavior when introducing a new product. Please provide justification (including supporting citations to literature) for use of the Juster Purchase Probability Scale to forecast a decrease in purchasing behavior for a product currently offered.

RESPONSE:

The Juster scale is a relevant metric to use when forecasting changes in usage of existing products and services. The accuracy of purchase intention/ probability scales (*e.g.*, the Juster scale) for existing products has been documented for example in Clawson (1971),[1] for existing and frequently purchased services (savings, investments, recreation, and travel) by Dawes (2001),[2] for existing bill payment methods in Australia (*e.g.*, payment at Post Office, payment by telephone, payment by mail), for existing branded products and packaged goods in Kalwani and Silk (1982)[3], and for existing durable products in Juster (1966)[4] . As such, it is standard in the literature to employ the Juster scale in forecasts for usage of existing products and services.

---

[1] Clawson, C. Joseph (1971), "How Useful Are 90□Day Purchase Probabilities?" Journal of Marketing Vol. 35, No. 4 (Oct., 1971), pp. 43-47.

[2] Dawes J (2002). Further evidence on the predictive accuracy of the verbal probability scale: The case of household bill payments in Australia. Journal of Financial Services Marketing, 6, 3, 281-289.

[3] Kalwani, M.U. & Silk, A.J. (1982). On the Reliability and Predictive Validity of Purchase Intention Measures, Marketing Science, 1, 243-286.

[4] Juster, F. Thomas (1966) "Consumer Buying Intentions and Purchase Probability: An Experiment in Survey Design," Journal of the American Statistical Association, Vol. 61, No. 315 (Sep.), pp. 658-696.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ELMORE-YALCH
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 2, Q10

10 In testimony USPS-T-11, sampling weights are provided for the Small Business Sample in figure 23 on page 34 and are used in calculating the Volume Forecasts presented in figure 45 on page 52.

a. Please explain why sampling weights are not provided for the Home Business Sample.

b. Please explain how the results are affected by the lack of sampling weights for the Home Business Sample.

RESPONSE:

(a) Sampling weights are generally applied when as a result of the sampling plan (*e.g,.*, a stratified sample that affects the selection process) or a review of the data prior to analysis indicates that the sample does not represent the population (based on known population characteristics). Further, there is no reliable source of information about the actual characteristics (*i.e.*, distribution of industries, number of employees, revenue, *etc.*) of the total population of home-based businesses. In this instance, neither the sample plan nor the selection of interviewees suggests any empirical reason for weighting the data. Therefore, no weighting is appropriate or necessary.

Weighting would be appropriate if the data from small and home-based businesses were combined, something we had no need to undertake. Separate estimates of the percentage change in volume as well as estimates of average volume were provided for each segment, and analysis—including that of witness Whiteman--was accomplished at the segment level.

(b) As explained in the response to part (a), no empirical justification for weighting the Home Business segment exists; as such the results are unaffected and therefore accurate as they have been provided.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO POIR No. 4, QUESTION 10

10. Please refer to the Response of United States Postal Service Witness Elmore-Yalch to POIR No. 1, question 18a. In the response, witness Elmore-Yalch indicates that data were not used if a respondent did not provide data for relevant time periods.

a) Consider observation number 439003157 from "First-Class Mail_Consumers_FinalDataFile_USPS-LR-N2012-1_NP1.sav", a portion of which is displayed in the table below.

qno				
439003157	**U1A_2012**	**U1B_A_2012**	**U1B_B_2012**	**U1B_C_2012**
	100	100	0	0
	U2A_2012	**U2B_A_2012**	**U2B_B_2012**	**U2B_C_2012**
	25	100	0	0
	U3A_2012	**U3B_A_2012**	**U3B_B_2012**	**U3B_C_2012**
	12	75	25	0
	TOTAL_FCM_2012_BEFORE			
	missing			

The above observation is one of several observations where the total mail volume is missing despite the presence of available data. Please explain why the Total First-Class Mail Volume is not provided for this observation.

b) Consider observation number 439004464 from "First-Class Mail_Consumers_FinalDataFile_USPS-LR-N2012-1_NP1.sav", a portion of which is displayed in the table below.

qno				
439004464	**U1A_2012**	**U1B_A_2012**	**U1B_B_2012**	**U1B_C_2012**
	40	80	10	10
	U2A_2012	**U2B_A_2012**	**U2B_B_2012**	**U2B_C_2012**
	100	*missing*	*missing*	*missing*
	U3A_2012	**U3B_A_2012**	**U3B_B_2012**	**U3B_C_2012**
	0	0	0	0
	TOTAL_FCM_2012_BEFORE			
	32			

The above observation is one of several observations where the Total First-Class Mail Volume is provided despite the presence of missing data. Please explain how these missing observations were handled.

c) Please provide a general description all of the ways in which missing responses were handled in the calculation of volume

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO POIR No. 4, QUESTION 10

forecasts from the following datasets: "First-Class Mail_Consumers_FinalDataFile_USPS-LR-N2012-1_NP1.sav"; "First-Class Mail_SmallHome_

FinalDataFile_USPS-LR-N2012-1_NP1.sav"; and "First-Class Mail_LargeCommercial_FinalDataFile_USPS-LR-N2012-1_NP1.sav" located in USPS-LR-N2012-1/NP1.

RESPONSE:

(a) ORC International's forecasts were based on computing a percentage change between time periods. Therefore, if a respondent provided application data for one time period but not others, her data for that application would be declared missing. That is, for inclusion in the analysis, respondents needed to provide data for an application for all three time periods (2011, 2012_Before, and 2012_After). This is necessary to ensure that the change between time periods is not attributable to different bases in the analysis.

For the example in part (a), this respondent provided data for 2011, and 2012_Before. However, when asked about volume if changes to First-Class Mail service standards were introduced (2012_After), the respondent said they did not know what their volume would be for U6A, U7A, and U8A, as shown below:

Case Summaries[a]

	U6A-Earlier you said that you anticipate MAILING ... PAYMENTS in 2012. How many PAYMENTS do you anticipate MAILING USING THE U.S. POSTAL SERVICE in 2012 under the First-Class Mail service standards that I have described?	U6B_A-Assuming changes to First Class Mail are in place in 2012, how would your household make these PAYMENTS - % USPS First-Class Mail (Rescaled)	U6B_B-Assuming changes to First Class Mail are in place in 2012, how would your household make these PAYMENTS - % USPS Priority Mail (Rescaled)	U6B_C-Assuming changes to First Class Mail are in place in 2012, how would your household make these PAYMENTS - % USPS Express Mail (Rescaled)	U7A-How many INDIVIDUAL PIECES OF CORRESPONDENCE do you anticipate MAILING USING THE U.S. POSTAL SERVICE in 2012 under the First-Class Mail service standards that I have described?	U7B_A-Assuming changes to First Class Mail are in place in 2012, how would your household send those pieces of CORRESPONDENCE - % USPS First-Class Mail	U7B_B-Assuming changes to First Class Mail are in place in 2012, how would your household send those pieces of CORRESPONDENCE - % USPS Priority Mail	U7B_C-Assuming changes to First Class Mail are in place in 2012, how would your household send those pieces of CORRESPONDENCE - % USPS Express Mail	U8A-Earlier you said that you anticipate MAILING DOCUMENTS ... in 2012. How many DOCUMENTS do you anticipate MAILING USING THE U.S. POSTAL SERVICE in 2012 under the First-Class Mail service standards that I have described?	U8B_A-Assuming changes to First Class Mail are in place in 2012, how would your household send those DOCUMENTS - % USPS First-Class Mail	U8B_B-Assuming changes to First Class Mail are in place in 2012, how would your household send those DOCUMENTS - % USPS Priority Mail	U8B_C-Assuming changes to First Class Mail are in place in 2012, how would your household send those DOCUMENTS - % USPS Express Mail
1	Don't know	75	25	0	Don't know	.	.	.	Don't know	75	25	0
Total N		1	1	1						1	1	1

a. Limited to first 100 cases.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ELMORE-YALCH TO POIR No. 4, QUESTION 10

(b) In this instance, the respondent provided responses for all three periods for payments as shown below.

Case Summaries[a]

	U1A - Now think just about the PAYMENTS your household has MAILED USING THE U.S. POSTAL SERVICE. During the PAST 12 MONTHS, how many individual payments have you mailed using the U.S. Postal Service?	U1B_A - How did your household make these PAYMENTS - % USPS First-Class Mail	U1B_B - How did your household make these PAYMENTS - % USPS Priority Mail	U1B_C - How did your household make these PAYMENTS - % USPS Express Mail	U1A_2012 - In 2012, how many individual PAYMENTS do you ANTICIPATE MAILING using the U.S. Postal Service?	U1B_A_2012 - In 2012, how will your household make these PAYMENTS - % USPS First-Class Mail	U1B_B_2012 - In 2012, how will your household make these PAYMENTS - % USPS Priority Mail	U1B_C_2012 - In 2012, how will your household make these PAYMENTS - % USPS Express Mail	U6A-Earlier you said that you anticipate MAILING ... PAYMENTS in 2012. How many PAYMENTS do you anticipate MAILING USING THE U.S. POSTAL SERVICE in 2012 under the First-Class Mail service standards that I have described?	U6B_A - Assuming changes to First Class Mail are in place in 2012, how would your household make these PAYMENTS - % USPS First-Class Mail (Rescaled)	U6B_B - Assuming changes to First Class Mail are in place in 2012, how would your household make these PAYMENTS - % USPS Priority Mail (Rescaled)	U6B_C - Assuming changes to First Class Mail are in place in 2012, how would your household make these PAYMENTS - % USPS Express Mail (Rescaled)
1	40	80	10	10	40	80	10	10	40	80	10	10
Total N	1	1	1	1	1	1	1	1	1	1	1	1

a. Limited to first 100 cases.

On the other hand, data for the documents and correspondence questions were incomplete as shown below:

Case Summaries[a]

	U3A - Now think just about the DOCUMENTS such as reports, contracts, policies, legal papers, etc. your household MAILED USING THE U.S. POSTAL SERVICE. During the PAST 12 MONTHS, how many documents have you MAILED?	U3B_A - How did your household send those DOCUMENTS - % USPS First-Class Mail	U3B_B - How did your household send those DOCUMENTS - % USPS Priority Mail	U3B_C - How did your household send those DOCUMENTS - % USPS Express Mail	U3A_2012-In 2012, how many individual DOCUMENTS do you anticipate mailing using the U.S. Postal Service?	U3B_A_2012 - In 2012, how will your household send those DOCUMENTS - % USPS First-Class Mail	U3B_B_2012 - In 2012, how will your household send those DOCUMENTS - % USPS Priority Mail	U3B_C_2012 - In 2012, how will your household send those DOCUMENTS - % USPS Express Mail	U7A-How many INDIVIDUAL PIECES OF CORRESPONDENCE do you anticipate MAILING USING THE U.S. POSTAL SERVICE in 2012 under the First-Class Mail service standards that I have described?	U7B_A - Assuming changes to First Class Mail are in place in 2012, how would your household send those pieces of CORRESPONDENCE - % USPS First-Class Mail	U7B_B - Assuming changes to First Class Mail are in place in 2012, how would your household send those pieces of CORRESPONDENCE - % USPS Priority Mail	U7B_C - Assuming changes to First Class Mail are in place in 2012, how would your household send those pieces of CORRESPONDENCE - % USPS Express Mail
1	0	0	0	0	0	0	0	0	100	.	.	.
Total N	1	1	1	1	1	1	1	1	1			

a. Limited to first 100 cases.

Case Summaries[a]

	U2A-Now think just about the CORRESPONDENCE such as cards and letters your household has MAILED USING THE U.S. POSTAL SERVICE. During the PAST 12 MONTHS, how many individual pieces of correspondence have you MAILED?	U2B_A - How did your household send those pieces of CORRESPONDENCE - % USPS First-Class Mail	U2B_B - How did your household send those pieces of CORRESPONDENCE - % USPS Priority Mail	U2B_C - How did your household send those pieces of CORRESPONDENCE - % USPS Express Mail	U2A_2012-In 2012, how many individual pieces of CORRESPONDENCE do you anticipate mailing using the U.S. Postal Service?	U2B_A_2012 - In 2012, how will your household send those pieces of CORRESPONDENCE - % USPS First-Class Mail	U2B_B_2012 - In 2012, how will your household send those pieces of CORRESPONDENCE - % USPS Priority Mail	U2B_C_2012 - In 2012, how will your household send those pieces of CORRESPONDENCE - % USPS Express Mail	U8A-Earlier you said that you anticipate MAILING DOCUMENTS ... in 2012. How many DOCUMENTS do you anticipate MAILING USING THE U.S. POSTAL SERVICE in 2012 under the First-Class Mail service standards that I have described?	U8B_A - Assuming changes to First Class Mail are in place in 2012, how would your household send those DOCUMENTS - % USPS First-Class Mail	U8B_B - Assuming changes to First Class Mail are in place in 2012, how would your household send those DOCUMENTS - % USPS Priority Mail	U8B_C - Assuming changes to First Class Mail are in place in 2012, how would your household send those DOCUMENTS - % USPS Express Mail
1	60	.	.	.	100	.	.	.	0	0	0	0
Total N	1				1				1	1	1	1

a. Limited to first 100 cases.

Therefore, the complete data for payments were used in the analysis and the incomplete data for documents and correspondence were declared missing.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ELMORE-YALCH TO POIR No. 4, QUESTION 10

(c) In summary, if a respondent provided complete responses (volume and distribution across products) for one or more applications across all three time periods, we used the data for those applications.

Attachment to Response of Postal Service Witness Martin to Questions 5(a)(i) and 6(a) of POIR No. 4

Weighted Average with Formulas

Plant to Plant Transportation Reduction

Area	Total Trips	Potential Trips Eliminated	% Impact	Wgt Avg
Northeast	247	86	35%	29.94
Eastern	434	143	33%	47.12
Cap Metro	290	89	31%	27.31
Great Lakes	262	67	26%	17.13
Southwest	168	44	26%	11.52
Western	210	34	16%	5.50
Pacific	112	4	4%	0.14
	1723	**467**	**24.28%**	**138.68**
				29.70%

Plant to Post Office Operating Miles Reduction

	Less Miles	%Impact	Wgt Avg
Study 1	(136,148)	-10.63%	14,473
Study 2	(386,872)	-11.92%	46,115
Study 3	(337,645)	-22.76%	76,848
Study 4	(92,281)	-7.64%	7,050
Study 5	(315,047)	-18.13%	57,118
Study 6	(398,352)	-30.02%	119,585
Study 7	(264,432)	-19.16%	50,665
Study 8	(273,190)	-3.73%	10,190
Study 9	(44,072)	-3.70%	1,631
Study 10	(115,126)	-54.25%	62,456
Study 11	(38,118)	-1.80%	686
Study 12	(1,042,672)	-4.88%	50,841
Study 13	(1,101)	-0.05%	1
Study 14	(36,956)	-2.84%	1,048
		-13.68%	**-14.32%**

Attachment to Response of Postal Service Witness Martin to Questions 5(a)(i) and 6(a) of POIR No. 4

Weighted Average with Formulas

Plant to Plant Transportation Reduction

Area	Total Trips	Potential Trips Eliminated	% Impact	Wgt Avg
Northeast	247	86	35%	29.94
Eastern	434	143	33%	47.12
Cap Metro	290	89	31%	27.31
Great Lakes	262	67	26%	17.13
Southwest	168	44	26%	11.52
Western	210	34	16%	5.50
Pacific	112	4	4%	0.14
	1723	**467**	**24.28%**	**138.68**
				29.70%

Plant to Post Office Operating Miles Reduction

	Less Miles	%Impact	Wgt Avg
Study 1	(136,148)	-10.63%	14,473
Study 2	(386,872)	-11.92%	46,115
Study 3	(337,645)	-22.76%	76,848
Study 4	(92,281)	-7.64%	7,050
Study 5	(315,047)	-18.13%	57,118
Study 6	(398,352)	-30.02%	119,585
Study 7	(264,432)	-19.16%	50,665
Study 8	(273,190)	-3.73%	10,190
Study 9	(44,072)	-3.70%	1,631
Study 10	(115,126)	-54.25%	62,456
Study 11	(38,118)	-1.80%	686
Study 12	(1,042,672)	-4.88%	50,841
Study 13	(1,101)	-0.05%	1
Study 14	(36,956)	-2.84%	1,048
		-13.68%	**-14.32%**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO POIR No. 5, Q. 24

24. Please refer to Responses of United States Postal Service Witness Elmore-Yalch to NALC Interrogatories, Redirected from Witness Whiteman NALC/USPS-T12-13 filed January 31, 2012.

a. Please provide a detailed explanation and illustrative calculations to show the derivation of the standard errors of the point estimates of percentage volume changes for the National, Premier, and Preferred accounts.

b. The response to question 13 part (a) provides 95 percent confidence intervals for the point estimates of percentage volume changes. Please confirm that the predicted volume changes are not statistically different from zero for all groups but consumers.

c. If confirmed, please discuss the accuracy and reliability of the revenue, cost, and net contribution calculations developed by witness Whiteman using the statistically insignificant volume predictions.

RESPONSE:

(a) When calculating the confidence intervals ORC International took into consideration the variance of the stated difference in mail volumes for each Postal Service product. This is appropriate as we re-stated original volume figures respondents had provided and asked them to state new volumes based on their original figures. Thus, the estimates are anchored to the initial volume estimates. We were able to apply the confidence intervals for the difference in volumes for individual products to estimate an upper and lower bound surrounding the projected change in volume. Using this information, we were able to estimate the upper and lower bound surrounding the estimated percentage change in volume. Please note that this latter is computed at the aggregate level. Attached electronically to this response is the Excel spreadsheet ("Attach.POIR5Q24_FCM Forecasts_w_CIs.xlsx") that contains all of the data and formulas used to compute these confidence intervals.

(b) Unable to confirm. The fact that the 95 percent confidence interval for a measure includes a value (in this case zero) does not in itself imply (as this

question seems to) that the measure is "not statistically different" from that value. In order to determine with what confidence we can say the measure differs from the value (zero) we would need to determine the one-sided confidence interval it falls outside.

(c) As stated in response to part (b), one cannot pronounce the volume predictions "statistically insignificant" based on confidence intervals' inclusion of zero alone. Further, even if a one-sided test failed to show that there was a difference from zero at the 95 percent level, it is still not correct to say that the results lack statistical significance. *See* Altman/Bland BMJ1995;311:485 – "Absence of Evidence is not Evidence of Absence". Finally, as a common sense check on the logic this question pursues, if one were to conclude appropriately that the reported volume change was not different from zero at a statistically significant level, that would imply that the measured impact upon volume (hence revenue and contribution) of the proposed changes to First-Class Mail service standards would be none.

1 CHAIRMAN GOLDWAY: Is there any additional
2 written cross-examination for Witness Elmore-Yalch to
3 be designated?
4 (No response.)
5 CHAIRMAN GOLDWAY: If everything is in order
6 then we can begin with the questioning. The start of
7 oral cross-examination begins now. Welcome to you,
8 Ms. Elmore-Yalch.
9 We have two participants who have requested
10 oral cross-examination, the National Association of
11 Letter Carriers, represented by Mr. DeChiara, and the
12 Public Representative, represented by Mr. Laver. Is
13 there any other participant who wishes to cross-
14 examination Witness Elmore-Yalch?
15 MR. ANDERSON: Madam Chairman, after the
16 others have finished, we think that we would have some
17 questions for Witness Elmore-Yalch, so if that's
18 possible.
19 MR. BAKER: Madam Chairman, William Baker
20 with the National Postal Policy Council. I may as
21 well after Mr. Anderson.
22 CHAIRMAN GOLDWAY: Okay. I will call you in
23 that order then after we have the first two
24 participants. We'll begin with the National
25 Association of Letter Carriers' counsel.

1 I didn't mention in the script this morning
2 that our hearings are webcast, and as a result we
3 would appreciate it if you would identify yourself and
4 speak directly into the microphone. So with that
5 additional reminder, Mr. DeChiara, would you like to
6 begin?
7 MR. HOLLIES: Excuse me. Madam Chairman, if
8 I may? I have been speaking to the Commission's
9 webmaster, who has asked us to try and keep the
10 microphones a little closer to us today. Apparently
11 some voices are not being webcast very effectively.
12 CHAIRMAN GOLDWAY: Okay. We'll do that and
13 ask people to speak up.
14 MR. DeCHIARA: Good morning. Peter DeChiara
15 from the law firm of Cohen, Weiss & Simon, LLP, for
16 the National Association of Letter Carriers, AFL-CIO.
17 Good morning, Commissioners.
18 CROSS-EXAMINATION
19 BY MR. DeCHIARA:
20 Q Good morning, Ms. Elmore-Yalch. Ms. Elmore-
21 Yalch, could I please ask you to turn to your
22 testimony and in particular to page 49?
23 A I'm sorry. What page again?
24 Q 49.
25 A Thank you. I'm there.

1 Q And I'm going to ask you to focus your
2 attention on Figure 41 on the top of the page. Do you
3 see that?
4 A Yes.
5 Q And the data or the numbers that are in
6 Figure 41. Are those actual data or are those just
7 used for illustrative purposes?
8 A They're just data for illustrative purposes
9 as an example.
10 Q And I'd like to begin by focusing your
11 attention to the first column that says Estimated 2012
12 Volume Using First Class Mail, and then it has 100,000
13 under that heading. Do you see that?
14 A The first column?
15 Q Yes.
16 A Yes.
17 Q I'd like you to now turn to page 139 of your
18 report.
19 A Okay.
20 MR. HOLLIES: Excuse me, counsel. For the
21 record, is that the qualitative report that the ORC
22 provided to the Postal Service, or are you referring
23 to her testimony?
24 MR. DeCHIARA: It's her testimony. Page 139
25 of her testimony.

1 BY MR. DeCHIARA:

2 Q Do you see it says on the top of page 139,

3 Part 3, Consumers?

4 A Correct.

5 Q And is what appears on page 39 (sic) and the

6 pages that follow the script that the survey taker

7 would use with consumer respondents?

8 A That's correct.

9 Q If you turn to page 141, there's a series of

10 questions. Let me focus your attention on the third

11 question, U2A_2012. Do you see that?

12 A Yes.

13 Q Okay. And that asks, "In 2012, how many

14 individual pieces of correspondence do you anticipate

15 mailing using the U.S. Postal Service?"

16 Would the respondent's answer to that

17 question be the number that would be used in the first

18 column of Figure 41 on page 49? In other words, for

19 illustration purposes 100,000?

20 A Correct. Although it would be unlikely for

21 a consumer.

22 Q Right. But these numbers, as you said, are

23 just for illustrative purposes.

24 A Right.

25 Q And by the way, I should have pointed out

1 that Figure 41 is headed Example of Calculating Volume
2 Change. So am I correct that Figure 41 shows the
3 methodology by which you calculated the volume change
4 estimate?
5 A For any given application or product.
6 Q So your answer is yes for any given
7 application?
8 A For any given application, yes.
9 Q Okay. Let me now focus your attention on
10 the second column that says Estimated 2012 Using First
11 Class Mail if Revised FCM Standards Had Been in Place,
12 and 90,000 appears under that. Do you see that?
13 A Correct.
14 Q And by the way, FCM stands for first class
15 mail?
16 A Yes.
17 Q And now let me turn your attention to page
18 145 --
19 A Okay.
20 Q -- on the consumer questionnaire and in
21 particular the question in the middle, U7A, which
22 asks, "Earlier you said you anticipate mailing (insert
23 answer U2A_2012) individual pieces of correspondence
24 in 2012. How many individual pieces of correspondence
25 do you anticipate mailing using the U.S. Postal

1 Service in 2012 under the first class mail service
2 standards that I have described?" Do you see that
3 question?
4 A Yes, I do.
5 Q And would the answer to that question be the
6 90,000 that appears on Figure 41?
7 A That would be the corresponding.
8 Q And in asking the question in U7A, what the
9 questionnaire or the script of the survey taker was
10 trying to elicit was the respondent's best estimate of
11 what his or her individual pieces of correspondence
12 volume would be under the first class mail service
13 standards had they been implemented, correct?
14 A If they had been implemented. Correct.
15 Q Okay. And it's not asking for the
16 respondent's estimate of the maximum number of pieces
17 of mail that would be sent under the service standard
18 changes, correct?
19 A I'm not sure I quite understand your
20 question. Could you --
21 Q Well, I had asked you in my previous
22 question were you trying to elicit the respondent's
23 best estimate of their anticipated mail use under the
24 standards had the standards been implemented. I
25 believe you answered yes.

1 A Correct. It asked for their best estimate.
2 Q Okay. And perhaps the question speaks for
3 itself, but I'm just asking you to confirm that the
4 question is not asking for the respondent to give the
5 estimate of the maximum number of pieces of mail that
6 the respondent would use under the proposed service
7 changes.
8 A We're asking again for their best estimate
9 based upon the change in the first class mail
10 standards and when they had previously given.
11 Q Okay. Let's go back to Figure 41 on page 49
12 now.
13 A Okay.
14 Q So the difference between the 100,000 and
15 90,000, between the estimated first class mail use in
16 2012 under standards as they exist and under standards
17 had they been changed as proposed, would be 10,000,
18 correct, the difference between 100,000 and 90,000?
19 A Correct.
20 Q Okay. Now, if you draw your attention all
21 the way to the right side of Figure 41 we see there's
22 an adjusted number that is 97,500, correct?
23 A Correct.
24 Q So in effect your methodology, at least
25 using these illustrative numbers, reduced the

1 estimated drop in volume from 10,000 to 2,500 or in
2 effect cut it by three-quarters. Am I correct?
3 A In this particular example, yes.
4 Q Right. Well, this is your example, correct?
5 A Yes.
6 Q Okay. And the way you achieve cutting that
7 anticipated drop in mail volume by three-quarters is
8 by multiplying the 10,000 by 50 percent twice over,
9 correct?
10 A In this example. Those numbers would vary
11 by respondent.
12 Q Right. I understand that, but just to
13 illustrate the process we're using your example.
14 A Okay.
15 Q Okay. So the first factor that you use to
16 reduce the anticipated mail volume drop -- it's not
17 the first, but one of them -- is the probability of
18 change. Do you see that column? It's the second to
19 the right-most column.
20 A It would be the middle column.
21 Q Well, I'm referring to the one --
22 A You're correct. I'm sorry. Yes.
23 Q -- to the right.
24 A Yes.
25 Q Probability of Change.

1 A Yes.
2 Q Do you see that?
3 A Uh-huh.
4 Q Okay. Now I'd like to go back to the
5 consumer survey and determine which questions provided
6 the percentage that was used for the probability of
7 change scale. Let me draw your attention to page 143.
8 A I'm there.
9 Q Okay. On page 143 there are two questions.
10 There's U5A and U5B, and U5A asks, "Assuming the first
11 class mail service standards that I just described
12 will be in place in 2012, what is the likelihood that
13 these service standards would cause you to modify the
14 number of individual pieces of mail your household
15 mails using the U.S. Postal Service in 2012," and then
16 it goes on to ask to provide a number on a scale of
17 zero to 10, correct?
18 A That's correct.
19 Q Okay. And then U5B says, "And what is the
20 likelihood that the first class mail service standards
21 that I have just described will cause you to modify
22 the way your household mails different items in 2012,"
23 and then again asks for the respondent to give a
24 number on a scale between zero and 10, correct?
25 A That's correct.

1 Q So you have the respondents' answers to two
2 separate questions, but the probability of change
3 percentage is just one percentage. So my question is
4 how did you combine, if you did, the responses to U5A
5 and U5B to get that one percentage?
6 A Basically what we took was the maximum
7 probability that they would change one or both of
8 those behaviors. So if somebody said to U5A that I
9 would be extremely unlikely to change, and I'm just
10 going to take an extreme example. They would say I'm
11 extremely unlikely to change the volume of mail that I
12 would send.
13 But in U5B they turned around and said I'd
14 be extremely likely to change the way in which I sent
15 my mail. That respondent would have been given a 100
16 percent score for having a likelihood of changing
17 their behavior. So we always took the maximum
18 likelihood of their change as that multiplying factor.
19 So in other words, we basically took the most
20 conservative approach to this adjustment that would be
21 expected.
22 Q Okay.
23 A Conservative in a sense of saying they would
24 be most likely to change. The likelihood of change
25 would be highest.

1 Q Okay. Am I correct that what you're saying
2 is as between the response to U5A and U5B you took the
3 highest number response?
4 A The highest, yes. Correct.
5 Q And that became the percentage that was --
6 A That would become the percentage, right,
7 which then was converted to a 100 point scale.
8 Q Yes. And just for clarity of the record, I
9 would ask you to just wait for me to finish my
10 question.
11 A Okay.
12 Q Now, you conducted quantitative market
13 research for the Postal Service in the Saturday
14 delivery case, correct?
15 A Correct.
16 Q And you also used the probability of change
17 scale when you did your analysis in the Saturday
18 delivery case, correct?
19 A That is correct.
20 Q And did you read the Commission's advisory
21 opinion in the Saturday delivery case?
22 A I did.
23 Q Okay. And so are you aware that the
24 Commission criticized your use of the probability
25 scale as inappropriate?

1 A I'm aware that they considered that, yes.
2 Q That they considered it inappropriate?
3 A Well, that they had questioned it. Yes.
4 Questioned the use of it. Yes.
5 Q Well, more than questioned the use of it.
6 They said it was inappropriate. Am I right?
7 A I had not read it to the detail that I can
8 recall exactly what they said.
9 MR. DeCHIARA: Okay. I have it here, so let
10 me read it to you.
11 Madam Chairman, I am going to be referring
12 to the Commission's advisory opinion in Docket No.
13 N2010-1. I will provide a copy to counsel and to the
14 witness.
15 I have to apologize to the Commission. I do
16 not have sufficient copies for the members of the
17 Commission simply because it's a very fat document,
18 and I would have needed another suitcase hauling them
19 down from New York.
20 CHAIRMAN GOLDWAY: Well, three of us on the
21 Commission are quite familiar with the language
22 anyway.
23 BY MR. DeCHIARA:
24 Q Ms. Elmore-Yalch, let me refer your
25 attention to page 112 of the Commission's advisory

1 opinion in the Saturday delivery case, and I'll start
2 reading from the bottom paragraph on page 112. It
3 says:
4 "The Commission finds that there is not in
5 the record any evidence demonstrating the use of a
6 likelihood factor in the way the Postal Service
7 utilizes it. Furthermore, there is no support for the
8 contention that the participants' estimates of their
9 volume responses to five day delivery were likely to
10 be overstated. Therefore, reducing the estimates
11 using an expected value function or likelihood factor
12 is not appropriate.
13 "A likelihood factor may have been
14 appropriate if the Postal Service had constructed the
15 survey in a different manner. If the Postal Service
16 asked participants for the maximum volume response
17 they might anticipate due to a five day scenario and
18 then asked for the likelihood of participants reaching
19 that maximum, reducing the estimate by the expected
20 value would be appropriate.
21 "However, the Postal Service requested
22 participants' best estimates, estimates that may be
23 biased up or down. Deflating that estimate by an
24 expected value function is not appropriate."
25 Did you review that language before you did

1 the quantitative market research that you conducted in
2 this case?
3 A I had read this when it was issued and we
4 had discussed again the appropriateness of using this
5 particular scale. We continue to believe it is
6 appropriate and consistent with industry standards.
7 Q Okay. Now, in this case the Postal Service
8 is estimating, based on your research, that total mail
9 volume for 2012 would drop by 1.7 percent if the
10 service standard changes were implemented. Is that
11 correct?
12 A I can't speak exactly to that particular
13 number. I would have to reference another document,
14 but it sounds close. Yes.
15 Q Okay. I won't take the time to pull out the
16 document that says that.
17 A It sounds pretty close.
18 Q Did you in your analysis calculate what the
19 estimated mail volume drop would be if you did not use
20 the probability factor that the Commission found to be
21 inappropriate?
22 A We did not.
23 Q Did you feel that was not something that
24 would be informative to the Commission to know?
25 A We strongly feel, and it's supported in both

1 academic and practical literature, that application of
2 this probability scale is appropriate, and therefore
3 it's our policy at our company to do what we feel is
4 appropriate given what is out there in academic
5 literature and in general practice.
6 Q Okay. So your position is you're right on
7 this and the Commission is wrong? Is that right?
8 A Well, I think our position is that we can
9 agree to disagree on it, but we believe that this is
10 the appropriate practice.
11 Q Okay. Let me now draw your attention back
12 to Figure 41 on page 49. In addition to multiplying
13 the 10,000 estimated volume drop by the probability of
14 change scale, you also multiplied it by what's
15 referred in the middle column as the percentage of
16 increase/decrease in volume solely attributable to
17 change to FCM standards. Do you see that?
18 A Correct.
19 Q Now let me refer you back to page 145 and in
20 particular Question U7A, which is the question that
21 the response to which provided the 90,000. Do you see
22 that?
23 A Yes.
24 Q Now, there's nowhere in that question that
25 you ask the respondent to consider other causes for

1 the estimated volume drop other than the change in the
2 first class mail standards. Am I reading that
3 question correct?
4 A You are.
5 Q And in your analysis in the Saturday
6 delivery case you did not use a second factor, what
7 I'll call the solely attributable factor, when you did
8 your analysis in the Saturday delivery case. Is that
9 correct?
10 A That's correct.
11 Q So you decided to add that extra factor
12 here?
13 A The Postal Service and ORC International
14 jointly decided that.
15 Q Okay. Whose idea was it?
16 A It was the Postal Service's.
17 Q And using that factor obviously cuts down
18 the amount of estimated volume drop?
19 A In a very small number of cases across a
20 wide number of applications.
21 Q Well, let me ask you. Did you provide or --
22 strike that. Did you calculate what the total
23 estimated volume drop would look like if that solely
24 attributable factor were not applied?
25 A We did not. We did look at how many people

1 -- what percentage of cases -- this actually applied
2 to and what the percentage factor was there, and it's
3 actually a very small factor.
4 Q Are those numbers in your report?
5 A They are in -- because it came in response
6 to a question. I'd have to take a little time to find
7 the specific question that was asked where we provided
8 that particular data in the interrogatories.
9 Q If the Commission would allow, I would ask
10 you to find it.
11 A I have a note. I have a little cheat sheet
12 so it won't take me that long.
13 (Pause.)
14 A It is in response to POIR No. 1, and then it
15 is Question No. 19, Part B.
16 Q Did the Postal Service explain to you why
17 they wanted you to use that factor?
18 A Yes. We talked about it. It was due to the
19 fact that unlike in the Saturday delivery at the time
20 that we were doing this research there was a great
21 deal of media coverage that had been out there
22 announcing the proposed changes that supported the
23 network rationalization process and so we were aware
24 from the focus group research, the qualitative
25 research that we did, that more people were aware of

1 the changes than we had seen during five day.
2 And this was a mechanism just to have people
3 do a gut check at the end so that it would focus
4 solely on changes to first class mail, as opposed to
5 anything else that might have been on their mind
6 because of the media coverage.
7 Q Do you believe there's more media coverage
8 of these proposed changes than the elimination of
9 Saturday delivery?
10 A At the time. Currently, no, but at the time
11 we did five day delivery there was relatively little
12 media coverage while we were doing the research
13 specifically. Since that time, yes, there's been
14 considerable coverage, but at the time of the research
15 we did not see the level of media coverage that we did
16 this time around.
17 Q Does your quantitative research in this case
18 say anything about what the estimated volume drop
19 would be after 2012?
20 A No.
21 Q Did you hear Mr. Williams' testimony
22 yesterday that the -- strike that. Do you know what a
23 confidence interval is?
24 A Yes.
25 Q Can you explain what it is?

1 A It is based upon the sampling process what
2 the range of data would be around the point estimate
3 that is provided in the research based upon random
4 error that would occur.
5 Q So what would be a confidence interval at 95
6 percent level of confidence?
7 A That we would be 95 percent confident that
8 if we repeated the research again we would end up with
9 the same estimate within plus or minus that interval.
10 Q So at a 95 percent confidence interval
11 you're 95 percent confident that if you did the
12 research again you'd wind up within the same range?
13 Is that right?
14 A Correct. If we did it at the same point or
15 similar point in time as well. If we did it two years
16 from now, no.
17 Q Okay. But, I mean, under the same
18 circumstances?
19 A Right. Under the same circumstances we
20 would be 95 percent confident that we would have an
21 estimate within that range.
22 Q Okay. Did you calculate what the confidence
23 interval would be for the total estimated mail volume
24 drop that the Postal Service is estimating based on
25 your research in this case?

1 A No, we did not. We calculated confidence
2 intervals around each of our estimates so that per
3 request and per common industry practice for that.
4 It would be inappropriate to take -- there's
5 no way that you can take the confidence intervals
6 around every single, solitary one of those estimates,
7 apply it to the Postal Service's estimates and say
8 this is the error or potential error around their
9 estimates.
10 Q So if, and I'll just ask you to accept my
11 number. The record will either bear me out or not,
12 but let's assume what the Postal Service is estimating
13 is a total mail volume drop of 1.7 percent in mail
14 volume in 2012 if the standards were implemented.
15 You can't, sitting here today, tell the
16 Commission what the confidence interval is for that
17 1.7 percent total number. Am I understanding that
18 correctly?
19 A That's correct, because the estimates that
20 we provided are at each individual point, and I think
21 just to make it clear error is an additive, and it can
22 go either way. So we could have an error that goes
23 plus in one direction, an error on the next estimate
24 that would go negative in the other, and so you can't
25 just take all those and say it's always the upper

1 bound or it's always the lower bound and add them
2 together.
3 It would be statistically improbable that
4 that would ever occur, that it would be either always
5 high or always low, and so you can't take that next
6 step and do what it appears to be suggesting.
7 Q Let me now focus your attention to your
8 responses to the NALC's interrogatories that were
9 redirected from Witness Whiteman. I'm referring to
10 NALC/USPS-T12-5 and also 13.
11 A I have those.
12 Q Okay. And let me refer you to No. 13.
13 A Okay.
14 Q And in No. 13 you've calculated confidence
15 intervals for various items within National Accounts,
16 Premier Accounts, Preferred Accounts, et cetera,
17 correct?
18 A Correct.
19 Q Okay. Let me just take one as an example.
20 If you turn to the confidence intervals for small
21 business, and unfortunately these pages aren't
22 numbered, but it's the third page in on No. 13.
23 A I have it.
24 Q Okay. And so there for first class mail you
25 give an upper bound of 1.39 percent and a lower bound

1 of negative 2.67 percent, correct?

2 A Uh-huh.

3 Q And does that mean that your confidence

4 interval range is that for this group, small

5 businesses, first class mail will either under the

6 proposed service changes increase by 1.39 percent or

7 decrease by 2.67 percent? In other words, that's the

8 range. Am I reading this correct?

9 A That's the maximum range that would

10 potentially occur.

11 Q Okay. So you're concluding that first class

12 mail, if the service standards were degraded as are

13 being proposed here, the first class mail volume would

14 actually go up?

15 A No.

16 Q Well, the upper bound of your confidence

17 interval here, and I'm taking just this one as an

18 example. There are any number of others I can use.

19 But focusing on this example, the positive 1.39

20 percent. Doesn't that show that within your range to

21 the extent it's positive it would show mail volume

22 going up?

23 A Well, we assume that there is a normal

24 distribution around the estimate, so as it goes out on

25 the normal distribution there are going to be some

1 very extreme values on there, but again the idea in
2 statistics is that most of the estimates are going to
3 be in this very narrow range around the point
4 estimates that are given.
5 Q Okay. If you could just for those of us who
6 aren't as well versed in statistics as you tell us
7 what a normal distribution is?
8 A Well, it's the old bell-shaped curve, and
9 the point estimates is the midpoint of that
10 bell-shaped curve.
11 We would assume that 67 percent of all data
12 will fall within what we call one standard error, so
13 pretty much the two high points of the midpoint. I'm
14 trying to do this with my fingers. And then as it
15 tails off the 95 percent will encompass all of that.
16 You know, the bell-shaped curve is a bell-shared
17 curve.
18 Q Okay. So just to make sure I'm following
19 you, you took the point estimate and then you
20 essentially build a bell-shaped curve around that to
21 represent the range for the confidence interval?
22 A That would be the confidence interval.
23 Correct.
24 Q And part of the bell bleeds over into the
25 positive range of numbers, correct?

1 A That's correct, and that's in part because
2 the change was so close, actually close to zero, that
3 it has to go one side or the other.
4 Q Okay. And so from that you're saying that
5 there's a chance that by degrading service standards
6 as the Postal Service is proposing here that first
7 class mail volume will actually go up?
8 A A very small chance.
9 Q But that's what you're testifying?
10 A There would be a very small chance.
11 Actually that's not correct. What I'm saying is that
12 there would be a very small chance that if we went out
13 and did the research again, gathered the same data,
14 there is a very small chance that people would say
15 their volume, the point estimate, would be a positive.
16 Q Okay. In real life terms, can you tell me
17 how first class mail volume would go up if the quality
18 of first class mail goes down?
19 A I don't have the background or the
20 historical knowledge to know how that could occur.
21 Q Okay. So you did this sort of without the
22 context of knowing or being well versed in postal
23 operations. Is that fair to say?
24 A Yes. You know, I'm versed in consumer
25 behavior, but not Postal Service operations.

1 Q Okay. And then doing these confidence
2 intervals was really for you an exercise in
3 statistics, correct?
4 A Yes.
5 Q Okay. There was cross-examination of Mr.
6 Williams' yesterday by the APWU about a contract that
7 the Postal Service may or may not have had with your
8 company concerning some additional or other market
9 research. Let me ask you. Are you aware --
10 MR. HOLLIES: Excuse me. I'd like to object
11 to that characterization.
12 MR. DeCHIARA: I'll withdraw it. I'll
13 withdraw it.
14 BY MR. DeCHIARA:
15 Q Let me just ask you straight out. Has the
16 Postal Service engaged your firm to do any additional
17 market research other than the market research that is
18 reflected in your testimony here and that's reflected
19 in the Saturday delivery case?
20 A Could you repeat the question again? It got
21 a little confused there at the end.
22 Q Okay.
23 A They do a lot of research and we do quite a
24 bit for them, so I --
25 Q Let me limit the timeframe. In the last two

1 years, has your firm been engaged by the Postal
2 Service to do any market research other than what we
3 see here in this case or that we saw in the Saturday
4 delivery case?
5 A Yes.
6 Q What was that?
7 A Well, like I said, we do a large number of
8 studies for them, including a number of omnibus
9 Caravan studies over the course of the year. I can't
10 speak exactly to what they are.
11 Q Right. I'm talking about in the last two
12 years.
13 A I am too. We do a considerable amount of
14 research through Caravan for them on a large number of
15 subjects.
16 Q Did you do market research on any proposed
17 service changes other than what you have shown here in
18 your report?
19 A Well, we did do -- I think again I just
20 answered. We did do another phase of research -- we
21 call it the all causes research -- that prefaced the
22 research that's used for the first class mail options,
23 and we did do a first phase of that.
24 Q And what is the all causes research? What
25 were you looking at?

1 A We were looking at the impact of changes in
2 first class mail service, as well as potentially some
3 other changes, on mail volume.
4 Q What were the other changes?
5 A I don't have the materials in front of me to
6 go through all of them.
7 Q Do they include ending Saturday delivery?
8 A It included a large number of things.
9 Saturday delivery. It made people aware of the full
10 fiscal situation, talked about closure of mail
11 processing and post offices.
12 Q And is that research going on, or has it
13 been completed?
14 A We collected the data for it.
15 Q And have you crunched the numbers, so to
16 speak?
17 A We did some preliminary analysis.
18 Q And do you have any preliminary results?
19 A We provided preliminary results to the
20 Postal Service.
21 Q And what can you tell us that that research
22 shows in terms of when you look at all the causes how
23 much mail volume is anticipated to drop?
24 A I don't have that information in front of
25 me. We stopped work on that effort and went on to the

1 work that's presented here.

2 MR. HOLLIES: Excuse me. Excuse me. In an

3 effort to move this along, I would like to point out

4 that the market research team has two persons and that

5 only one of those developed the volume estimates and

6 that happens not to be the one on the stand at the

7 moment.

8 We thought we had made the relationship

9 between the two clear, but that underlies why you're

10 having trouble on this topic with this witness.

11 MR. DeCHIARA: I'm not having any trouble.

12 MR. HOLLIES: Okay.

13 MR. DeCHIARA: Thank you, though.

14 BY MR. DeCHIARA:

15 Q Who told you to stop doing that research?

16 A The Postal Service.

17 MR. DeCHIARA: I have no further questions.

18 CHAIRMAN GOLDWAY: Thank you. The next

19 participant to ask questions then will be Mr. Laver

20 representing the Public Representative.

21 MR. LAVER: Thank you, Madam Chairman.

22 CROSS-EXAMINATION

23 BY MR. LAVER:

24 Q Ms. Elmore-Yalch, thank you for coming back.

25 It's a pleasure to have you back here. True to my

1 notice, I only have a few questions for you. Counsel
2 for NALC already covered most of what I would have
3 asked about the Juster scale.
4 Is it fair when you talk about both the
5 likelihood scale and, as counsel characterized it, the
6 solely attributable scale? Is it fair to call these
7 expected value functions in a mathematical sense?
8 A Yes.
9 Q Are you aware of using this sort of scale?
10 I should back up a little bit. The Juster scale is a
11 purchase intention scale as it was devised. Is that
12 correct?
13 A That was the original focus of the work,
14 yes.
15 Q And would it be accurate to say that the
16 Juster scale as a purchase intention was used because
17 consumers would overstate their propensity to
18 purchase?
19 A That is what the literature suggests that
20 supports the use of the Juster scale, yes.
21 Q I'm sorry. Juster? Is that --
22 A It's Juster, yes.
23 Q Juster. I apologize. Thank you. Now, are
24 you aware in either the literature or in common
25 practice for use in a deterioration of a product or a

1 deterioration of service of using such a scale?
2 A Not off the top of my head. I would have to
3 look.
4 Q Now, do you think that the same consumer
5 behavior assumption that consumers are likely to
6 overstate their propensity to buy, as we discussed
7 with the Juster scale originally being developed? Do
8 you think that same consumer mindset is applicable to
9 a deterioration in service?
10 A Well, yes. I would have to look at the
11 literature to see if there's anything specific to
12 that, but I believe the basic premise that people
13 would overstate their behavior would hold true here,
14 and in fact I would hypothesize and again, like I
15 said, I would have to either look in the academic
16 literature to see if there is something that's already
17 tested this or whether it would have to be tested.
18 But I would hypothesize that overstatement
19 might actually be more, would be greater in the sense
20 of a deterioration of service because people would be
21 likely to respond in a more negative way than they
22 actually might when faced with a real situation
23 respond.
24 Q I'm sorry. I might be showing my ignorance
25 here, but that seems a little bit incongruous between

1 the two because at least from some of the academic
2 literature and the Juster scale seems to suggest that
3 people overstate their propensity to buy to try to
4 please the investigator that's saying yes, I will buy
5 your product. Do you think that's an accurate --
6 A No. I think people overstate their
7 intention to buy because they're not fully aware and
8 they're not in the actual situation. I think you're
9 mixing in the concept of social desirability, which I
10 don't believe at least in a business purchasing
11 decision applies.
12 Q So you believe as a general rule that people
13 will overstate their propensity to perform an action,
14 whether it's buy or whether it's decrease the amount
15 of mail they send, when asked?
16 A Yes.
17 Q Now I'm going to shift off the Juster scale
18 a little bit. In response to the Public
19 Representative's Question 3A, which I think is
20 PR/USPS-T11-3, you state that customers on their own
21 clearly indicated that making service changes is
22 preferable to raising prices.
23 A Okay. Could you point me to where I'm
24 supposed to go again?
25 Q 3A, PR/USPS-T11-3 and your response to

1 Subpart A.

2 A There we go.

3 Q And I'll paraphrase. You say that customers

4 on their own indicated that they would prefer service

5 changes to raising prices.

6 A Okay. So direct me. I've got the PR

7 question. So which one am I looking for? I'm sorry.

8 Q No. 3A.

9 MR. HOLLIES: Counsel, excuse me. The

10 version of PR/USPS-T11-3 we've got has no parts or

11 subparts.

12 THE WITNESS: Correct.

13 MR. LAVER: I apologize. It was Whiteman's

14 interrogatory. I apologize. I won't quiz you on

15 Whiteman's interrogatory responses.

16 THE WITNESS: I'm really confused.

17 MR. LAVER: I apologize.

18 BY MR. LAVER:

19 Q Now I have a general question for you

20 concerning just overall methodology and results.

21 If you had a client come to you that had a

22 product, an existing product, and simultaneously was

23 considering two, three, four major changes to this

24 product and individually over a period of let's say

25 three to four years you had measured each individual

1 expected impact on the sales of this product would you
2 say that the effect could easily be cumulative, that
3 you could just add up, so to speak, all of the
4 expected changes over time?
5 A No.
6 Q So would you believe that it would be
7 appropriate if you were making multiple changes to a
8 product simultaneously or even over the course of time
9 to attempt to measure in some way the cumulative
10 impact?
11 A It would depend upon what the specific
12 objectives of the research are, what the client's
13 specific objectives of the research are and what their
14 outcomes would be and how they plan to use the data.
15 Q Well, let's assume for a moment the client
16 wants to know what the cumulative effect of all of
17 their change to an individual product would be. Would
18 it be appropriate to undertake specific research to
19 look at the cumulative effect, or would you be able to
20 look at it piecemeal?
21 A It would be if they wanted to understand the
22 cumulative effect or the tradeoff effect I guess is
23 what you're looking at, what would happen if they did
24 this versus this.
25 There are other methodologies that

1 potentially you could use that would allow a client to
2 make that, but that would again depend upon the
3 specific objectives of the study. The objective of
4 the study here was to measure the effect of this
5 change on the use of first class mail. That was it.
6 Q And moving back to specifically with the
7 Postal Service again, you said that originally you
8 were undertaking research to look at what would be the
9 total cumulative effect, the all sources decrease or
10 increase in volume that would be expected over the
11 years. Is that correct?
12 A No. The objective of that research also was
13 to measure the effect of the proposed changes on the
14 use of first class mail.
15 Q Solely attributable to the --
16 A That was the objective.
17 CHAIRMAN GOLDWAY: Changes on first class
18 mail as a result of all of the different proposed
19 changes that the Postal Service was making? That was
20 the initial objective of the study?
21 THE WITNESS: The questionnaire really
22 focused and the research itself still really focused
23 on what was the impact of changes to first class mail
24 service standards on use of first class mail and other
25 Postal Service products, and other products, as well

1 as --

2 CHAIRMAN GOLDWAY: Focused on service

3 standards?

4 THE WITNESS: If you look at the

5 questionnaire, we very much focused on what was the

6 impact of the changes to first class mail service

7 standards on the use of Postal Service products across

8 the different applications.

9 So the application was the same. I would

10 say that the concept statement as written introduced

11 more into it than --

12 CHAIRMAN GOLDWAY: But there were questions

13 that asked about other changes in first class mail in

14 that --

15 THE WITNESS: Well, it asked what the impact

16 of change to first class mail service standards would

17 be on your use of mail, Postal Service products and

18 other actions that they might take, other ways they

19 might send items.

20 If you look at the questionnaire itself, it

21 still is very focused on if the changes to first class

22 mail service standards were implemented what would

23 their impact be.

24 CHAIRMAN GOLDWAY: But there were no

25 questions about if the changes included eliminating a

1 day of delivery? I thought there were questions like
2 that.
3 THE WITNESS: There were no questions that
4 included eliminating, five day delivery or any sort of
5 tradeoff such as that. It was just simply verbiage
6 that was -- the main difference, the primary
7 difference, was the verbiage that was in the concept
8 statement that was read to the respondents.
9 CHAIRMAN GOLDWAY: The questions were not
10 different? Only the concept statement was different?
11 THE WITNESS: The questions were slightly
12 different in the sense of how we asked them and the
13 range of possibilities that they would -- the way in
14 which they could send items, but the gist of the
15 question still focused on if the changes to first
16 class mail were put into place how would that impact
17 the way in which you send items.
18 CHAIRMAN GOLDWAY: Thank you.
19 BY MR. LAVER:
20 Q I'd like to shift back just a little bit
21 here to what we called the solely attributable factor
22 before --
23 A Okay.
24 Q -- and that was the second expected value
25 function that you applied to the participants'

1 original estimation of the volume. Is that accurate?
2 A Uh-huh.
3 Q Now, you had stated in earlier questioning
4 that you said over the wide range of applications that
5 the solely attributable factor did very little to
6 adjust the participants' estimates. Is that accurate?
7 A That's correct.
8 Q So could I assume then that the solely
9 attributable factor was usually very high, was usually
10 close to 10?
11 A Well, it's twofold. I mean, one is a large
12 percentage of people said that the changes in the
13 first question that we asked, are you likely to change
14 the volume, or the other subsequent question, are you
15 likely to change the way in which you send your mail.
16 A large percentage of the people said not at all
17 likely.
18 So this follow-up question of what's the
19 probability, what percent is solely attributable to
20 first class mail, was asked of a very, very small
21 number of respondents to begin with, and then the
22 follow-up is that a very small number of them said
23 that it would be anything but first class mail.
24 Q That helps.
25 A Which would basically indicate that they

1 understood and were very clear what the question was
2 that we had asked, which was really the purpose of
3 that.
4 Q So would you say then, and you testified
5 earlier -- am I correct -- that the Postal Service was
6 the one that had suggested using this second expected
7 value, this solely attributable factor?
8 A Correct. They discussed it with us.
9 Q So based on the results then would you say
10 that the survey was fine the way it was before the
11 Postal Service suggested using the solely attributable
12 factor?
13 A I think it was fine before and I think it
14 was fine with the addition of that particular question
15 in the sense that it provided the -- it met the
16 purpose for which we asked that question, which was to
17 really unfold and to make sure that we were asking and
18 had data specific about the change to first class mail
19 service standards.
20 Q That's fair enough. So from a broader
21 perspective, when you undertook this research for the
22 Postal Service did you see the writing on the wall?
23 Did you foresee that you were going to be called again
24 to the Commission to present this as part of a service
25 standard change?

1 A We were prepared to do that, yes.
2 Q And you can tell me you don't know or that
3 you wouldn't consider this, but were you aware of a
4 result the Postal Service might want from your
5 research or from your analysis?
6 A I was not aware of any specific result, and
7 the way in which we do research is not to do research
8 to come up with a preordained finding. That would be
9 not something that ORC International would do.
10 Q That's fair. Now, with the solely
11 attributable factor that you said the Postal Service
12 suggested adding, even though, as you said, the impact
13 was small over the range of the survey which direction
14 did this solely attributable factor move the
15 estimates? Did it increase them? Did it always
16 decrease them?
17 A I would have to look. Well, it would always
18 decrease it.
19 MR. LAVER: Okay. I have nothing further.
20 Thank you very much for your time and your expertise.
21 CHAIRMAN GOLDWAY: Thank you. The APWU had
22 expressed possible interest in asking questions.
23 MS. WOOD: Yes, Madam Chairman. Jennifer
24 Wood for the American Postal Workers Union.
25 //

1 CROSS-EXAMINATION

2 BY MS. WOOD:

3 Q I just had a few follow-up questions, but

4 first I'd like to ask one clarification question.

5 Could you turn to page 7 of your testimony? I'm

6 referring to Figure 1.

7 A Uh-huh.

8 Q Okay. Down at the bottom of that figure the

9 Pocatello says that the income brackets for rural, the

10 low and moderate income is household income up to

11 $100,000 and moderate and high is more than $30,000.

12 Is that correct? To me when I was reading it it seems

13 as though the numbers were inverted.

14 A No. That is correct because high income is

15 described as households with income lower than

16 $100,000, so by including low and moderate it would be

17 the $30,000, the less than $30,000 and $30,000 to

18 $100,000.

19 Q So low and --

20 A Moderate is the $30,000 to $100,000, and

21 high is more than $100,000.

22 CHAIRMAN GOLDWAY: Well, it is reversed

23 then.

24 THE WITNESS: Yes.

25 CHAIRMAN GOLDWAY: Look at Pocatello.

1 BY MS. WOOD:

2 Q This says low and moderate income, household

3 income up to $100,000, meaning --

4 A So that would include the low, which is --

5 CHAIRMAN GOLDWAY: You have it differently.

6 THE WITNESS: Low is less than $30,000, and

7 moderate is $30,000 to $100,000. So if you look just

8 above at Seattle, moderate income is $30,000 to

9 $100,000, and then if you look at Chicago low income

10 is $30,000 or less.

11 So by combining low and moderate it's zero

12 to $30,000 and $30,000 to $100,000, and then the

13 moderate to high is the $30,000 to $100,000 plus the

14 over $100,000. So low is always zero to $30,000 ---

15 hopefully nobody is zero -- and then $30,000 to

16 $100,000.

17 BY MS. WOOD:

18 Q To incorporate the moderate?

19 A To incorporate the moderate.

20 Q So then low and moderate --

21 A Right. So it's low and moderate.

22 Q -- gets to be all the way up to $100,000.

23 A So it's zero to $30,000 and $30,000 to

24 $100,000, and then moderate is $30,000 to $100,000

25 plus $100,000 plus.

1 Q Okay. Why did you not combine the low and
2 moderate income in any one of the other studies?
3 A Well, we were moving across and we were in
4 multiple metro markets so we were able based upon the
5 number of groups that we were doing across the other
6 markets. It was possible to split it between less
7 than 30, 30 to 100, 100 plus, but in Pocatello we were
8 only doing two groups.
9 It's a relatively small market as well, so
10 we combined just to be efficient and to limit it to
11 two groups, but also to capture all people we combined
12 the low and the moderate and the moderate to high.
13 It's very common to do.
14 MS. WOOD: Okay. Thank you for that
15 clarification. I won't belabor that point.
16 Now, counsel for the National Association of
17 Letter Carriers had discussed with you briefly prior
18 studies that you had conducted that were not the basis
19 of the proposal or not used in the proposal in this
20 case.
21 If it's all right, Madam Chairman, I would
22 like to approach the witness and distribute the
23 Library Reference 70.
24 CHAIRMAN GOLDWAY: Certainly.
25 (Pause.)

1 BY MS. WOOD:

2 Q All right. So I have put before you a

3 document that is titled Postal Service Library

4 Reference USPS-LR-N2012-1/70. Are you familiar with

5 this document?

6 A Yes.

7 Q And it contains four separate documents

8 within this library reference. Could you identify

9 these documents for the record?

10 A There is a task order solicitation which

11 itemizes the work underneath this contract, the

12 particular task order that we've done for the Postal

13 Service. The second document is a questionnaire that

14 was asked of the large business accounts in this first

15 phase of the research that's been referenced.

16 The third document is the corresponding

17 questionnaire that was asked of the small and

18 home-based businesses, and the fourth document is the

19 corresponding questionnaire that was asked in the

20 consumer study.

21 Q Okay. I'd like to talk about the first

22 document, the order of solicitation. Can you confirm

23 that this contract has been amended multiple times?

24 A Yes.

25 Q And each time I think that the amounts that

1 the contract was for had changed. Is that correct?
2 Like the total dollar amounts.
3 A Correct. To incorporate additional work.
4 Q Right. And so could you confirm for me that
5 the contract total, the final amount for this
6 contract, was $961,547?
7 A As of the date that's on this document here.
8 Q Okay. Has that been revised subsequent to
9 this document?
10 A There is an additional contract amount to
11 compensate ORC International for our time on all the
12 interrogatories and testifying.
13 Q So does this contract incorporate the market
14 research that you sponsor in Library Reference 26? Is
15 this an overall contract for the work that you
16 performed?
17 A It incorporates all of the work that is in
18 the testimony and Library Reference 26, as well as the
19 work that was done in this one phase here.
20 Q Okay. So I really just want to focus on the
21 work that was performed in LR-70. Under whose
22 direction from the Postal Service did you perform this
23 work?
24 A We worked with Greg Whiteman on this.
25 Q Okay. And do you know why this particular

1 research was initiated? Did you know that the Postal
2 Service was going to be filing a case before the PRC?
3 A Yes.
4 Q Okay. And the initial research. What were
5 the objectives of it?
6 A The objectives of the research have been the
7 same throughout the entire study. It is to understand
8 and measure the impact of the proposed changes to
9 first class mail service standards on volume.
10 Q And so I understand that that was probably a
11 repetitive question, so bear with me. So those
12 objectives didn't change when the contract was
13 modified for the research that --
14 A No.
15 Q Okay. But you did change the verbiage in
16 the concept statement in each of the surveys that are
17 in Library Reference 70, right? I think you addressed
18 that in a dialogue with Chairman Goldway.
19 A I'm sorry?
20 Q The verbiage in the concept statements in
21 each of the surveys that are -- well, let's just get
22 one of the surveys, the consumer questionnaire on page
23 7.
24 A I'm sorry. Can you simplify it by maybe
25 just calling it either Phase 1 and Phase 2 or all

1 causes and --

2 Q Okay.

3 A -- the subsequent? Let's call it Phase 1

4 and Phase 2 to be clear.

5 Q Okay. Do you know, actually that was a

6 question that I wanted to ask. The contract specifies

7 that there was a Phase 2, so I guess would you just

8 define for us then if we want to use these terms what

9 Phase 1 is?

10 A Okay. Well, let's define what Phase 2 is.

11 Q Okay.

12 A Phase 2 is the data that was used and the

13 questionnaire and everything that's in my testimony.

14 It was used by Witness Whiteman to create the volume

15 forecasts.

16 Phase 1 was an initial phase that was

17 conducted, and the major difference in the two studies

18 was that the concept statement was more encompassing.

19 It had more information in it than the Phase 2, which

20 focused solely on the changes to first class mail

21 standards.

22 Q And are you aware of why this concept

23 statement was changed in Phase 2?

24 A We originally did the initial phase of the

25 quantitative research in conjunction with the

1 qualitative research, so unlike the five day delivery
2 where we had the benefit of the qualitative research
3 to refine and to test the concept statement we did not
4 have that benefit.
5 So it became clear in the qualitative
6 research, supported in the quantitative research, that
7 the concept statement was broad enough that the
8 respondents then focused on other factors than just
9 what we were asking of what's the impact of the
10 changes to first class mail service standards on how
11 you send your mail.
12 Q If the point was to zero in on the impact of
13 this change in service standards, why was the concept
14 statement written to include reference to a move to
15 five day delivery and closing post offices and other
16 changes that the Postal Service has proposed in the
17 first instance?
18 A I would say that that would be a question I
19 would defer to Witness Greg Whiteman to address.
20 Q Okay. Did you draft these questionnaires
21 that were sent out, or were you responsible for their
22 creation?
23 A We were responsible for developing and
24 reviewing the questionnaire. They're very similar in
25 format to what we used in the five day work, as well

1 as another research study that we had done for the
2 Postal Service.
3 CHAIRMAN GOLDWAY: So you drafted the
4 concept statement or --
5 THE WITNESS: I did not draft, no. We did
6 not draft. The questionnaires. She asked about the
7 questionnaire. We drafted the questionnaire and the
8 questions.
9 CHAIRMAN GOLDWAY: No. I thought she was
10 asking about the concept statement.
11 THE WITNESS: But we did not draft the
12 concept statement.
13 BY MS. WOOD:
14 Q The concept statement is a part of these
15 questionnaires, correct?
16 A Correct. They're incorporated just because
17 we asked them as part of the questionnaire --
18 Q Right.
19 A -- but we did not draft or write the concept
20 statements.
21 Q Who did?
22 A The Postal Service.
23 Q And at what time was this? At what time did
24 Phase 1 end or were you told to stop work on Phase 1?
25 A I don't have the exact dates, but we had

1 done the data collection and provided preliminary
2 numbers, at which point we were told to stop work on
3 that.
4 Q Was it in 2012, or was this in 2011?
5 A In 2011.
6 Q 2011. Do you know if the Postal Service had
7 filed its proposal that is the subject of this docket
8 with the Commission at the time?
9 A I'm not sure I understand that question.
10 Q When you went from Phase 1 to Phase 2 was
11 this case pending before the Commission?
12 A No testimony or anything had been filed at
13 that time.
14 Q Okay. So they had not yet filed their
15 request. So this was sometime before December? Is
16 that correct?
17 A Yes. Yes.
18 Q Okay. All right. So now I'd like to go
19 back a little bit.
20 A I mean, I could clarify. It was before we
21 started the data collection for Phase 1, so Phase 2
22 was obviously done or started -- data collection for
23 Phase 2 started after we were told to stop work on
24 Phase 1, so it was back in October.
25 MS. WOOD: Okay.

1 CHAIRMAN GOLDWAY: October?

2 THE WITNESS: Somewhere in October. I'd

3 have to look at the dates in further detail.

4 BY MS. WOOD:

5 Q I'm sorry. Can we go back to the award for

6 the contract? It appears to me the last time this

7 contract was modified was on January 27, 2012. Is

8 that correct?

9 A Yes. Yes. A small amount was added at that

10 point to cover the added length of the questionnaire.

11 Q Is it possible? If we look through this

12 contract will we be able to find out then when the

13 Phase 2 of this contract was to begin so that we can

14 have a more accurate number or date?

15 A Yes. You can look at the contract

16 amendment. There's two amendments in there. It says

17 Effective Date 10-20-11.

18 Q Okay. And so this is then when the contract

19 was modified to start these two?

20 A Right. We may have started slightly in

21 advance of that while the procurement people went

22 through their procurement people process and got all

23 the documentation in order, but it was approximately

24 right around the middle of November. October. Excuse

25 me.

1 Q Okay. Thank you for that clarification.
2 Now, I think that you have touched on you were
3 mentioning the qualitative research and the
4 quantitative research, and to be honest I was a little
5 bit confused so I want to break this down and just
6 understand exactly the type of work that you were
7 performing during Phase 1.
8 So it appears that qualitative research was
9 conducted. Is that correct?
10 A Correct.
11 Q And was quantitative research conducted
12 during Phase 1?
13 A Correct.
14 Q And did you prepare a report during the work
15 that you did in Phase 1?
16 A We prepared a report for the qualitative
17 research.
18 Q The qualitative research?
19 A The qualitative research.
20 Q Not the quantitative research?
21 A Right.
22 Q And had you prepared or begun to prepare any
23 testimony for the PRC based on the work that you did
24 during Phase 1?
25 A I'm sorry. Could you repeat the question?

1 Q Had you started any testimony, drafting of
2 testimony, like the testimony that you've presented in
3 this case? Had you begun working on testimony related
4 to the work that you conducted Phase 1?
5 A Yes.
6 Q And how far along in that testimony were
7 you? Was it complete testimony?
8 A No.
9 Q What else needed to be done to that
10 testimony to make it complete?
11 A All the data and all the numbers basically
12 needed to be reviewed. It was an outline of the
13 methodology and what we had done.
14 Q Okay. Had you completed all of the surveys
15 and questionnaires that you intended to do in Phase 1?
16 Had that been completed?
17 A All of the data collection had been
18 completed, yes.
19 Q Okay. Now, the surveys that were presented
20 in Library Reference 14. Does that encompass all of I
21 guess the studies that you did as part of Phase 1?
22 And I guess by that I mean were there any focus groups
23 that you conducted like you did in Phase 2?
24 A Let's clarify. So Phase 1 incorporated the
25 qualitative research and a first phase of quantitative

1 research. Phase 2 was quantitative research only.
2 Q So then the results from Phase 1 had been
3 used in Phase 2?
4 A Correct. The qualitative research results,
5 which are included in the library references provided.
6 Q So can you explain to me hopefully in very
7 simple terms the difference in the qualitative
8 research that you did in Phase 1 to Phase 2, because
9 we're told that that research was incomplete or that
10 the study was not final.
11 A No. There was no qualitative research in
12 Phase 2. We did it as part of Phase 1. I mean, we
13 can call it Phase 1, 2 and 3. So the qualitative
14 research was completed. It was provided. It's
15 incorporated into a report and incorporated into the
16 library references. Witness Whiteman -- I'm sorry; I
17 can't say that -- refers to it in his testimony. So
18 that was completed, okay?
19 In the quantitative phase the data
20 collection for Phase 1, when the data collection was
21 completed and a preliminary set of analyses were run
22 then we initiated Phase 2, which is strictly
23 quantitative research.
24 Q Had the results, the preliminary results of
25 the quantitative research, been provided to the Postal

1 Service prior to the decision or prior to you being
2 told to move on to Phase 2?
3 A Correct.
4 Q And when you started this Phase 1 did you
5 know there was going to be a Phase 2?
6 A No.
7 Q And I think that you have probably answered
8 this so I apologize, but then the participants that
9 were answering, the large commercial mailer
10 participants in Phase 1. Were they the same in Phase
11 2? Because I assume that they were given additional
12 surveys that didn't include the concept statement of
13 Phase 1.
14 A No. The individuals surveyed in the
15 quantitative -- we call it just to make it clear
16 participants. We just differentiate. Participants
17 are typically in qualitative research, and when we're
18 in survey research we refer to them as respondents.
19 It's just a point, but it's pretty consistent through
20 my testimony.
21 So the respondents in the Phase 1 and the
22 respondents in the Phase 2 research do not overlap.
23 We did not interview any of the same people.
24 Q What about the participants in Phase 1 and
25 Phase 2?

1 A Again, we didn't do qualitative research in
2 Phase 2 so there are no participants.
3 MS. WOOD: Okay. I just wanted to make sure
4 that I was not missing that point. I think I will
5 know this by the time this case is done.
6 All right. At this point, Madam Chairman, I
7 would like to ask questions that are based on some
8 language that was contained in the preface of the
9 nonpublic Library Reference 14.
10 I don't believe -- I'm certain -- that the
11 language that called to mind these questions is not
12 the commercially sensitive information. If you would
13 like to go off the record I can tell you what the
14 questions are going to be. I think we would all like
15 to avoid a nonpublic hearing, so I'm not sure how best
16 to proceed.
17 CHAIRMAN GOLDWAY: Off the record. We'll go
18 off the record to discuss this.
19 (Discussion held off the record.)
20 CHAIRMAN GOLDWAY: Well, we are back. Does
21 counsel have some agreement they can report to us on?
22 MS. WOOD: Yes, Madam Chairman. Counsel for
23 the Postal Service and I -- oh, should I identify
24 myself again?
25 CHAIRMAN GOLDWAY: Yes, please.

1 MS. WOOD: Jennifer Wood for the American
2 Postal Workers Union.
3 We've conferred and there was no objection
4 to the one question that I have about nonpublic
5 Library Reference 14. I do have just a couple of
6 other additional questions after that, but I think
7 that we can wrap up my questioning very quickly.
8 CROSS-EXAMINATION
9 BY MS. WOOD:
10 Q So, in the preface to nonpublic Library
11 Reference 14, it states that the results that were
12 presented there were not final because certain
13 analytical and review steps had not been taken. Could
14 you specify what those analytical and review steps
15 were?
16 A They're very similar to the steps that I
17 have in my testimony for the work that we do on Phase
18 II, but basically we go through the data and look for
19 what we consider outliers, where people have given
20 volume numbers that, you know, I'll go back to the
21 earlier example, a consumer saying they sent 100,000
22 pieces of mail in a year. We would look at that and
23 say that's probably not correct, that they're an
24 outlier. And since we tend to use the mean we look
25 very carefully at outliers.

1 Also, because of the nature of the
2 questionnaire that we have, as I stated in my
3 testimony, we had some issues where people that in the
4 data entry process the denominations were inconsistent
5 across the time periods, and so in those cases where
6 it was real clear what the inconsistency was we would
7 make a correction to the data.
8 So there's a series of processing, cleaning
9 steps that, you know, ensure that the data is valid.
10 Q Okay.
11 A We just did a preliminary run-through and
12 stopped at that point.
13 Q So do you have all of the data necessary to
14 give over to Mr. Whiteman to make quantitative results
15 or the results on the volume impact?
16 A We don't have the data -- we have the raw
17 original data that we used for our first pass-through
18 that we provided the first set of estimates because we
19 were testing our formulas for the estimates as well,
20 that we gave to the Postal Service. The data that we
21 have has not been cleaned and ORC International would
22 not release it without it being cleaned.
23 Q Okay. Earlier you stated that none of the
24 respondents in Phase I had been duplicated in Phase
25 II, is that correct?

1 A I would say I'm 95 percent -- what I would
2 say is that we never talked to the same person. We
3 may have talked to the same company.
4 Q Okay. That was what I was going to ask you
5 because on page 25 of your testimony if you want to
6 turn there, here you're talking about the national
7 account sampling that took place during Phase II, and
8 you state in lines 8 through 9 that, "Given the small
9 number of national accounts and their high volumes,
10 efforts were made to maximize the number of completed
11 surveys and the amount of data collected from them."
12 So, in essence, you would go to the same
13 companies but get a different person to respond to the
14 questions?
15 A Correct. So they might respond about
16 different applications, and actually I believe that --
17 because there was an interrogatory specific to this --
18 is that we actually went back and looked specifically
19 at the national accounts, and it worked out that of
20 the additional -- the 26 that we interviewed this go-
21 around were not the same as what we had interviewed in
22 Phase I, so we actually did not have any duplicate
23 individuals. We looked specifically for that.
24 Q But the companies were duplicated?
25 A I believe, and I need to look at my --

1 because I responded specifically to that question I
2 believe in an interrogatory. Do you recall, Kim?
3 Either that or I'd like to just wait and look, double-
4 check that for sure. I would prefer to double-check
5 that.
6 Q Is it something that you could do right now?
7 A No.
8 MS. WOOD: Okay. Could we get that in
9 writing then, a response?
10 MR. HOLLIES: If I might ask one question
11 and try and clarify this, then I can answer yours.
12 The interrogatories we received were about
13 the qualitative research versus the quantitative. I
14 don't believe we answered any questions that compared
15 quantitative Phase I to Phase II.
16 THE WITNESS: I think you're correct. I
17 believe Ken is correct, so this would be something
18 that we would have to actually go back into the sample
19 data files and verify.
20 BY MS. WOOD:
21 Q Is that something that you could do and
22 provide for the record?
23 A Yes.
24 Q I mean, I think it would be helpful to know
25 if the same at least companies were responding.

1 CHAIRMAN GOLDWAY: It seems like a useful
2 line of questioning.
3 BY MS. WOOD:
4 Q Okay. So, if you didn't want to talk to the
5 same individual from these companies, but you wanted
6 to talk to the individual in the best position to make
7 a representation that would be accurate as to what
8 their future volume would be in this situation, how
9 were you able to find two individuals or individuals
10 that fit both of those characteristics in both Phase I
11 and Phase II?
12 A Well, typically a company, and I can just
13 use ours, and we're not anywhere near as big as some
14 of these national accounts I'm sure.
15 Q Right.
16 A But I'll just take our accounting
17 department. So, if you were to call us and say I'd
18 like to speak to the individual who has responsibility
19 for sending payments versus the individual who is
20 responsible for sending invoices, they're two distinct
21 people. That's just an accounting procedure because
22 they don't want to mix people receiving and sending
23 money up in a company.
24 So it's very possible that if we were to
25 call and say we'd like to speak to the individual who

1 is responsible and we would read the list of
2 applications at any given point in time, we would get
3 two completely different individuals: one who is
4 responsible for payments, another time we might survey
5 somebody who is responsible for advertising mail,
6 something entirely different.
7 So again in our company we would have an
8 accounting department, and we have an advertising
9 group, communications group, marketing group that
10 would be responsible for advertising mail type of
11 thing if we sent advertising mail. So they could be
12 very, very distinct people in these larger companies.
13 Q But didn't you in Phase I and Phase II get
14 information about the same applications?
15 A Between Phase I and Phase II?
16 Q Or in Phase I, the questionnaires that you
17 asked in Phase I, the questions that you asked in
18 Phase I and in Phase II, I mean, weren't you trying to
19 get information about the same applications?
20 A Yes. We had the same list of applications
21 with one exception, but again, if I were to call into
22 a company and say, you know, we're doing a survey
23 today about, you know, mail -- we could look at the
24 exact thing in screening. So maybe the best thing is
25 to turn to -- let's look at the large accounts

1 question that you sent. So I'd say --

2 Q So this is the one -- sorry, just for the

3 record, this is in Library Reference 70.

4 A Right. The screening questions are almost

5 identical between the two. So, you know, we asked

6 "Are you the person, the individual in your business

7 that is primarily responsible for deciding or

8 recommending how to send or receive your business

9 mail?" So we might get an administrative assistant on

10 the phone, a receptionist, so we'd say we want to

11 speak to that person. They sometimes would give us

12 three or four names of people to talk to, and so as we

13 would call back we would ask for that person and try

14 to get directly to them, and then we would begin the

15 screening and we would say, are you the person

16 responsible for making these decisions? If they said

17 yes, they'd say, well, decisions regarding what type

18 of applications?

19 So we would read the list and the person

20 would say, oh, well, I'm responsible for doing

21 payments and nothing else, and we'd say, okay, then

22 we're going to talk to you about payments.

23 Q Okay.

24 A Because it would be irrelevant obviously to

25 ask him about mailing, their advertising mail.

1 Q Right.

2 A So that's the process. So, in any given

3 company, we might actually in the sample have over

4 time three or four names that would be potential

5 contacts that we through our calling process would

6 have generated.

7 Q Okay. That's clear. So, in order to not

8 duplicate the respondents in Phase II, then was there

9 a cross-reference list included when you were calling

10 these large commercial accounts to make sure that you

11 weren't speaking to the same individual about the same

12 application?

13 A Again, with the national accounts, just the

14 national accounts, I would have to verify that.

15 Q Okay.

16 A With the preferred and the premier,

17 particularly with the premier, we basically didn't

18 even call the same companies back because we had

19 enough.

20 Q Right. Well, there was such a large volume.

21 A We had a lot of samples.

22 Q I understand that. I think just one final

23 question. Are the national accounts the largest

24 volume accounts the Postal Service has?

25 A I would ask for Greg Whiteman to answer that

1 question. He can define it more clearly than I can.
2 Q Well, could you at least give us your
3 understanding of the --
4 A My understanding is that they are either the
5 largest accounts that then require -- you know, they
6 have an account representative that is distinct that
7 works with that particular account for their needs.
8 Q Well, I mean, do they have larger volumes
9 than the preferred accounts?
10 A In some cases. Not always. My
11 understanding is that it was the way in which account
12 representatives were assigned to the accounts.
13 Q Okay. All right. Then maybe we should ask
14 those questions to Mr. Whiteman.
15 A I think that would be better.
16 MS. WOOD: Thank you very much.
17 CHAIRMAN GOLDWAY: Thank you. We have
18 another participant who would like to ask questions.
19 MR. BAKER: Thank you, Madam Chairman. I'm
20 William Baker appearing on behalf of the National
21 Postal Policy Council, whose members probably consist
22 of national accounts and using First Class Mail
23 primarily.
24 //
25 //

1 CROSS-EXAMINATION

2 BY MR. BAKER:

3 Q I want to get the timeline straight a little

4 bit here and what's Phase I, Phase II and so forth.

5 You've talked about Phase I, and the qualitative part

6 of Phase I, is that what's reported in your testimony

7 starting in the first 10, 15 pages of your testimony?

8 A Correct.

9 Q Right. Okay. So the qualitative survey in

10 your testimony was part of Phase I, and I believe you

11 state in your testimony that was conducted from

12 August 9 to August 23 of last year, correct?

13 A The actual focus groups were. There were

14 subsequent dates for the in-depth interviews and the

15 large in-depth.

16 Q All right. And what you have called the --

17 what I think you've called the all causes survey,

18 which I guess would be a quantitative aspect of Phase

19 I, that's what we see some information about in

20 Library Reference 70, correct?

21 A Correct.

22 Q Okay. And just looking in Library Reference

23 70 on, oh, I guess it's the first page of the large

24 commercial accounts questionnaire --

25 A Yes.

1 Q -- I see in the upper right-hand corner the
2 date August 22, 2011. Does that tell you that was the
3 date this text was set?
4 A That was when the final questionnaire was
5 set.
6 Q Okay. And do you recall, was that survey
7 then done pretty much around that time?
8 A It was done pretty close to that.
9 Q Okay. Within about a two-week period?
10 A Like I said, we were collecting data on the
11 quantitative at the same time that we were actually
12 doing the qualitative research as well. Very
13 different from the five-day where they were
14 sequential.
15 Q Yes. So that was likely within a two-,
16 three-week period of August 22?
17 A Correct. I can't speak to exactly what the
18 end date was.
19 Q I just want to get --
20 A But three weeks, that's fine.
21 Q And that is what we call the all causes
22 survey.
23 A Yes.
24 Q Okay. When you were doing the all causes
25 survey, were you planning to do Phase II?

1 A No.

2 Q Thank you. And I believe you testified

3 earlier that you completed the surveys in the quantity

4 part of Phase I, the all causes. Do you recall how

5 many surveys you conducted?

6 A You know, not exactly. The sample size was

7 larger in the first phase than it was in the second

8 phase.

9 Q Okay. The sample size for the quantitative

10 research in Phase I was larger than in the

11 quantitative research of Phase II?

12 A Correct.

13 Q Okay. And as counsel for APWU just directed

14 your attention to the 26 national accounts that were

15 in Phase II in your testimony --

16 A Yes.

17 Q -- do you recall whether the number of

18 national accounts in the Phase I quantitative research

19 was larger than 26?

20 A I believe it was, yes.

21 Q Can you give me a rough idea? A few larger?

22 Twice as many?

23 A I could not. I'd have to look back in my --

24 Q Okay. It could be as many as --

25 A It's been many months.

1 Q Could it have been as many as 230?
2 A Oh, no, no, no. There is not that many --
3 Q Right.
4 A -- national accounts, so it was -- I can say
5 it was potentially more than what we did in Phase II.
6 It's less than what we did in the five-day, when we
7 originally did the five-day.
8 Q Okay. And how about in the Phase I
9 quantitative research did you also survey premium and
10 premier accounts I believe they're called?
11 A Yes.
12 Q And would those have been a larger number of
13 respondents than in Phase II? Than was the case in
14 the Phase II research.
15 A I really would have to look back at the
16 previous numbers. I can't recall.
17 Q And let's see, I won't go over -- you had a
18 little additional clean-up work. Oh, yes. In the
19 Phase I quantitative surveys, approximately how long
20 would those calls have taken per call?
21 A I don't know exactly how long. They were
22 shorter than -- I would say probably 17, 18 minutes.
23 Q Seventeen to 18 minutes. Okay. Seventeen
24 to 18 or seven to 18?
25 A Seventeen to 18.

1 Q Thank you.

2 A Sorry. For the businesses. The consumer

3 questionnaires, they were shorter obviously.

4 Q Okay. And I have not seen Library Reference

5 nonpublic 14, but are those survey results in there?

6 A I'm sorry?

7 Q I have not seen Library Reference nonpublic

8 14. I have not yet had access to that. I've got a

9 motion pending. Are those survey results in that?

10 A The forecasts that we provided and the data

11 files that we -- yes, the final -- I'm trying to

12 think, sorry, all these numbers. The data files, the

13 SBS data files which I believe were converted to SAS

14 for use were included in that.

15 Q Okay.

16 A Yes.

17 Q So, if I do look at that reference, that's

18 what I'll see there. Okay.

19 A Well, let me clarify. Can you help me with

20 the numbers? NP-14, that's not the --

21 Q That corresponds to No. 70. NP-14 is --

22 A No, that data is not available. As I said,

23 it's not been cleaned and ORC International will not

24 release it until it's clean. Thank you.

25 Q All right. Thank you.

1 A Like I said, the numbers confused me.
2 Q Yes, I'm sorry. I apologize for that. Do
3 you have Library Reference 70 in front of you?
4 A Yes.
5 Q Could you turn to the national accounts
6 survey in that? The large commercial accounts, excuse
7 me.
8 A Yes.
9 Q The large commercial accounts, and look at
10 page 11 of that questionnaire which starts -- there is
11 a caption at the top "First Class Mail Change
12 Statement".
13 A Yes.
14 Q And you can take your time to review it if
15 you would like, but this survey mentions -- this was a
16 description given that mentions a lot of changes the
17 Postal Service is contemplating, the all causes,
18 right?
19 A Right.
20 Q Okay. And the process would have been that
21 this would have been read to the respondent, correct?
22 A Correct.
23 Q And then if we turn the page to the top of
24 page 12.
25 A Yes.

1 Q We then after some instructions to the
2 questioner, "For these questions, please answer based
3 on the assumption that the changes to First Class Mail
4 described have already happened and were in place
5 during the last 12 months."
6 Would it be a fair expectation that the
7 respondent would have thought changes referred to all
8 the changes described on page 11?
9 A No, we believe that by focusing them that
10 the changes to First Class Mail had been in place. If
11 you look at the subsequent questions, we ask very
12 specifically about how would your mail sending
13 behavior change if these changes to First Class Mail
14 service standards had been in place.
15 Q Right. And my question is the changes to
16 First Class Mail, Question 3 reads, "changes to First
17 Class Mail," it does not say service standards, and
18 likewise Question 4, and I'm wondering if a respondent
19 might fairly have understood that question to be
20 referring to all of the changes that are summarized on
21 page 11 in the description.
22 A Well, I would say yes, it is very possible
23 they did, and as I said earlier, that it was clear in
24 the qualitative research that we were doing at the
25 same time that people indeed were factoring in all of

1 the changes, and that was the reason behind, you know,
2 revamping the concept statement, slightly changing the
3 flow of the questionnaire, revamping the questionnaire
4 to make sure that in the second phase that we got the
5 numbers, you know, that had the respondent focused on
6 the changes to First Class Mail service standards. I
7 mean, the objective of the study all the way along was
8 First Class Mail service standards, and so Phase II
9 really got them to focus on that.
10 Q When was the text for Phase II questionnaire
11 developed?
12 A Say that again. I'm sorry.
13 Q When was the text for the Phase II
14 questionnaire developed?
15 A It was developed subsequent to us finalizing
16 the data collection for Phase I.
17 Q Likely October then probably?
18 A It would have been early October before we
19 went into field, yes.
20 Q After the data collection from Phase I?
21 A Correct, and after all the qualitative
22 research was complete.
23 Q And the Phase I quantitative surveys?
24 A Yes. Yes, the Phase I quantitative had been
25 complete, all the qualitative research was complete at

1 that time.

2 Q All right. Could you turn for a moment to

3 your answer to Interrogatory APWU-6? And there the

4 APWU asked you a variety of questions about the Phase

5 II quantitative research. Do you see that?

6 A So we're talking T11-6?

7 Q Yes.

8 A Right. Okay. Yes.

9 Q And the first Question A was did you know,

10 in Question A of -- Subpart A of Question 6, APWU

11 asked you what percentage of the mail volume those 26

12 companies represented, and your answer was that

13 information was not available from the research.

14 Would the same answer have held true for the

15 Phase I quantitative research?

16 A Yes.

17 Q Okay. Focusing only on Phase II at this

18 point because that's what the testimony is, did you

19 give the identity of the mailers to the Postal Service

20 when you gave them your final results?

21 A No. It's against industry standards. We

22 protect all respondent identifiable information.

23 Q All right. So the Postal Service doesn't

24 know who was in there.

25 A They have no idea.

1 Q All right. But you did identify the types
2 of businesses like financial companies or --
3 A By broad industry sector type and, you know,
4 location.
5 Q And returning to APWU No. 6, subpart B. B?
6 No, nevermind. I withdraw that. That's not what I
7 meant to ask. Turn to APWU No. 8, please, to you.
8 A Okay.
9 Q And you were asked there in subpart I, this
10 was a question actually having to do with the
11 preferred accounts, you were asked what percentage of
12 the preferred account holders interviewed thought they
13 could prepare and deliver mail to meet the
14 requirements for overnight delivery, local delivery,
15 and you said you did not ask that information. That
16 was not asked?
17 A Right.
18 Q And that would seem true for Phase I
19 quantitative research?
20 A Correct.
21 Q Okay. And when the respondents were asked
22 to -- in the process of finding the right person at
23 the respondent to answer the question, did you --
24 there is a question, are you the person responsible
25 for such and such application. Did you do any further

1 attempt to verify that they were the right person
2 within the company or that it was basically a self-
3 verification that they were the right person?
4 A It's a self-verification process. You know,
5 we looked at their titles and they were the right
6 titles and things, but it is a self-reported that I'm
7 in charge.
8 Q Okay. And the Phase II research, I just
9 want to get this straight, is it Appendix F of your
10 testimony you give us the script for that?
11 A I'm sorry?
12 Q In your testimony Appendix F.
13 A Yes.
14 Q You provide us the script of the
15 questionnaire?
16 A Yes, those are the questionnaires.
17 Q Okay. So it starts on your testimony page
18 89 and it goes through I think 115 if I read it
19 correctly. Is that all one script for the large
20 commercial accounts? Even though I understand some
21 questions get skipped depending on the answers.
22 A Right. So let's see, so the large
23 commercial goes from 89 to, yes, 115.
24 Q Okay. And I believe you said in response to
25 NPPC, I think it was 14, it took about 21 or 22

1 minutes on average to go through this?

2 A Correct.

3 MR. BAKER: Okay. I have no more questions,

4 Madam Chairman.

5 CHAIRMAN GOLDWAY: Thank you.

6 MS. WOODS: Madam Chairman?

7 CHAIRMAN GOLDWAY: Do any of the

8 participants have some followup on the questions that

9 have been asked by the others that relate to the

10 specifics of those questions?

11 MR. LAVER: Madam Chairman, Chris Laver for

12 the Public Representative. I have two brief

13 questions. I'm happy to ask them now or after the

14 bench or counsel from APWUS. At your pleasure.

15 CHAIRMAN GOLDWAY: You spoke up first, so

16 you have an opportunity to ask first.

17 MR. LAVER: Okay. Again, Chris Laver for

18 the Public Representative.

19 FURTHER CROSS-EXAMINATION

20 BY MR. LAVER:

21 Q Witness Elmore-Yalch, I have a question a

22 little bit more about the Phase I and the Phase II,

23 and I'm referring specifically to the quantitative end

24 of things, so what you would call the all causes is

25 the quantitative for Phase I, and then Phase II was

1 the quantitative that was presented in your testimony,
2 is that correct?
3 A Correct.
4 Q Okay. Now do you recall even at a general
5 level, you said you shared preliminary results of
6 Phase I with the Postal Service, do you recall
7 generally what those results were?
8 A I would have to look at them. You know,
9 they were larger than the numbers that were provided
10 with the more focused First Class Mail, Phase II.
11 Q Let me just clarify. By larger --
12 A The change.
13 Q -- do you mean they show a larger volume
14 change than --
15 A Larger percentage change in volume as well
16 as some distributions of volume because of the
17 differences in the questionnaire.
18 Q Fair enough. Now would you be able to share
19 that as either -- I don't know if it would be under
20 seal or whether it could be just a library reference,
21 share that with the Commission?
22 MR. HOLLIES: That is filed in NP-14.
23 MR. LAVER: Excellent. Thank you very much,
24 Mr. Hollies.
25 //

1 BY MR. LAVER:

2 Q And my other question is, do you remember in
3 terms of the timeline how soon was it after you filed
4 those preliminary results that the Postal Service told
5 you to stop work on Phase I?

6 A Well, they were in a series of management
7 meetings at that time, so I would say it was probably
8 within a one-to-two-week timeframe after we had
9 presented that preliminary results that we said let's
10 stop work on that and begin with a more focused
11 targeted research.

12 Q And was it specifically Witness Whiteman
13 that informed you to stop work on Phase I?

14 A Yes. He is our primary contact throughout
15 this.

16 MR. LAVER: That's all I have. Again, thank
17 you very much for your time.

18 CHAIRMAN GOLDWAY: Any other followups?

19 MS. WOOD: Madam Chairman, with your
20 indulgence, I have one question.

21 FURTHER CROSS-EXAMINATION

22 BY MS. WOOD:

23 Q You stated that in order for the data that
24 you had collected from Phase I to be presented or to
25 be released from your company it would need to be

1 cleaned up. Do you have any current intentions to do
2 that, to clean the data?
3 A That would be at the discretion of the
4 Postal Service.
5 Q So you have not been directed to do that
6 yet?
7 A No.
8 MS. WOOD: Okay, thank you. That's it.
9 CHAIRMAN GOLDWAY: Another question?
10 MR. DECHIARA: Yes, Madam Chairman.
11 CHAIRMAN GOLDWAY: Identify yourself,
12 please.
13 MR. DECHIARA: Peter DeChiara for the
14 National Association of Letter Carriers.
15 FURTHER CROSS-EXAMINATION
16 BY MR. DECHIARA:
17 Q Ms. Elmore-Yalch, do you recall what the
18 other causes were in the all causes research other
19 than changing First Class Mail standards?
20 A Well, the easiest way is to reference in the
21 questionnaire the concept statement that was presented
22 which -- I'm sorry, I can't remember your name. But
23 from the National Policy Council he referred to and
24 I'm looking quickly for it here in one of the
25 questionnaires.

1 So, by way of example, if you looked at page
2 11 of the national accounts questionnaire that we
3 presented that was in Library Reference 70, that is
4 the concept statement that was given to people, so it
5 talks about, you know, legislative reform. It talks
6 about five-day delivery. It talks about a number of
7 different things.
8 Q Okay. So it talks about eliminating
9 Saturday delivery?
10 A There is a reference to elimination of
11 Saturday delivery.
12 Q And there is also a reference to closing
13 small post offices?
14 A There is.
15 Q I believe you testified earlier concerning
16 whether respondents would overestimate or
17 underestimate regarding a reduction in the quality of
18 service. Do you remember that testimony?
19 A Yes.
20 Q Okay. I'd like to just refer you to an
21 interrogatory that the NALC posed to Witness Whiteman.
22 It's NALC/USPS-T-12-6, and I just want to read you a
23 portion of it. It's subsection (b), and I'll read you
24 a portion of his response.
25 The question was "Provide an example if you

1 can of respondents in a quantitative market study
2 overstating their reaction to a reduction in the
3 quality of service." And Mr. Whiteman in the first
4 paragraph of his answer said, "The only research
5 studies which we have conducted on a reduction in
6 service are the research in support of five-day
7 delivery and the First Class Mail service standards.
8 As neither of those proposed changes has been
9 implemented, I am not able to provide you with an
10 example." And that's the end of the quote of his
11 answer. Can you provide us with an example?
12 A As I said in response to the other question
13 is that I would have to look specifically to see
14 whether or not there is literature that talks about
15 that, and that would be my first recourse to look. As
16 I also said, I would believe, you know, it would be
17 human nature to overstate a response to what would be
18 considered a potentially negative situation.
19 Q Right. But as you sit here on the witness
20 stand today, can you provide a specific example of
21 respondents in a quantitative market study overstating
22 their reaction to a reduction in the quality of
23 service?
24 A The literature is significant in this
25 regard, so I would have to go back and review the

1 literature.

2 Q So is your answer no, that you cannot sit

3 here as a witness --

4 A No, not sitting on the witness stand and do

5 that. Correct.

6 Q Let me finish the question. Let me just

7 finish the question for the quality of the record.

8 A Okay.

9 Q Is your answer no, that sitting here on the

10 witness stand you cannot provide an example?

11 A That is correct.

12 MR. DECHIARA: Thank you.

13 CHAIRMAN GOLDWAY: Okay. It's now time for

14 questions from the bench. Shall we begin with Vice

15 Chairman Langley?

16 VICE CHAIRMAN LANGLEY: Thank you very much,

17 and thank you for being here again with us. We do

18 appreciate it. I do have a few questions.

19 I know from your testimony today and also

20 when you spoke before us on the six-to-five-day

21 advisory opinion that the Postal Service requests of

22 you to ask specific questions of focus groups, and I'm

23 just curious whether OCR works with the Postal Service

24 in the phrasing of these questions.

25 THE WITNESS: It's ORC by the way.

1 VICE CHAIRMAN LANGLEY: ORC. I'm sorry.
2 THE WITNESS: There is another company
3 called OCR. We like not to be confused.
4 VICE CHAIRMAN LANGLEY: No, and I was
5 thinking of something else, so I apologize.
6 THE WITNESS: Yes, we work very closely with
7 the Postal Service in terms of advising them on the
8 best and most appropriate phrasing of questions based
9 upon our knowledge and experience with research.
10 In fact, I would refer back to one of the
11 earlier questions where it was asked, you know, who
12 asked us to add that subsequent question on the "is it
13 all to First Class Mail", they asked us and we said we
14 think that that would be a valid and good question to
15 ask, yes. So we do advise them.
16 VICE CHAIRMAN LANGLEY: So you have a lot of
17 input into how they are phrased?
18 THE WITNESS: Yes.
19 VICE CHAIRMAN LANGLEY: The same thing on
20 the cities. Does your client select the cities in
21 which the focus groups would be held?
22 THE WITNESS: No, there is a discussion
23 about that and in fact, by way of example, when we
24 were looking for a rural city we had originally looked
25 at Twin Falls and then chose to do Pocatello instead.

1 So there is a dialogue as to what's the best market
2 given what we know about the markets to do that in.
3 VICE CHAIRMAN LANGLEY: What were the
4 factors in choosing one versus the other?
5 THE WITNESS: Twin Falls was closing a mail
6 processing plant at the time and they were having
7 public hearings, so we felt that would be --
8 VICE CHAIRMAN LANGLEY: Pocatello is also
9 closing a plant I believe.
10 THE WITNESS: That I don't know, but at the
11 time they were doing public hearings in Twin Falls and
12 we figured that would not be a good place to do it.
13 VICE CHAIRMAN LANGLEY: Okay. What's the
14 difference in population, do you know, between Twin
15 Falls and Pocatello?
16 THE WITNESS: Not right off the top of my
17 head. They're pretty close, similar in size.
18 VICE CHAIRMAN LANGLEY: Okay. Well,
19 Pocatello, just because I looked it up, on the census
20 in 2010 was 54,200 people, and the census doesn't
21 consider that number to be a rural area. I mean, they
22 consider that to be urbanized in their criteria. So
23 I'm just curious. I know that Mr. Whiteman responded
24 that the Postal Service or that your company used a
25 very rural area of Pocatello. Is that considered very

1 rural?

2 THE WITNESS: We had people that drove 50

3 miles to come to the focus groups that were held in

4 Pocatello, so if you get outside of about five miles

5 of Pocatello you're in very, very rural Idaho. So we

6 had people, they were coming -- I can't remember the

7 names of the towns, but they were very, very small

8 areas.

9 VICE CHAIRMAN LANGLEY: So, even though a

10 city like Pocatello has Walmart, Costco, I think there

11 are two post offices, a station, a CPU, you know, it's

12 actually quite a vibrant, large city out in Idaho. So

13 that's still considered very rural because you're

14 bringing in people from outside of the area?

15 THE WITNESS: Yes. We made a real point of

16 bringing in people from outside of the city itself.

17 VICE CHAIRMAN LANGLEY: How do you find

18 those people who you know are outside of the city?

19 THE WITNESS: We had a recruiting firm

20 that's located in Pocatello or there is a small

21 research firm there. Actually they're a big research

22 firm, they have an office there, and so they recruited

23 for us. So, when they know the area and then I also

24 actually am pretty familiar with the area, so we asked

25 people and we made a real point of making sure that

1 they drew from outside of -- we had a limit on how
2 many people could be living in Pocatello.
3 VICE CHAIRMAN LANGLEY: So do you know --
4 CHAIRMAN GOLDWAY: What was the proportion
5 then?
6 VICE CHAIRMAN LANGLEY: Right, the
7 percentage of folks who came from outside.
8 THE WITNESS: Oh, gosh, I'd have to look
9 back at my notes because I moderated these groups. I
10 would say that five to six out of the participants
11 came from -- you know, drove a very long distance.
12 CHAIRMAN GOLDWAY: And how large was the
13 group of participants?
14 THE WITNESS: Eight to 10 people, so I'd say
15 half or more were.
16 CHAIRMAN GOLDWAY: So half or more were from
17 real rural areas as opposed to Pocatello.
18 THE WITNESS: Right. Very rural areas.
19 VICE CHAIRMAN LANGLEY: And the reason that
20 I'm asking this and I think the Commission itself is
21 very interested is because as you know in our six-to-
22 five-day decision we discussed the lack of information
23 coming from rural and remote, noncontiguous areas. I
24 do thank the Postal Service for including the
25 noncontiguous areas. That was a good move on

1 everybody's part, so I do appreciate that.

2 So we're very interested also to know that

3 people who are not sitting in urbanized areas are the

4 only ones being consulted on this or used in your

5 surveys, so that's important. And in that regard, let

6 me ask another question. You mention that only four

7 out of 10 consumer focus groups included participants

8 over the age of 65, and certainly folks who are senior

9 citizens, you know, have more reliance on mail for

10 critical deliveries of medication, things of that

11 nature. I am not well versed in statistics. Is that

12 a statistically valid sampling?

13 THE WITNESS: That was in the qualitative

14 research only, and so by definition there is no

15 sampling in qualitative research that's statistically

16 significant. That said, if we didn't put that limit,

17 then everybody in the focus groups would be 55 or 60

18 and older because they're much more willing to do this

19 type of work, and they tend to be more incented both

20 personally and monetarily to do it, so we put that

21 limit so that we make sure that we have representation

22 of all age groups in the focus groups, not to exclude

23 anybody, it's to make sure that we actually include

24 everybody.

25 VICE CHAIRMAN LANGLEY: No, but that's a

1 good explanation of how focus groups are made up.
2 And my final question right now is you
3 distinguish between small businesses and home-based
4 businesses in reporting your forecasts, yet both of
5 these groups received identical surveys and
6 participated in the same focus groups without
7 distinction. Describe your understanding of how these
8 two groups may differ in their mailing habits and the
9 use of postal products.
10 THE WITNESS: Well, would you ask that one
11 more time so I can just get it formulated in my mind?
12 VICE CHAIRMAN LANGLEY: There are home-based
13 businesses and I think, you know, they have what, one
14 or more people according to your surveys, and then you
15 have small businesses, which are under 100.
16 THE WITNESS: Right. Okay.
17 VICE CHAIRMAN LANGLEY: They're certainly
18 going to have different uses of the mail.
19 THE WITNESS: Right. Okay. So the primary
20 distinction was for small versus home-based
21 businesses, to be a small business, they had to work
22 from a location other than their home and then they
23 had employees. So one would, you know, hypothesize
24 and it proves out in the quantitative work is that
25 small businesses tend to have higher mail volumes,

1 which tend to increase as they have more employees and
2 more revenue and things, than a home-based business.
3 There is also some slight difference in the types of
4 things that they mail, but not that much.
5 VICE CHAIRMAN LANGLEY: Did your survey take
6 into account the differences in their mailing habits?
7 THE WITNESS: Well, we provided separate
8 volume change forecasts based upon whether they were
9 home or small-based businesses because, you know,
10 assuming that there would be a difference, and there
11 is. And so we did account for that in terms of the
12 forecast data that we provided to the Postal Service
13 in order to make their further analysis, and I believe
14 they also use them separately.
15 VICE CHAIRMAN LANGLEY: I thank you very
16 much.
17 CHAIRMAN GOLDWAY: Commissioner Taub.
18 COMMISSIONER TAUB: Thank you, Madam
19 Chairman.
20 I just wanted to follow up since we're
21 talking on the volume forecasts some questions from
22 the NALC earlier today, and I wanted to look at the
23 reference NALC/USPS-T-12-13. This is looking at many
24 of the volume forecasts in your testimony. And the
25 issue that was discussed earlier about confidence

1 intervals and you talked about some of the end points
2 and, you know, maybe a view on the extreme values
3 there. I want to just get a little bit more clear.
4 If you look at the response there, a lot of
5 volume forecasts have wide confidence intervals,
6 including both positive and negative values.
7 THE WITNESS: Yes.
8 COMMISSIONER TAUB: It would seem, you know,
9 wide confidence intervals are indicative of large
10 standard errors. Could you give a sense of why the
11 standard errors would be so large or are so large?
12 THE WITNESS: Because where they're large,
13 say for example in preferred accounts, that is a much
14 more diverse segment than say in the preferred
15 accounts. So, you know, we designed as much as
16 possible in terms of segmenting the data to minimize
17 within a specific segment the error, but the more
18 diverse the segment is the greater the variance in the
19 data, the range of the data that's going to be and
20 hence the greater the error. You know, the greater
21 the confidence, you know, that normal distribution
22 thing that I drew in the air would be -- so it all has
23 to do with how diverse a specific segment is.
24 COMMISSIONER TAUB: To what extent, you
25 know, looking at these, would you modify the

1 quantitative survey methodology to decrease those
2 standard errors of the resulting volume estimates?
3 THE WITNESS: It depends on how much money
4 you have.
5 (Laughter.)
6 THE WITNESS: The way to minimize, you know,
7 that variance is to stratify the sample more finely,
8 but the more you stratify the sample to remove the
9 variance the greater the cost of the research. So,
10 you know, we did six segments, which is a lot, and,
11 you know, if you modify it and budget was no limit, I
12 would probably look at the preferred accounts more and
13 see what's -- you know, is it industry, is it -- you
14 know, it's probably industry, something like that, to
15 see what it is that causes the amount of variance in
16 that set of data.
17 COMMISSIONER TAUB: I got you, and clearly
18 you're dealing with an entity that, you know, is
19 approaching solvency, it has solvency issues.
20 THE WITNESS: Right.
21 COMMISSIONER TAUB: And solvency is
22 obviously a concern.
23 THE WITNESS: And if you look at preferred,
24 there were 3 million some odd accounts in that
25 database. You can imagine how different they are.

1 COMMISSIONER TAUB: In terms of -- and
2 obviously resources are limited, not looking for
3 precise figures but kind of an order of magnitude, how
4 much more resources money would it take to go through
5 these and modify it to try to decrease those standard
6 errors, if you could give us a sense of that.
7 THE WITNESS: You mean to do it analytically
8 with the data we have now or to do it in the design
9 process?
10 COMMISSIONER TAUB: Well, I think modifying
11 the survey methodology if you were --
12 THE WITNESS: I mean, first, I would really
13 want to look to see what's driving variance, you know,
14 in some of these numbers. Is it a difference by, you
15 know, industry type? Is it a difference by where they
16 are in the country? Is it a difference by -- I don't
17 know what causes that variance, so analytically first
18 we would want to look at Postal Service old data like
19 this and say where is the difference, and then from
20 there, you know, we could say our recommendation would
21 be to do something different, but without doing that
22 analysis I wouldn't even have a clue where to start.
23 COMMISSIONER TAUB: In terms of being able
24 to even give a range or quantify how much that would
25 cost --

1 THE WITNESS: Right.

2 COMMISSIONER TAUB: -- the Postal Service.

3 THE WITNESS: But it does increase. Every

4 time you stratify you have to increase the sample size

5 because you need to get the sample size large enough

6 to remove the error, so minimum sample size is

7 somewhere between 50 and 100.

8 CHAIRMAN GOLDWAY: Can I interrupt you?

9 COMMISSIONER TAUB: Yes, please.

10 CHAIRMAN GOLDWAY: In your same line, you

11 indicated to others this morning that the sample size

12 for the Phase I study was larger than the sample size

13 for the Phase II study.

14 THE WITNESS: Slightly, in a couple of the

15 segments, yes.

16 CHAIRMAN GOLDWAY: So, if the sample size of

17 the Phase II study had been as large as the Phase I,

18 would we have more reliable statistics?

19 THE WITNESS: In whichever segments we --

20 wherever we modified the size of the sample. So I

21 know without looking back at my notes and refreshing

22 my memory, I know that we did fewer interviews with

23 the small and the home-based businesses in Phase II

24 than we did in Phase I.

25 CHAIRMAN GOLDWAY: And you said also in the

1 major accounts as well.

2 THE WITNESS: I would have to verify exactly

3 how much --

4 CHAIRMAN GOLDWAY: Over several of the

5 stratified groups.

6 THE WITNESS: I can't say exactly which ones

7 they are and how much less it was. I don't believe it

8 was that much less, but I would have to look.

9 So, yes. A short answer to your question

10 would be yes. If we interviewed more, the variance

11 would have been smaller because variance is part of

12 the sample size.

13 CHAIRMAN GOLDWAY: I hope you didn't. Were

14 you finished?

15 COMMISSIONER ACTON: Yes, thank you.

16 CHAIRMAN GOLDWAY: Commissioner Acton.

17 COMMISSIONER ACTON: Thank you, Madam

18 Chairman.

19 It's interesting to hear you speak with

20 Commissioner Langley about how you take special care

21 so that you stratify these outreaches and to help I

22 think ameliorate with inherent biases when you're

23 talking about trying to attract individuals of

24 different age groups so that you get a fair

25 representation of the truth.

1 I'm wondering if you believe that the mode
2 of transmission that you use in interfacing with these
3 survey respondents has any biasing effect upon the
4 outcome. For instance, I believe you may have
5 communicated with the small and home-based businesses
6 via the internet as opposed to a telephone survey or a
7 postal survey. So I'm wondering in your expert
8 opinion if there is some inherent bias in contacting
9 individuals about how they may feel about a change in
10 service standards for a postal product using a digital
11 option to gather that information and if there is some
12 bias involved what you do to account for that.
13 THE WITNESS: There is some potential for
14 measurement bias because, you know, online they have
15 an opportunity to read the concept statement versus
16 having it read to them. We do put training and
17 prompting and things in place so that when we read it
18 to the respondents it was read to them very, very
19 slowly. At the end of it there was a prompt, is there
20 anything you didn't hear? Would you like me to reread
21 it? And in many cases we did. So, you know, we
22 attempt to the best of our ability to minimize those
23 known sources of bias.
24 In terms of how they respond to questions,
25 typically the measurement bias that occurs between

1 online versus phone happens with the scale questions,
2 so, you know, if you ask an agree/disagree statement,
3 we know that there is very different things that
4 people do online versus by phone, and the way we
5 contend with that is make the scale as long as
6 possible, which is you've got an 11-point scale going
7 here, and the two scale questions we have, so that
8 minimizes that bias. So we do mix things like that.
9 We really think very, very carefully based upon what
10 we know and what we've seen and what we've tested to
11 try to minimize that measurement bias.
12 COMMISSIONER ACTON: I appreciate that. I'm
13 trying to understand because you are asking questions
14 via a means of transmission about means of
15 transmission, I'm trying to understand if an
16 individual who is using the internet to respond to
17 your question may not have much use for the post
18 anyway, so whether or not a service standard is
19 overnight or two days, what's the relevance of that to
20 him because he's using the digital option effectively.
21 Do you see my point?
22 THE WITNESS: Okay, so there would be -- I'm
23 sorry, go ahead.
24 COMMISSIONER ACTON: No, I'm just wondering
25 if you -- I'm not even sure there is a problem here,

1 but is there a bias inherent and if there, is do you
2 do something to try to account for that?
3 THE WITNESS: No, I don't believe there
4 would be any bias there because the only ones that did
5 it online were small and home-based businesses, and
6 they all did it online, so it wouldn't be like we had
7 some on the phone and some online, which would be a
8 problem.
9 COMMISSIONER ACTON: Okay.
10 CHAIRMAN GOLDWAY: But it might mean that
11 you didn't contact small businesses that aren't online
12 and don't use the computer very much and who might
13 have a different response to change in service
14 standards.
15 COMMISSIONER ACTON: Well, my point is we
16 have discovered in our work here in developing these
17 advisory opinions that when we're talking about a
18 change in service standards, whether it's a change in
19 frequency of delivery or a change in speed and
20 reliability of delivery, how people feel about that is
21 often vastly influenced by how much they depend upon
22 the mail, and that is why Commissioner Langley's point
23 about the value of the Postal Service, including
24 special accommodation for remote rural and
25 noncontiguous America is of particular import to the

1 regulator because of our role here in gauging and
2 analyzing this proposal's impact on the universal
3 service obligation. So what we're trying to
4 understand is whether or not you using only the
5 internet to conduct a survey about how people feel
6 about the loss of an overnight delivery of their mail
7 is problematic from a very basic standpoint.
8 THE WITNESS: We only used the internet for
9 small and home-based businesses. All the rest of the
10 research, quantitative research was done by phone, and
11 we work and we analyze constantly the panels that we
12 use to ensure that they are representative of the
13 population of whatever it is we're serving at that
14 point in time, and the panel companies work very hard
15 to make sure that that is the case.
16 COMMISSIONER ACTON: Okay. I would like to
17 visit quickly this question of the likelihood scale,
18 and I agree with you. We can certainly agree to
19 disagree, and I don't have a problem with that.
20 You're the one with the wealth of expertise on this
21 front, not me. But I do know that our findings from
22 that earlier experience indicated that we had a hard
23 time finding any support in our research for the
24 particular application you were using of the
25 likelihood factor, and the reason I ask the question

1 about the likelihood factor is because it accounted
2 for an important variance in how those results were
3 tabulated, and we're using it again here, so I'm
4 looking for an opportunity to learn more about why it
5 is the Postal Service and their consultants believe
6 that the application of a likelihood factor is valid
7 in light of what we had to say in our earlier
8 analysis, which was that it's typically used when
9 you're assessing the introduction of a new product as
10 was our findings.
11 In fact, I'll cite just a portion of that
12 quickly so you can be a little informed of what we had
13 to say about it. It said that, "The Postal Service's
14 attempt to forecast consumer behavior from
15 product/service reduction using a likelihood or
16 intention scale does not appear documented in market
17 research academic literature."
18 So, when we're doing this analysis anew for
19 this present case, we will perform the same sort of
20 attempt to find that type of background that will make
21 us feel assured that what you're doing is sensible, so
22 can you talk to that concern?
23 THE WITNESS: Well, I actually believe we
24 helped you out a little bit there this time. There
25 was a question, I can't remember if it was directed to

1 myself or to Greg Whiteman, but I helped with the
2 response.
3 COMMISSIONER ACTON: Okay.
4 THE WITNESS: But specifically they asked
5 can you cite some literature as to where it's been
6 used with existing products, and we provided you with
7 some specific citations as to when it has been used
8 with existing products. In particular, I recall
9 telecommunications was one that was mentioned which I
10 think would be fairly similar and things. So there is
11 literature out there now.
12 Consistent with what Dr. Bularite testified
13 back at five-day, there is certainly more literature
14 on new product development and the application of new
15 product development because significantly more
16 research is done on new product development than
17 existing products. I mean, that's just the name of
18 the game. We're out there going forward, typically
19 not looking at what happens with existing products.
20 But there is definitely literature out there and we
21 provided some citations to that effect.
22 COMMISSIONER ACTON: Okay. We appreciate
23 your responsiveness to our questions, and I raised the
24 concern simply because it was an important variance
25 factor and I want to feel confident that we can look

1 at it from an informed viewpoint and have the benefit
2 of the information you have provided us for the
3 record. Where we seem to be drawing a distinction may
4 have to do with its use in assessing this sort of
5 likelihood of a new product characteristic versus a
6 decrease in service or a change in an existing
7 product. But we'll come to terms with that here.
8 Thank you for making the trip out from the
9 West Coast and for your expert testimony here today.
10 THE WITNESS: All right.
11 CHAIRMAN GOLDWAY: I have some questions.
12 First, I'd like to finish the questions I was asking
13 with Commissioner Taub. Could you get in writing for
14 us a comparison of the sample size for each category
15 of respondents in Phase I and Phase II?
16 THE WITNESS: Yes.
17 CHAIRMAN GOLDWAY: And provide that. Good.
18 Thank you. We'd like that.
19 Then I have another question which sort of
20 relates to what Commissioner Acton was saying. In
21 your testimony, you say that respondents generally
22 overestimate whatever their response is going to be,
23 and so that you are assuming that their response is
24 going to be more negative when it comes to a reduction
25 in service than it will actually be. That's human

1 nature. They're going to say it's more than they
2 will, you know, so when they say I'm going to cut my
3 mailing by 10 percent, you think it's more likely 8
4 percent.
5 So, if everything is biased downward, how
6 can we get a bell curve which actually suggests that
7 there might be an increase in mail usage? Intuitively
8 that seems to me that the survey results that you
9 provided have a range of possibilities that go to
10 what's impossible, which questions the survey results.
11 THE WITNESS: Again, that's the nature of --
12 I'm trying to figure out what the correct word is to
13 use, and I would like to preface by saying I'm a
14 research methodologist and I know how to analyze data.
15 I am not an extreme statistician and you're kind of
16 getting into the extreme statistician level of
17 questioning.
18 So that said, the way in which we calculated
19 the confidence intervals per the request is really the
20 standard way to do it. In fact, actually I'm advised
21 that our statistician did it ever so slightly by
22 calculating it based upon the differences the way I
23 explained. That said, what we did is we calculated it
24 using, you know, the normal both-sided distribution,
25 and there are additional tests and further statistics

1 that really go off kind of like I would have to go and
2 read a book again. It's something I learned back in
3 graduate school to be honest to really pick exactly
4 the right test, and we do at ORC International have
5 statisticians that can do that.
6 CHAIRMAN GOLDWAY: But don't you think
7 you're presenting testimony that on its face seems
8 impossible?
9 THE WITNESS: Well, it's not incorrect
10 testimony, and it's not impossible. It is possible
11 that --
12 CHAIRMAN GOLDWAY: That people will -- even
13 though they're biased to explain that they're going to
14 mail less than they would, that somehow given these
15 confidence intervals you would wind up with the
16 potential that they're going to mail more than they
17 would?
18 THE WITNESS: Again, I'm going to go back.
19 The probability of that actually occurring, you know,
20 is somewhere between --
21 CHAIRMAN GOLDWAY: But doesn't that reflect
22 the general lack of assurance of the statistics that
23 have been presented to us to begin with?
24 THE WITNESS: No, I wish I was more of a
25 statistician to explain this, is that it really is

1 just an artifact of the calculation itself, and it
2 does not say -- you know, basically it says that --
3 again I go back -- if we went back and repeated the
4 data collection again --
5 CHAIRMAN GOLDWAY: Yes, but that reflects --
6 THE WITNESS: -- we would get a number in
7 between there, but the probability of getting a
8 positive number is very low.
9 CHAIRMAN GOLDWAY: -- the accuracy of the
10 data, the reliability of the data.
11 THE WITNESS: No. In one of our responses
12 our statistician referenced an article that explains
13 why and how this happens.
14 CHAIRMAN GOLDWAY: I'll have to go back and
15 read it again and see if I can understand it. Let me
16 ask you a couple of general things.
17 When you entered into the original contract,
18 which was signed in August, but it looks like it
19 actually began in July, the paperwork --
20 THE WITNESS: Correct.
21 CHAIRMAN GOLDWAY: -- kind of followed the
22 actual activity, did you have a deadline for when the
23 study was to be completed?
24 THE WITNESS: Yes, we did.
25 CHAIRMAN GOLDWAY: And that was?

1 THE WITNESS: I can't recall exactly. It
2 was whatever -- there was an original filing date that
3 was proposed for this docket, and it was earlier than
4 there, so that was the deadline.
5 CHAIRMAN GOLDWAY: Yes. One of the things
6 that strikes me is that the original filing date was
7 in October, and the Postal Service having received
8 your data and asking for a subsequent study indicates
9 that that may have been one of the reasons that the
10 Postal Service delayed filing. Do you have any
11 knowledge as to whether the second phase --
12 THE WITNESS: No, I have no knowledge of
13 that.
14 CHAIRMAN GOLDWAY: -- caused a delay in the
15 filing?
16 THE WITNESS: I have no knowledge of that.
17 CHAIRMAN GOLDWAY: And if you had had the
18 $960,000 to begin with that you wound up spending on
19 two studies versus one, do you think you would have
20 had a sample size and a methodology that might have
21 been a bit more accurate than what we got with two
22 smaller studies?
23 THE WITNESS: Well --
24 CHAIRMAN GOLDWAY: If they had said we've
25 got a million dollars to give you, which is what it

1 cost, would you have done something differently to
2 begin with?
3 THE WITNESS: No, because -- no, unless we
4 wanted to increase the sample size or do something
5 more to reduce some of this variability.
6 CHAIRMAN GOLDWAY: Yes, that's what I'm
7 saying.
8 THE WITNESS: Right.
9 CHAIRMAN GOLDWAY: You would have had an
10 opportunity to reduce the variability and have more
11 confidence.
12 THE WITNESS: Right. But the reason for the
13 increase was because we saw based upon the qualitative
14 research that we had in essence introduced even more
15 variability. You know, you can introduce variability
16 through a smaller sample size. You can introduce
17 variability through what you're asking people as well,
18 and we had more variability in the responses to Phase
19 I because of the broader concept statement.
20 So we could have increased the sample size
21 to fair-thee-well there, but we still had all that I
22 guess I would call it noise of all this other, you
23 know, five-day, post offices closing, the Postal
24 Service is going bankrupt. That was kind of this
25 noise that got introduced and increased.

1 CHAIRMAN GOLDWAY: Do you think that kind of
2 general study that includes all of those
3 possibilities, which is certainly something that's
4 being discussed and being advocated by the Postal
5 Service, would be useful to have?
6 THE WITNESS: I firmly believe that the data
7 that they have is very useful and can be used for
8 other strategic business decisions that they have to
9 make.
10 CHAIRMAN GOLDWAY: So the raw data that they
11 have now could be used for their consideration of
12 potential impact on volume?
13 THE WITNESS: Well, it provides other
14 information. I would not use the raw data that they
15 have now because, as I said, it has not been reviewed,
16 but that data provides other information, for example,
17 some diversion to the internet and things.
18 CHAIRMAN GOLDWAY: And when you did the
19 second phase and you did the first pass on the data
20 and then you went back and scrubbed it and did the
21 second pass, which is what you provided, was there a
22 significant difference between the two?
23 THE WITNESS: No.
24 CHAIRMAN GOLDWAY: Between the results of
25 the two?

1 THE WITNESS: Between what, Phase --

2 CHAIRMAN GOLDWAY: No, not between Phase I

3 and II. Within Phase II you collected the data, you

4 did an initial review and then you go back and you

5 scrub the data and you do the final review. My

6 understanding is in Phase 1 you collected the data,

7 you did an initial review, but you didn't go back and

8 do the second -- you didn't scrub the data to do the

9 second review, right? So I want to know in Phase II

10 was there much of a difference between your first

11 review and your second review after scrubbing the

12 data?

13 THE WITNESS: Well, much is a somewhat broad

14 term, so I'm a little uncomfortable with that, but we

15 didn't change that much.

16 CHAIRMAN GOLDWAY: Were there significant

17 volume differences?

18 THE WITNESS: No. Well, again, I guess I

19 will kind of qualify that and say what is significant,

20 you know.

21 CHAIRMAN GOLDWAY: Ten percent, 5 percent?

22 THE WITNESS: There was not that much change

23 I would say.

24 CHAIRMAN GOLDWAY: Less?

25 THE WITNESS: Yes.

1 CHAIRMAN GOLDWAY: So the first pass is
2 fairly reliable.
3 THE WITNESS: Correct.
4 CHAIRMAN GOLDWAY: Okay. And now just a
5 couple of questions. You said that you do a lot of
6 work for the Postal Service and I was rather
7 surprised. I'm not engaged in doing surveys of this
8 kind. The contracts that we enter into are much
9 smaller in dollar value than yours. Our whole budget
10 is only $14 million. How many other contracts do you
11 have with the Postal Service during a year's period?
12 THE WITNESS: I don't know the exact number,
13 but I do know the major work that we do is through --
14 we have an omnibus survey program where the Postal
15 Service elects to ask us, and it's the program that we
16 used for the consumer questionnaire here, so they can
17 ask five, six, 10, 12 questions and pay --
18 CHAIRMAN GOLDWAY: So they have you on
19 retainer and they ask questions?
20 THE WITNESS: No, we have an on-call, it's
21 called an ordering agreement with the Postal Service,
22 and they have identified prequalified research firms
23 such as us, and so they go out and ask us to bid on
24 this since we're the only ones that do caravaning
25 there is not a lot of competition there, and those are

1 projects that are, you know, 5, $10,000 at any given
2 point in time.
3 CHAIRMAN GOLDWAY: So is this $1 million
4 contract a large contract compared to the others or is
5 it smaller than the other ongoing contracts?
6 THE WITNESS: It's a significantly larger
7 contract than what we typically do for the Postal
8 Service.
9 CHAIRMAN GOLDWAY: And how much of your
10 overall work in your company is postal work versus
11 other work?
12 THE WITNESS: Well, we're more than a $100
13 million company, so let's take 1 million divided by --
14 I can't do that in my head.
15 CHAIRMAN GOLDWAY: So the Postal Service is
16 not a major contractor for you?
17 THE WITNESS: No, we consider them a major
18 contractor. We consider them one of our top say 50
19 clients. I must say we really like them too.
20 CHAIRMAN GOLDWAY: We all like them. And
21 you have an ongoing relationship with Mr. Whiteman?
22 THE WITNESS: He is typically our primary
23 contact on the research that we perform, yes.
24 CHAIRMAN GOLDWAY: Okay. I don't think I
25 have any other questions.

1 COMMISSIONER TAUB: Madam Chair, I have just
2 one followup.
3 CHAIRMAN GOLDWAY: Sure.
4 COMMISSIONER TAUB: One of the questions you
5 were just talking to the Chairman about on that, the
6 two surveys at hand and there was discussion about the
7 first one having, as you described it, a lot of noise,
8 the issues of five-day delivery, the post office
9 closings and a variety of other things.
10 If I understand what you're saying, and
11 correct me if I'm wrong or at least elaborate, make
12 sure I've got it, the challenge is teasing out from
13 the results the impact of things like say five-day
14 that require an act of Congress and the signature of a
15 president versus the issue at hand here, which is a
16 Postal Service unilateral decision to change service
17 standards. Am I missing -- is that the challenge
18 you're describing of taking those first results and
19 trying to tease out the noise?
20 THE WITNESS: Well, yes. I mean, I think it
21 became very clear like I said from the focus groups
22 from what people were saying and how they were
23 responding to our questions, and then when we looked
24 at the data, what we saw which was consistent with the
25 qualitative, that people were considering the whole

1 thing, that it was difficult to tease -- it would be
2 impossible to tease out anything specific to First
3 Class Mail service standards because there was this
4 other noise. So there was just a lot more variability
5 and variance in that data set.
6 By doing Phase II and modifying the
7 questionnaire the way we did, we were able to say we
8 are comfortable and confident that this data is
9 focused on what the objectives of the study were. The
10 objectives of the study were what's the impact of
11 changes to First Class Mail service standards on what
12 people do in terms of volume or how they send.
13 COMMISSIONER TAUB: And I appreciate that.
14 To what extent are there or would there be benefits in
15 the instant of this case to have results where people
16 are reflecting all that noise out there?
17 THE WITNESS: Well, I would say it depends
18 upon what the data is being used for. You know, if
19 the data is being used to understand what the full
20 impact and how people feel about the full impact, and
21 we're talking full. We couldn't say, oh, well, it's
22 five-day or it's the post office closures or it's, you
23 know, the Postal Service is going to go bankrupt. We
24 couldn't say it's one of those factors. It's the
25 whole thing.

1 So there is value to having that, and as I
2 said, you know, the research is good. The Postal
3 Service has a lot of other information from that and
4 data from that work that as they move forward
5 strategically they can use if they choose to. So I
6 don't want anybody to think that this was not good
7 research. It was very good research. You know, it's
8 almost like hindsight. Well, but we didn't answer the
9 study, the specific study objectives of what's the
10 impact on First Class Mail service standards.
11 COMMISSIONER TAUB: And given that some of
12 the variables, as I said in my question, unknown as to
13 if and when they might be implemented at all, but
14 that's very helpful outlining the challenges as well
15 as the upsides of that. Thank you.
16 Thank you, Madam Chair.
17 CHAIRMAN GOLDWAY: Thank you. Well, I think
18 we have gone until 12:30, and I know that you have an
19 opportunity to meet with your counsel to contemplate
20 redirect. I think it would be a good time to break
21 for lunch, and then we will reconvene. Hopefully you
22 will have a short appearance in the afternoon, and
23 then we'll go to Witness Whiteman. Okay? We'll
24 reconvene in an hour, 1:30.
25 //

1 (Whereupon, at 12:31 p.m., the hearing in
2 the above-entitled matter was recessed, to reconvene
3 at 1:30 p.m. this same day, Wednesday, March 21,
4 2012.)
5 //
6 //
7 //
8 //
9 //
10 //
11 //
12 //
13 //
14 //
15 //
16 //
17 //
18 //
19 //
20 //
21 //
22 //
23 //
24 //
25 //

1 A F T E R N O O N S E S S I O N

2 (1:34 p.m.)

3 CHAIRMAN GOLDWAY: Sorry. I didn't have my

4 microphone on. We're reconvening today's hearing. We

5 have completed the cross-examination of Witness

6 Elmore-Yalch from participants on the bench and the

7 counsel for the Postal Service has an opportunity to

8 present redirect. Counsel, do you have any redirect?

9 MR. HOLLIES: Good afternoon, Madam

10 Chairman. This is Ken Hollies for the Postal Service.

11 I do have a couple of brief questions.

12 THE COURT: Please move forward with them.

13 REDIRECT EXAMINATION

14 BY MR. HOLLIES:

15 Q Ms. Elmore-Yalch, you were asked questions

16 about use of the Juster scale in contexts where

17 service decreased. Is there an example of this in

18 your own work that you have observed?

19 A Yes. Actually there is quite a bit of work

20 that while not academic in nature is from practical

21 experience in other work we've done. I think the best

22 example that I can give is if you consider and think

23 about public transportation services, and they have

24 done a lot of research in terms of what happens if

25 they cut back service a lot recently, and so, for

1 example, if I were to come to you and say, all right,
2 how many trips do you take right now in a month, one-
3 way trips, very typical question, and somebody says I
4 take 20, and then I say, okay, well, right now your
5 service is every 10 minutes, if I were to cut service
6 back so your bus service is every 50 minutes, how many
7 one-way trips would you take, and people will either
8 respond the same, i.e., I'll make no change, or, in
9 many cases, people because that is a degradation in
10 service will say I'm going to take fewer trips.
11 If you go back, though, and you look at
12 ridership data over changes such as that, and in
13 transit it's great because they keep regular ridership
14 data, you can see that when service comes across and
15 it degrades either through a say price increase with
16 no change in service or they actually cut back
17 service, ridership will go down, and then typically it
18 will rise again to some level, oftentimes exactly what
19 it was or to a level slightly below.
20 So it's real clear to us that when people
21 initially respond, a lot of it is emotional, but when
22 you actually have to change your behavior over the
23 long-term, like I'm going to ride, what are you going
24 to do, pay for parking, going to walk, well, most
25 people are going to turn around and say, well,

1 actually the extra five minutes, I'm just going to
2 grin and bear it. So I think that's a great example.
3 There's lots of examples out there in that particular
4 sector and some others I would believe, but most deal
5 with public transportation.
6 CHAIRMAN GOLDWAY: Do you have academic
7 citings for any of those kinds of transportation
8 studies?
9 THE WITNESS: I don't have academic citings,
10 but I'm sure that if I went and asked any local
11 transportation system that's done research in this,
12 they could pull up that information.
13 CHAIRMAN GOLDWAY: Well, I think we'd
14 certainly appreciate a development on the record that
15 enhances your position.
16 THE WITNESS: I can take a look at a few.
17 Ask you.
18 COMMISSIONER ACTON: If I just may add. I
19 appreciate you taking the time to spend a little more
20 discussion about this matter because it was an
21 important point that the Commissioners wrestled with
22 in our original review of this in a different docket
23 but the same concept. And a big part of our problem
24 was finding the sort of reference that you just made
25 here on the stand, so any information you can provide

1 to the Commission that will point us toward that type
2 of application of this individual technique would be
3 helpful for us. Thank you.
4 BY MR. HOLLIES:
5 Q You were asked some questions relating to
6 the Commission's observations in its five-day delivery
7 opinion where use of the Juster adjustment was
8 characterized as better applied to questions that
9 asked for a respondent's greatest or most response.
10 Is asking for a respondent's most or greatest response
11 a good or useful form of question?
12 A I don't believe so. I think that when you
13 ask the question of what is your behavior likely to
14 be, you know, my last example, how many trips, and
15 this example, how much will you send, people are going
16 to give you, and we've already said, you know, we
17 think they, we believe strongly that they overstate
18 that what they in essence are giving you is the
19 maximum impact of what they're doing, so that number
20 is almost implied in that regard, you know, and we
21 have to keep the answer as simple as, sorry, the
22 question as simple as possible.
23 So, if you add maximum, that actually
24 confuses I think the question because people have to
25 say, oh, well, what's my maximum, what's my minimum,

1 what's my this number, whereas if we say what are you
2 going to do under the circumstance, the number that
3 they give you is what we think is an overstated value,
4 in essence, the maximum bad case scenario I guess is
5 the best way to look at it.
6 Q What rough proportion of respondents
7 indicated that network rationalizations would not
8 change their use of mail?
9 A Sir, it's in my testimony and this time I
10 did put the distribution. So depending upon the
11 segment, anywhere between 33 and 62 percent said that
12 they would neither change the volume mail they would
13 send, nor would they change the way in which they sent
14 the mail. And in those cases, the volume that they
15 gave for their 2012 estimates was simply carried
16 across to their 2012 after because they said I'm not
17 going to do anything different.
18 Q Do you have any understanding of whether
19 this might bear on whether zero is within a confidence
20 interval?
21 A Well, given that we've got, you know, in
22 essence 33 to 62 percent where if I take their before
23 and their after and subtract it, I have zero. I mean,
24 that's the number that's there. And so since we have
25 to have statistically this normal distribution around

1 that, that's just going to occur. Also, when we went
2 through the data, there are cases that some people
3 before and after, their volume actually in the after
4 increased. We looked at it and said is that correct,
5 you know, should it increase? That's the number.
6 CHAIRMAN GOLDWAY: People volunteered that
7 their --
8 THE WITNESS: That their volume would
9 increase. So what we've got is we've got 33 to 62
10 percent of the people that said no change, so that
11 number when you subtract them is zero. We have some
12 people that said it would increase and we had more
13 people that said it would decrease, which is why at
14 the end of the day we end up with a negative number.
15 CHAIRMAN GOLDWAY: Of the people who said it
16 was not going to change at all, did you have a
17 likelihood factor for them, or for the people who said
18 it was going to increase, did you have a declining
19 likelihood factor for them?
20 THE WITNESS: So everybody had the same --
21 so if they said I have a zero likelihood, that was
22 zero likelihood of changing, and then if they had an
23 increase, they would have a --
24 CHAIRMAN GOLDWAY: So you didn't say, well,
25 they were overestimating their response and therefore

1 we have to adjust it upwards. When people said they
2 were declining by 10 percent, you said they're
3 overestimating, so we're going to make it 8 percent.
4 If they said zero, were you saying they're
5 overestimating, so we should make it 2 percent?
6 THE WITNESS: Well, it would be somewhat --
7 CHAIRMAN GOLDWAY: I think, you know, you
8 have to treat all respondents the same way. How can
9 you cherrypick what respondents you want?
10 THE WITNESS: Well, we also had people that
11 said my volume is going to increase and we said by
12 what probability, and so the people that decreased,
13 that got adjusted, the people that increased, that got
14 adjusted.
15 CHAIRMAN GOLDWAY: Did the people who
16 increased got adjusted --
17 THE WITNESS: Downwards.
18 CHAIRMAN GOLDWAY: Downwards.
19 THE WITNESS: Right. Because they might
20 have overstated their increase, whereas the people
21 that --
22 CHAIRMAN GOLDWAY: So you did do a
23 likelihood factor for the overs? Actually in reverse.
24 THE WITNESS: Exactly the same way. So
25 everybody was treated the same in the sense that if

1 they --

2 CHAIRMAN GOLDWAY: And the people who were

3 zero, you didn't do anything with those.

4 THE WITNESS: Correct. Because we would

5 say, you know, at some point you start arguing with

6 the respondent, are you sure?

7 CHAIRMAN GOLDWAY: I think you should treat

8 everybody -- I mean, the presumption is that they were

9 underestimating as well. I mean, it seems to me you

10 have to be consistent across your respondents.

11 THE WITNESS: Well, I will reiterate that --

12 CHAIRMAN GOLDWAY: That might explain why

13 it's 1.3 percent, but if you didn't do that, then it

14 seems inconsistent.

15 THE WITNESS: I'm sorry. The 1.3?

16 CHAIRMAN GOLDWAY: The probability that mail

17 would actually increase if you --

18 THE WITNESS: Well, again, because we have

19 some that said that it would increase and that all --

20 you know, it's not like -- you know, it's because it's

21 a distribution around a mean and so --

22 CHAIRMAN GOLDWAY: Okay. Well, our staff

23 may ask a couple of more questions to make sure we're

24 clear on how you handled the statistical adjustments

25 for all of the respondents.

1 THE WITNESS: Right. Verify that.

2 BY MR. HOLLIES:

3 Q You responded to a couple of questions that

4 focused on the relationship between the number of

5 respondents and the precision of the results. In

6 rough terms, if you doubled the size of the sample you

7 used in the Phase 2 market research that is the

8 subject of your testimony, in rough terms, what would

9 that do to the cost of the research?

10 A Well, the cost of the data collection, I

11 don't have it completely in front of me because I

12 don't have the full budget, it was about 50 to 60

13 percent of the total cost of the Phase 2 effort,

14 research effort itself, and so if you doubled it, you

15 could say that it would double that 50 to 60 percent

16 because there's no real economies of scale in data

17 collection. You're on the phone, you're on the phone.

18 So probably it would have increased it by 50 percent.

19 Q Or 50 percent of 50 to 60 percent.

20 A Right. Thank you.

21 MR. HOLLIES: I have no further questions.

22 Thank you, Madam Chairman.

23 CHAIRMAN GOLDWAY: Okay. Well, thank you

24 for your testimony and for your really quite helpful

25 answers to the questions that all of us had today. I

1 appreciate it. This completes your phase of
2 participation as a witness. However, I am informed
3 that there are several questions outstanding to you
4 that we are still expecting and they are a couple of
5 days late. They're in POIR 6 and they're Questions 3
6 to 7.
7 So I'm excusing you from our hearing today,
8 but I am reserving the right to call you again based
9 on the information that's presented in the remaining
10 questions that are submitted to us. Hopefully that
11 will be done soon, and hopefully we will not need to
12 call you again, but I think we need to have that
13 opportunity to review those questions and make that
14 determination at that time.
15 MR. HOLLIES: Thank you, Madam Chairman. We
16 understand that. Several of the questions I've been
17 presented with draft responses, but one of the
18 questions in the POIR 6 is sufficiently challenging.
19 That's taking a little more time than we would have
20 preferred.
21 CHAIRMAN GOLDWAY: I appreciate that. I
22 know we've been accommodating in terms of late filings
23 for all of the parties because everything is complex,
24 but in this case, I just want to alert the witness
25 that there is a possibility that she might have to be

1 called again. Thank you.

2 THE WITNESS: And we are working on those

3 questions diligently.

4 CHAIRMAN GOLDWAY: Thank you for your

5 participation. We appreciate your --

6 THE WITNESS: Thanks.

7 CHAIRMAN GOLDWAY: -- patience and interest.

8 (Witness excused.)

9 CHAIRMAN GOLDWAY: And now we will go to our

10 next witness. Mr. Tidwell or Hollies? Mr. Hollies,

11 would you introduce your witness?

12 MR. HOLLIES: The Postal Service calls

13 Gregory M. Whiteman to the stand.

14 CHAIRMAN GOLDWAY: Hello, Mr. Whiteman.

15 Whereupon,

16 GREGORY M. WHITEMAN

17 having been duly sworn, was called as a

18 witness and was examined and testified as follows:

19 CHAIRMAN GOLDWAY: Thank you. Counsel, you

20 may proceed.

21 (The document referred to was

22 marked for identification as

23 Exhibit No. USPS-T-12.)

24 //

25 //

1 DIRECT EXAMINATION

2 BY MR. HOLLIES:

3 Q MR. Whiteman, I believe you have in front of
4 you a document styled direct testimony of Greg
5 Whiteman on behalf of the United States Postal Service
6 and identified there as USPS-T-12. And I'm asking, do
7 you recognize that document?

8 A Yes, I do.

9 Q And what is it?

10 A It's my written testimony.

11 Q And if you were to give your testimony
12 today, would your testimony be the same as in that
13 document?

14 A Yes.

15 Q Formal revisions to your testimony were
16 filed on March 2. Do you recall what that related to?

17 A Excuse me. Could you repeat that?

18 Q Yes. Why did we file errata?

19 A Oh, on March -- there were a series of
20 questions from the Commission in which I basically
21 went back and validated the calculations in my volume
22 revenue contribution estimates and I discovered some
23 slight corrections that needed to be made.

24 Q Are there any further corrections to your
25 testimony?

1 A No.

2 MR. HOLLIES: With that, Madam Chairman, the
3 Postal Service moves that the direct testimony of Greg
4 Whiteman be moved into the evidentiary record.

5 CHAIRMAN GOLDWAY: Is there any objection?

6 (No response.)

7 CHAIRMAN GOLDWAY: Hearing none, I'll direct
8 counsel to provide the reporter with two copies of the
9 corrected testimony of Greg Whiteman. That testimony
10 is received into evidence. However, consistent with
11 Commission practice, it will not be transcribed.

12 (The document referred to,
13 previously identified as
14 Exhibit No. USPS-T-12, was
15 received in evidence.)

16 CHAIRMAN GOLDWAY: Counsel, can you identify
17 the library references that have been filed by Witness
18 Whiteman in this docket and indicate if he's relying
19 on that material or not?

20 MR. HOLLIES: The library references
21 underlying the market research are Nonpublic No. 1 or
22 USPS-LR-N2012-1/NP1, and in addition, Public Library
23 Reference 26 or USPS-LR-N2012-1/26, and both market
24 research witnesses do rely on those library
25 references.

1 CHAIRMAN GOLDWAY: Next we will receive
2 written cross-examination. Mr. Whiteman, have you had
3 an opportunity to examine the packet of designated
4 written cross-examination that was made available to
5 you in the hearing room today?
6 THE WITNESS: Yes.
7 CHAIRMAN GOLDWAY: Are there any corrections
8 or additions that need to be made?
9 THE WITNESS: Yes. There are several
10 corrections.
11 MR. HOLLIES: This was just cleaning things
12 up a little bit. The interrogatory responses to APWU
13 Questions I believe 10 through 19 when filed failed to
14 take out a dash between the T and 12. While we
15 usually use a dash between the 12 on testimony itself,
16 USPS-T-12, by convention, we do not do so in the
17 interrogatory responses. And while I usually take
18 care of that when putting together the responses, in
19 that set, we had to white out those dashes today.
20 And in addition, we found a mistake in the
21 response to GCA/USPS-T12-24 which simply consisted of
22 inserting the letter T in a cross-reference which was
23 to NALC/USPS-T12-4 wherein the T in that cross-
24 reference was missing, and so it has been placed in
25 with the indication by a carat mark of the capital T.

1 CHAIRMAN GOLDWAY: With those corrections,
2 if the questions contained in that packet were posed
3 to you orally today, would your answers be the same as
4 those you previously provided in writing?
5 THE WITNESS: Yes, they would.
6 CHAIRMAN GOLDWAY: Then if everything is in
7 order, counsel, would you please provide two copies of
8 the corrected designated written cross-examination of
9 Witness Whiteman to the reporter. That material is
10 received into evidence and it is to be transcribed
11 into the record.
12 (The document referred to was
13 marked for identification as
14 Exhibit No. USPS-T-12 and was
15 received in evidence.)
16 //
17 //
18 //
19 //
20 //
21 //
22 //
23 //
24 //
25 //

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Mail Processing Network Rationalization
Service Changes, 2012

Docket No. N2012-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS GREGORY M. WHITEMAN
(USPS-T-12)

Party	Interrogatories
American Postal Workers Union, AFL-CIO	APWU/USPS-T12-6, 8, 13, 18 APWU/USPS-T1-2b redirected to T12 APWU/USPS-T11-17-19 redirected to T12 DFC/USPS-T12-4, 6, 8-9 GCA/USPS-T12-10 PR/USPS-T12-4 PRC/USPS-T12-POIR No.1 - Q21 PRC/USPS-T12-POIR No.2 - Q13 PRC/USPS-T12-POIR No.2 - Q20 PRC/USPS-T12-POIR No.2 - Q21
Greeting Card Association	APWU/USPS-T12-9 DFC/USPS-T12-8-9 GCA/USPS-T12-5-6
National Association of Letter Carriers	NALC/USPS-T12-1-4, 6-9, 14
National Postal Mail Handlers Union	APWU/USPS-T12-1
National Postal Policy Council, Inc.	APWU/USPS-T12-19 GCA/USPS-T12-4, 6-7, 9, 14, 19-23 NPPC/USPS-T12-1-12

Party	Interrogatories
Postal Regulatory Commission	DFC/USPS-T12-9 PRC/USPS-T11-POIR No.1 - Q18b redirected to T12 PRC/USPS-T11-POIR No.1 - Q21 redirected to T12 PRC/USPS-T11-POIR No.2 - Q11 redirected to T12 PRC/USPS-T12-POIR No.2 - Q12 PRC/USPS-T12-POIR No.2 - Q13 PRC/USPS-T12-POIR No.2 - Q14 PRC/USPS-T12-POIR No.2 - Q15 PRC/USPS-T12-POIR No.2 - Q16 PRC/USPS-T12-POIR No.2 - Q17 PRC/USPS-T12-POIR No.2 - Q18 PRC/USPS-T12-POIR No.2 - Q19 PRC/USPS-T12-POIR No.2 - Q20 PRC/USPS-T12-POIR No.2 - Q21
Public Representative	APWU/USPS-T12-1, 3-5, 9-11, 14-17, 19 DFC/USPS-T12-3, 6 GCA/USPS-T12-13-14, 16-17, 20 NALC/USPS-T12-7, 14 NPPC/USPS-T12-6-10, 12 PR/USPS-T12-1-3, 5-7 PRC/USPS-T11-POIR No.2 - Q11 redirected to 12 PRC/USPS-T12-POIR No.2 - Q12-13, 21

Respectfully submitted,

Shoshana M. Grove
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS GREGORY M. WHITEMAN (T-12)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
APWU/USPS-T12-1	NPMHU, PR
APWU/USPS-T12-3	PR
APWU/USPS-T12-4	PR
APWU/USPS-T12-5	PR
APWU/USPS-T12-6	APWU
APWU/USPS-T12-8	APWU
APWU/USPS-T12-9	GCA, PR
APWU/USPS-T12-10	PR
APWU/USPS-T12-11	PR
APWU/USPS-T12-13	APWU
APWU/USPS-T12-14	PR
APWU/USPS-T12-15	PR
APWU/USPS-T12-16	PR
APWU/USPS-T12-17	PR
APWU/USPS-T12-18	APWU
APWU/USPS-T12-19	NPPC, PR
APWU/USPS-T1-2b redirected to T12	APWU
APWU/USPS-T11-17 redirected to T12	APWU
APWU/USPS-T11-18 redirected to T12	APWU
APWU/USPS-T11-19 redirected to T12	APWU
DFC/USPS-T12-3	PR
DFC/USPS-T12-4	APWU
DFC/USPS-T12-6	APWU, PR
DFC/USPS-T12-8	APWU, GCA
DFC/USPS-T12-9	APWU, GCA, PRC
GCA/USPS-T12-4	NPPC
GCA/USPS-T12-5	GCA
GCA/USPS-T12-6	GCA, NPPC
GCA/USPS-T12-7	NPPC
GCA/USPS-T12-9	NPPC

Interrogatory	Designating Parties
GCA/USPS-T12-10	APWU
GCA/USPS-T12-13	PR
GCA/USPS-T12-14	NPPC, PR
GCA/USPS-T12-16	PR
GCA/USPS-T12-17	PR
GCA/USPS-T12-19	NPPC
GCA/USPS-T12-20	NPPC, PR
GCA/USPS-T12-21	NPPC
GCA/USPS-T12-22	NPPC
GCA/USPS-T12-23	NPPC
NALC/USPS-T12-1	NALC
NALC/USPS-T12-2	NALC
NALC/USPS-T12-3	NALC
NALC/USPS-T12-4	NALC
NALC/USPS-T12-6	NALC
NALC/USPS-T12-7	NALC, PR
NALC/USPS-T12-8	NALC
NALC/USPS-T12-9	NALC
NALC/USPS-T12-14	NALC, PR
NPPC/USPS-T12-1	NPPC
NPPC/USPS-T12-2	NPPC
NPPC/USPS-T12-3	NPPC
NPPC/USPS-T12-4	NPPC
NPPC/USPS-T12-5	NPPC
NPPC/USPS-T12-6	NPPC, PR
NPPC/USPS-T12-7	NPPC, PR
NPPC/USPS-T12-8	NPPC, PR
NPPC/USPS-T12-9	NPPC, PR
NPPC/USPS-T12-10	NPPC, PR
NPPC/USPS-T12-11	NPPC
NPPC/USPS-T12-12	NPPC, PR
PR/USPS-T12-1	PR
PR/USPS-T12-2	PR
PR/USPS-T12-3	PR
PR/USPS-T12-4	APWU

Interrogatory	Designating Parties
PR/USPS-T12-5	PR
PR/USPS-T12-6	PR
PR/USPS-T12-7	PR
PRC/USPS-T12-POIR No.2 - Q12	PR, PRC
PRC/USPS-T12-POIR No.2 - Q13	APWU, PR, PRC
PRC/USPS-T12-POIR No.2 - Q14	PRC
PRC/USPS-T12-POIR No.2 - Q15	PRC
PRC/USPS-T12-POIR No.2 - Q16	PRC
PRC/USPS-T12-POIR No.2 - Q17	PRC
PRC/USPS-T12-POIR No.2 - Q18	PRC
PRC/USPS-T12-POIR No.2 - Q19	PRC
PRC/USPS-T12-POIR No.2 - Q20	APWU, PRC
PRC/USPS-T12-POIR No.2 - Q21	APWU, PR, PRC
PRC/USPS-T11-POIR No.1 - Q18b redirected to T12	PRC
PRC/USPS-T11-POIR No.1 - Q21 redirected to T12	PRC
PRC/USPS-T11-POIR No.2 - Q11 redirected to T12	PR, PRC

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T12-1. Would you agree that the estimated volume and revenue losses in your testimony are determined from the proposed change in the service standards and will take place regardless of whether any of the AMP studies are found to be feasible?

RESPONSE:

The estimated volume and revenue decreases will occur if the nationwide changes in the service standards for First-Class Mail™ and Periodicals mail as proposed in this filing, are implemented.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T-12-3. On page 3 of your testimony you indicate that the positive aspects that consumers have toward First Class mail [*sic*] come from it being "easy to use, dependable, safe and secure, and not costly."

a) How are consumers defining dependable in this instance?
b) Was any of your research geared toward determining what consumers' reactions would be to an increased uncertainty about the timing of mail delivery?

RESPONSE:

a. I have no reason to expect that consumers would apply anything other than a common understanding. Common dimensions to the definition of "dependable" include:

- you can count on it being delivered on time
- you can count on it being delivered safely
- you can count on it being delivered within a reasonable time.

b. The qualitative portion of the research was designed to assess what customers send and receive by First-Class Mail, how they perceive First-Class Mail service, their perception of and experience with First-Class Mail service, and their reactions to changes in the First-Class Mail service standards. In what we presented to customers to describe the changes in the services standards for First-Class Mail, we did not include anything which would indicate that the reliability of First-Class Mail service would change. Thus, we did not seek to determine "what consumers' reactions would be to an increased uncertainty about the timing of mail delivery."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T-12-4. On page 4 of your testimony you indicate that many customers perceive that First Class mail [*sic*] service performance takes longer than the current service standards and actual service performance. Was any of your market research geared toward asking consumers about their response to use of the mail if a day was added to their actual service performance?

RESPONSE:

That could be a matter of conjecture. The research itself is fully documented by witness Elmore-Yalch and anyone interested can review those materials and develop an opinion. We focused the discussion on the proposed service standards for First-Class Mail. It needs to be noted that the proposed changes to service standards do not add a day to the service standards for all First-Class Mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T-12-5. On page 4 of your testimony you state that with respect to First-Class Mail, consumers and small businesses "expect reliability, dependability, and reasonable speed of service at a low price." Please provide the definitions for the following terms as used in your testimony and understood by consumers and small businesses:

a) Reliability.
b) Dependability.
c) "Reasonable speed of service."

RESPONSE:

These terms required no definitions in the market research; as such, respondents can be assumed to have used them as they are commonly understood. My definitions are as follows:

a. Reliability: delivered consistently on time.

b. Dependability: delivered on time, safely.

c. "Reasonable speed of service:" delivered within a few days.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T-12-6. You state on page 5 of your testimony that "most consumers and commercial organizations will accept the service standards changes if it is necessary to help the Postal Service regain its financial stability."

a) In your research were the service standard changes presented to consumers as a method of ensuring the financial stability of the Postal Service?

b) Were the service standard changes presented as being necessary to "save" the Postal Service?

RESPONSE:

a. In the focus groups and in-depth interviews, customers were provided with information (repeated below) describing both the reasons for the proposed changes to the service standard changes for First-Class Mail and Periodicals mail and the specific changes to the service standards. As can be seen, we indicated that the service standard changes were being considered as a way to "address the budget deficits." See Appendix D and Appendix E in USPS-T-11.

> As a result of declining mail volume, the cost to continue providing this level of service is becoming unsustainable, contributing to major budget deficits for the Postal Service. In the past two years, the Postal Service has had budget deficits of over $8 billion and expects to have a similar budget deficit this next year. To address the budget deficits, the Postal Service is exploring several changes, including
>
> - Legislative reform to change government requirements to pre-pay health and 18 pension benefits
> - Eliminating Saturday mail delivery to homes and businesses 20
> - Closing many small post offices while shifting retail access to alternative locations and channels
>
> The Postal Service is also considering revising the service standards for First-Class Mail within the continental U.S.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

- Delivery in your local area now delivered the next delivery day will be delivered on the second day
- Delivery outside the local area up to 200 miles which now takes 2 days will continue to be delivered on the second day.
- Delivery to destinations 200 to 1,000 miles which now takes 2 days will take 3 days
- Delivery to destinations over 1,000 miles which now takes 3 days will continue to 30 take 3 days

For those living in Alaska and Hawaii, delivery to anywhere in the continental U.S. will continue to take 4 days.

In addition, local Periodical Mail, primarily newspapers, is currently transported along with First-Class Mail. The proposed change will mean that local delivery of this mail now delivered on the next day will be delivered on the second day. All other Periodical Mail delivery schedules will not be affected.

b. As noted above, we discussed the service standard changes as a way to address the financial situation of the Postal Service. Customers discussed their reactions in many ways; one point of view expressed was that if this change would help the Postal Service solve its financial problems and help it to continue to serve the American public, then it was something the Postal Service had to consider. As I wrote on page 5 of my testimony, "Many said that the Postal Service was too important to them to risk not supporting steps needed to ensure that it continues to operate."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T12-8. On page 7 of your testimony you indicate that "qualitative research indicates that customers could make changes to their mailing practices by diverting mail volume to the internet and competitive shipping companies." What information was given to consumers about a potential change in the service standards of the Priority and Express mail products?

RESPONSE:

Our description of the proposed changes to service standards has no mention of changes to the service standards for Express Mail™ or Priority Mail™. Nor did we mention any changes in service standards for Express Mail or Priority Mail during the focus group discussions or the in-depth interviews.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T12-9. On page 8 of your testimony you state that most consumers and commercial organizations "would prefer the changes in service standards to significant price increases."

a) Please define "significant price increases" as used in your testimony and understood by the qualitative market research participants.

b) Were participants to assume that rates currently charged for First Class mail [*sic*] products would not increase as a result of the change in service standards?

RESPONSE:

a. The term was neither defined nor overtly raised with respondents. However, my understanding and expectation would be that a significant price increase for First-Class Mail would be more than what customers have recently experienced, *i.e.*, $.01-$.02. A price increase of $.05 most definitely would represent a significant price increase while many would also consider a price increase of $.03, or 6.8 percent over the $.44 price, significant.

b. There was no discussion in the focus groups or in-depth interviews that, tied the implementation of the service standard changes either to an increase or the absence of an increase. However, customers likely assumed logically that, implementation of the service standard changes could help the Postal Service save money and thereby forestall price increases.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T 12-10. Ms. Elmore-Yalch's Figures 42-47 show that the use of Priority and Express mail products by Preferred accounts, Home-Based businesses and Consumers would decline by as much, or in some cases, much more than the percentage decline in First Class mail [*sic*].

a) Based on your long experience in postal market research, how do you explain such a large impact on products whose service standards are not being changed?

b) On Table 1 of your testimony, the largest impact from these proposals appears to be the expected 5.3% decline in Priority and Express Mail. Given that these products are part of the Postal Service's rapidly growing shipping services segment, did you ask further questions to determine what actions the Postal Service could take to reduce or eliminate this result? If so, what did you ask and what did consumers tell you?

RESPONSE:

a. Express Mail and Priority Mail volume impacts, when reported in percentage terms, appear larger than the actual volume and revenue impacts and were a secondary focus of the market research. The primary focus of the market research was the impact on First-Class Mail, Standard Mail, and Periodicals mail.

The market research estimates the overall revenue impact at $1.340 billion and the estimated impact from Express Mail and Priority Mail is less than 25 percent of this estimate. Further, the quantitative research was not designed to evaluate reasons for the estimated volume impact. It is entirely reasonable to expect that the actual impact, when the Network Rationalization Plan is implemented, will be less than estimated from the market research.

An explanation for why the combined percentage decrease for Express Mail and

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

Priority Mail is larger than the percentage decrease for other products can be found in the impact of the small volume bases for these two products. For example, if a small business ships 10 pieces of Express Mail a year and, as a result of the implementation of the Network Rationalization reduces its volume to 9 pieces a year, the resulting percentage decrease may appear large at 10 percent. If that same small business ships 12 pieces of Priority Mail a month and, as a result of the implementation of the Network Rationalization, reduces it volume to 11 pieces a month, the resulting percentage decrease would be 8.3 percent. Thus, even the smallest possible volume decreases for Express Mail and Priority Mail would appear to produce a "high" percentage change.

b. In quantitative research, you do not know the results of the survey until the interviewing is completed and the data has been processed and analyzed. Thus, it is not possible to ask additional, follow-up questions to try to understand why the results are what they are.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T 12-11. On Table 1, you show no change in the expected use of the Postal Service for parcel products. However, Ms. Elmore-Yalch's research did not ask any questions about parcel products. How did you determine that there would be no impact on these products?

RESPONSE:

As we did not include any of the basic package services in the quantitative research, I had no basis for calculating any changes in the volume for these products.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T 12-13. Given the impending market dominant rate adjustment, scheduled for January 22, 2012, and the ongoing Postal Service request for an exigent rate increase (Docket No. R2010-4(R)), do any of volume, revenue and contribution estimates change if the rates for each product increase? If so, how?

a) Were any of the market research participants informed of the rate increase expected on January 22, 2012? If not, please provide an explanation for why this was not explained to market research participants.

b) Were any of the market research participants informed of the possible rate increase if the Postal Service receives approval for the exigent rate increase proposed in Docket No. R2010-4(R)? If not, please provide an explanation for why this was not explained to market research participants.

RESPONSE:

The market research was conducted without consideration of price increases on any particular date. In addition to their being uncertain during the research period, this research was not for the purpose of studying those price changes.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T 12-14. In the market research, consumers and commercial accounts all said they "would easily adapt "to the proposed changes to the First-Class Mail service standards. How much of the total losses in First-Class Mail volume for the past three years is attributable to conversion to Internet-based services?

RESPONSE:

The quoted (but not cited) section of my testimony states:

> It is clear that consumers and small commercial organizations have already begun reducing their use of First-Class Mail™ due, in part, to the recent economic downturn, by consolidating credit cards and thereby limiting bills and payments; we should expect these changes to continue.

While it is clear that mailers have begun to migrate mail volume to the internet, I am unable to estimate what percent of the "total losses in First-Class Mail for the past three years is attributable to internet-based services." The research conducted to support the Postal Service Request for an advisory opinion regarding changes in First-Class Mail service standards was not designed to develop this type of estimate.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T-12-15. For the IDI research, the interviewees are noted to be "National" and "Premier" accounts. What is customer profile for each of these accounts?

RESPONSE:

On page 17 of my testimony (USPS-T-12) I define customer segments in the "commercial" market as including National, Premier and Preferred mailers, for all of whom we have records of their past mailing activity. These three segments rank in order from larger to smaller. We do not provide customer-specific profiles because that would both break the promise of respondent confidentiality while also presenting the possibility that their confidential information might be made public. However, by examining the information in library reference USPS-LR-N2012-1/NP1, considerable detail regarding respective customers can be gleaned. The section of my testimony cited above also identifies the two smaller customer segments, small businesses and consumers, for whom the Postal Service does not retain mailer-specific mailing histories. Each customer segment constitutes a grouping of similar customers that helps enable quality market research.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T 12-16. Basic service "current performance" is described as "highly satisfactory." How is "highly satisfactory" defined?

RESPONSE:

This question appears to reference the last line on page four of my testimony where I am discussing the qualitative market research; the whole sentence there states: "Overall, First-Class Mail™ is the basic service [for consumer and small business customer segments] and current performance is highly satisfactory." As such, "highly satisfactory" is my summary assessment of the qualitative research for which a dictionary definition should suffice. I was basing my judgment of what customers find "highly satisfactory" upon statements made throughout the focus groups and in-depth interviews (for which transcripts are available in USPS-LR-N2012-1/26). In many ways, customers said that, for $.44, the high reliability of delivering First-Class Mail within a reasonable time period anywhere in the country, with its simple and easy access at both ends makes First-Class Mail a highly satisfactory service.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T 12-17 On page 5 of your testimony you noted that "many [interviewees] said that the Postal Service was too important to them to risk not supporting steps needed to ensure that it continues to operate." Given this, how do you explain the reluctance of customers to pay more for the services?

RESPONSE:

First, the question's presumed interpolation is inaccurate, since this statement pertains to discussion in focus groups rather than interviews.

The specific question here is a *non sequitur* that I cannot answer since I do not know what is meant by "the reluctance of customers to pay more for the services." I can say that my quoted conclusion reflects a point of view that was strongly held by many customers, one that can be verified by reviewing the transcripts (USPS-LR-N2012-1/26). I think it is a meaningful statement that should be given great weight when evaluating the Postal Service proposal.

However, I think two general points can be made. First, general price sensitivity means that, in isolation, no price increase—whether by the Postal Service or any other commercial organization—is typically welcomed. Second, customers would rather have the Postal Service make operational changes than implement a significant price increase.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T-12-18. Has research been conducted in the past 5 years by, or on behalf of, the USPS regarding the relative importance of various service features and service standards to customers? If so, please provide results by service class and for each noncompetitive parcel subcategory as well as for Express Mail and Priority Mail. If possible, provide results in total and by customer segment. If such research exists but does not allow for results by class, sub-category or segment, please provide the results as tabulated.

RESPONSE

No. While the Postal Service has conducted various market research studies in the past five years assessing features, such efforts have not focused upon evaluating customers' perceptions or experiences with service standards. Until the research conducted in anticipation of this docket, it has not conducted any research evaluating the importance of service features and service standards.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY

APWU/USPS-T12-19. In your testimony for this case you estimate that the service standard changes will cause a revenue loss of $1.3 billion and a loss of $0.5 billion in contribution. In your testimony for N2010-1 (Revised Direct Testimony of Gregory Whiteman on Behalf of the United States Postal Service, [USPS-]T-9, July 15, 2010) you estimated revenue losses of $465.9 million and a loss of $206.1 million in contribution resulting from a change from 6-day to 5-day delivery.

a) Even though you did not do any market research on the combined impacts of these two programs (See Response to NALC/USPS-T12-14, filed January 31, 2012), have you, as a Postal Service manager, had to make estimates of the combined impacts of these two initiatives for planning purposes?

b) If so, is your working assumption that revenue losses resulting from both of these programs enacted together would be $1.77 billion with a loss of contribution of $0.7 billion? If not, please provide your estimate of combined revenue and contribution losses.

c) If you have not had to make such estimates for planning purposes, please provide the title of the Postal Service manager who is making such estimates.

RESPONSE:

(a) I have had no reason to estimate the combined effects of five-day delivery and changes to First-Class Mail service standards upon revenue or contribution.

(b) I have no basis for making such an estimate or agreeing with this question's aggregation.

(c) I have not been involved in any financial or market research assessment that evaluated the sum of these two initiatives' combined impact; nor can I name a person who has.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO APWU INTERROGATORY,
REDIRECTED FROM WITNESS WILLIAMS.

APWU/USPS-T1-2. Mr. Masse's testimony indicates that the Postal Service anticipates it could save, on net, $2.1 billion per year from a full implementation of this plan. However, past experience indicates not all AMP studies will produce recommendations to consolidate.

* * *

b) Do you expect the anticipated loss (2.9 billion pieces and $0.5 billion in contribution) to be reduced if fewer facilities are consolidated?

RESPONSE:

The quantitative market research was not constructed to estimate the volume impact of closing any specific number of processing plants, or any specific processing plants. The research was constructed so that customers were read a "concept statement" describing the changes to First-Class Mail and Periodicals mail service standards, and then asked a series of questions by which they were able to indicate how their volume would be affected.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY,
REDIRECTED FROM WITNESS ELMORE-YALCH

APWU/USPS-T11-17. Pages 50-52 of your testimony presents [*sic*] quantitative projections of volume change behavior of customers due to service standard changes by major class. What are the projections for each major sub-category of mail and parcels within the classes, and specifically the parcel sub-categories?
a) For FCM and Standard Mail is there a projection for the parcel sub-category within each main class of mail? If so, please provide these forecasts.
b) Is there a forecast for Package Mail class of market dominant products? If so, please provide this forecast.
c) Is there a forecast for the parcel component of Priority and Express mail? If so, please provide these forecasts.

RESPONSE:

This question reflects misunderstanding of the market research and how it was used. Questions posed to quantitative research respondents did not inquire about "parcels," or "Package Mail." As summarized in my testimony (page 7);

> Witness Elmore-Yalch also describes the quantitative market research conducted in October and November 2011 to enable the Postal Service to forecast the percentage changes in volume resulting from service standards changes for First-Class Mail™ and Periodicals™.

We made further use of the quantitative market research results (USPS-T-12, page 21):

> Estimation of the product specific volume changes starts with witness Elmore-Yalch's change estimates for the respective account segments. While Ms. Elmore-Yalch is an expert researcher, cross walking account segments to respective postal products requires some analysis and assumptions that my office is better prepared to conduct. We essentially replicated the approach used to estimate the volume and revenue impact in my testimony in Docket No. N2010-1. This process begins with quantified recognition that each account segment uses the mail for its own sets of purposes, which can be analyzed in terms of product usage. This allows me to sum product usage across the segments. The calculations are shown in library reference USPS-LR-N2012-1/NP1 (*Market Research Materials (Non-public)*).

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY,
REDIRECTED FROM WITNESS ELMORE-YALCH

So to the extent APWU seeks more specific projections, it needs to examine

USPS-LR-N2012-1/NP1 (as recently revised to reflect errors caught by POIR2).

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY,
REDIRECTED FROM WITNESS ELMORE-YALCH

APWU/USPS-T11-18. Please refer to pages 50-52 of your testimony. Customer derived forecasts for First Class Mail show declines for each customer category. However, the forecast declines are negligible for National, Premier and Small Business accounts, while the declines forecasted for Preferred accounts and Consumers are quite large (with Home businesses actually forecasting an increase in volume). How are these very different forecasts explained?
a) For Priority Mail, two classes (National and Premier) of customers forecast significant increases in volume while the other four forecast very significant declines in use. How are these forecasts, which run counter to each other, explained?
b) For Express Mail, only Premier accounts forecast an increase in use and it is a very large 10.23% increase. All other classes project small to very large declines in usage. How are these differences in forecasts explained?
c) Within the National account category, only Priority Mail is expected to increase while all other categories of Mail decline. Why?

RESPONSE:

Regardless of how one may characterize the results, data collection by ORC International is documented in detail by witness Elmore-Yalch (USPS-T-11). I then used the same approach the Postal Service used in five-day delivery to refine the results by application and segment into what are reported for products such as First-Class Mail, Priority Mail and Express Mail. The quantitative market research produces the results without explaining them beyond their empirical derivation. The quantitative market research thus does not enable comparison of results from one segment to another since each represents a different type of customer.

How customers use mail in each segment, how much they mail, how often they mail, and what mailing objectives they pursue can be significantly different. While I am unable to explain these specific variations, I can say that they do not seem to me in any way wrong or implausible; to the contrary, I think the results are eminently reliable.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY,
REDIRECTED FROM WITNESS ELMORE-YALCH

As should be clear from both my testimony and witness Elmore-Yalch's testimony, the market research results are empirically derived using methods that are fully transparent and documented on the record. My testimony is that the results are reasonable and actionable.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO APWU INTERROGATORY,
REDIRECTED FROM WITNESS ELMORE-YALCH

APWU/USPS-T11-19. One could argue that many of the quantitative results are counterintuitive, for example, volume is forecasted to increase in only three "cells" of the forecast matrix (National accounts use of Priority Mail and Premier Accounts use of Priority and Express Mail) specifically when the reduction in service standards is the only factor considered. How is this explained and to what extent do these apparent anomalies cast doubt on the quality of the forecast results?

RESPONSE:

APWU may care to argue what it so chooses. The market research results are empirically derived using methods that are fully transparent and documented on the record. My testimony is that the results are reasonable and actionable.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO CARLSON INTERROGATORY

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.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO CARLSON INTERROGATORY

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.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO CARLSON INTERROGATORY

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.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO CARLSON INTERROGATORY

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.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO CARLSON INTERROGATORY

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

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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 manage-ment, 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 ex-plain either an affirmative or a negative answer to (ii).

(e)

(i) Please confirm that at the time the survey was conducted the Post-al Service already had a CPI cap increase filing in process and was in the pro-cess 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.

RESPONSE:

The cited section of my testimony states:

> It is clear that consumers and small commercial organizations have already begun reducing their use of First-Class Mail™ due, in part, to the recent economic downturn, by consolidating credit cards and thereby limiting bills and payments; we should expect these changes to continue.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

(a) While I am unable to confirm that consumers and small commercial mailers began to reduce their use of First-Class Mail (in the absence of an empirical test) before 2008, that they could have done so does conform to my expectation given the steady decrease in use of the mail for invoicing and payments. However, none of this contradicts my statement that diversion was also due in part to the economic recession. I am unable to confirm part (a) or whether any decline has been "at roughly the same rates of decline."

(b) While the specific "proposition" referred to lacks clarity, the cited observations in my testimony are part of the context within which the market research was conducted; the rest of the page six paragraph is also part of the context.

(c) The tie between the citation to twelve lines of my testimony and its impact upon the qualitative or quantitative market research is not clear. As a general matter, however, the qualitative and quantitative research was a joint undertaking; hence specific questions arose out of consensus rather than a unilateral decision by the Postal Service or ORC. No questions in the quantitative market research inquired about diversion to the Internet, although it was addressed in the qualitative research.

(d) As reflected in response to part (c), this interrogatory part also fails to tie its inquiry to a specific question. The substance of the 12 lines cited is, however, hardly a surprise to postal management. I am unable, however, to identify a specific time when their awareness commenced. The proportion of bill payments

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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.

RESPONSE:

(a-c) These present, perhaps, empirical questions that could be answered through further research. However, the research about which I testify had no such objective.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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 in-crease in January, 2012, and it has asked the Commission for an exigent in-crease 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 in-cluding ending overnight delivery might be a tipping point, apart from a rate in-crease? If not, why not?

RESPONSE:

The market research presented in this docket did not ask respondents to choose between a rate increase and a change in service standards. The specific questions and topics addressed by the quantitative research are identified in USPS-T-11, Appendix C, Parts 1 and 2, and Appendix E. For the qualitative research, transcripts (USPS-LR-N2012-1/26) exhibit what was studied at the most granular level.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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 in-voices to customers with an unstamped return envelope asked any survey questions 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?

RESPONSE:

(a-b) The cited language deals with qualitative interviews involving National and Premier Account customers. The questions posed to respondents of all stripes are documented in USPS-T-11, Appendix C, Parts 1 and 2, and Appendix E. No need to ask other questions was ever identified given the purposes of the market research sponsored by the testimonies of witnesses Elmore-Yalch and Whiteman in this docket.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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 de-livery is being posed?

(b) Would you agree that the negative financial impact on the Postal Ser-vice 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"?

RESPONSE:

This question confuses the qualitative market research, which is what is addressed in the cited section of the testimony, with the quantitative market research. If the Interest lies primarily in the qualitative research, transcripts of each session have already been provided and can therefore be researched. *See* USPS-LR-N2012-1/26. If the question is about the quantitative market research, the specific questions have also already been provided. *See* USPS-T-11, Appendix F, Parts 1-3.

(a) The question was not asked in the quantitative market research because no need to do so was ever identified.

(b) I would agree that if respondents were asked to quantify their mail volume responses to the sum of 1) changes in First-Class Mail service standards, and 2) an increase in the cost of a First-Class Mail single-ounce letter stamp to 50 cents, that the response could be greater than what we found in the market

research sponsored by the Postal Service in this docket. However, without quantitative research to assess these two variables together it is not possible for anyone to say with certainty what the impact would be.

(c) The term "discretionary mail" denotes nothing beyond what a dictionary definition would imply.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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 reevaluated 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 reevaluation 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 unsound 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.

RESPONSE:

(a) I have no data or estimate, and no interest in seeking such information in the absence of any meaningful relationship to the subject of my testimony. However, nothing stops an interested party from pursuing such efforts should it choose to do so.

(b) No.

(c) Not confirmed. It should be noted that ORC did not adjust its volume estimates for "overstatement of reactions."

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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.

RESPONSE:

The results of the market research and supporting data have already been presented and made available to participants. If this question is asking whether additional results remain to be documented, the answer is "No."

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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.

RESPONSE:

(a) I would agree that conversion from use of First-Class Mail to use of the internet—to the extent it takes place—reflects choices made by those customers who do so for the sum of reasons that each such customer considers important or pertinent.

(b) I agree to the extent, as my testimony reports, that changes in First-Class Mail service standards will trigger changes to use of First-Class Mail and other postal products, most of which would be negative across customer segments. However, not all customers will consider the changes to the First-Class Mail service standards to be a significant change, and the change in First-Class Mail service standards could lead some customers to increase their use of other postal products.

(c) No, but as my testimony explains, some customers take that view more than others. Others, however, would not consider the changes in the First-Class Mail service standards to be a significant change and, so long as First-Class Mail service is reliable, they will be fully satisfied with it.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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.

RESPONSE:

This question grossly mischaracterizes my testimony. Moreover, the identified lines of testimony omit more than one line of the first sentence partially included and nearly two lines of the last sentence partially included. That section of my testimony reads in full (from lines 6 through 14):

> Most [consumers and small business customers] who did not support adoption did not think that it would help solve Postal Service financial problems. Interestingly, for those who did not support adopting the proposed service standard changes, opposition was not emotional or vocal, indicating its low importance to them. Consumers and small businesses demonstrated little awareness of postal operations—notably processing and transportation that occurs behind the scenes, and many expressed amazement at the ability of the Postal Service to deliver a letter dependably and safely across country for $0.44.

(a) This section of my testimony makes no assertion about the personality of the customers in the focus groups or the impact of personality upon their reactions to the proposed changes in the First-Class Mail service standards.. Thus I am unable to agree that this statement has any implications for "other personality types" or for the "general population."

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

(b) It has been my experience in conducting qualitative market research that customers' negative reactions to change can range from a low level of opposition ('I am opposed but it is not important to me') to a high level of opposition ('I am very much opposed'). The more opposed a customer is, the more typical it is that the customer will make clear his or her strong opposition. This is often shown by the tone and length of time they take to describe their opposition.

(c) I have not studied this particular question, which appears to have no bearing upon the subject of my testimony. However, I think customers can be opposed for various reasons, some more important than others. Strength of opposition is typically communicated as I describe in the response to part (b).

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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.

RESPONSES

This question stems from a discussion of the qualitative market research, where we generally speak of customers or participants, rather than respondents.

(a-b) I was quite clear in the cited section of my testimony where I wrote that customers in the focus groups spoke about improvements "to employee attitudes and customer focus; employee knowledge; and enhanced accountability among employees and management." To the extent any interested party wishes to evaluate whether the discussion could be characterized as these questions inquire, transcripts of each in-depth-interview and focus group are available for investigation in USPS-LR-N2012-1/26. However, the lack of any such customer comments summarized in my testimony is consistent with my impression that customers did not mention or consider these important examples of possible improvements.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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?

RESPONSE:

We wanted to talk to decision-makers for direct marketing as they can use a variety of mail services, including First-Class Mail and Standard Mail for advertising purposes. Thus, we wanted to understand how the changes in the service standards for First-Class Mail could affect how they would use mail services for advertising.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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.

RESPONSE:

(a) At the time we conducted the qualitative research, we wanted to evaluate the potential effect of the changes in First-Class Mail service standards across all types of First-Class Mail and mailers. Large commercial organizations use both full rate First-Class Mail and Automation First-Class Mail. All First-Class Mail, including that which is bulk entered, is affected by the proposed service standards changes.

(b) "Executives in larger commercial organizations" were shown the materials that witness Elmore-Yalch's testimony presents. The actual proposals in the instant docket were not finalized until after this research was completed. Moreover, unlike those who responded to the quantitative research, those who participated via in-depth-interviews were not asked a scripted set of questions.

(c) Presuming this question refers to page 14, this statement refers to the general description of changes in First-Class Mail service standards documented in USPS-T-11. Details about overnight delivery for any First-Class Mail had not been established when the research was designed.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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 seven-teen respondents.

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

RESPONSE:

(a-b) The qualitative research results do not project nationally, and were not intended to do so. As such, nor can they be projected to specific plants.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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?

([b]) 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 up-stream 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?

RESPONSE:

(a) My testimony introduce this (and other) observations as follows: "Overall, key reactions to the proposed change among larger mailers include:" .

[b] I am aware of no such statement or anything to the contrary that appears in my testimony.

(c) N.A.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO GCA INTERROGATORY

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.

RESPONSE:

(a) The reference is non-specific.

(b) Not confirmed. Qualitative market research participants were not offered such a choice.

(c) *See* the response to part (b). The quantitative market research respondents also were not offered such a choice. As I stated in my testimony on page 16, lines 10-12, "Opinion Research Corporation also conducted quantitative market research ...to project changes in volume that would be triggered by changing the service standards for First-Class Mail." Market research that studied the effects of changes in service standards in addition to one or more other factors examines causative factors beyond the specific subject of this market research, and would accordingly not have permitted isolation of changes arising only from the service standards changes. Such research can be undertaken with the understanding it answers a different question.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-1. Did USPS, in calculating how much the proposed service changes would decrease volume, revenue and contribution, study the extent to which postal customers may shift from using first-class mail to using standard mail? If so, provide any estimates USPS has of how much such a substitution of standard mail for first-class mail might impact volume, revenue and contribution and detail how USPS arrived at or calculated such an estimate.

RESPONSE:

In conducting the research, we allowed customer to indicate how much volume they would send by the class of mail, i.e., Presort First-Class Mail, Standard Mail, etc. in 2012 before the implementation of the service standard changes and after the implementation of the service standard changes. Inherent in this, customers could have provided us an estimate that for some applications and class of mail the volume would increase and for other applications the volume would decrease.

Thus, the questionnaire approach would allow customers to provide us volume estimates which would reflect a plan to downgrade First-Class Mail to Standard Mail. However, we did not specifically ask customers to provide us this level of detail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-2. You state on page 8, lines 15-16 of your testimony that "estimated change may take effect over a much longer period of time." Does USPS have an estimate of how long it would be for the anticipated declines in mail volume resulting from the proposed change in service standards to fully "take effect"? If so, explain how USPS arrived at such an estimate.

RESPONSE:

No. The research was designed to ask customers to provide us their volume estimates for 2012. However, it can be expected that when customers begin to adapt to the changes in the service standards some will act faster than others and some will adapt within a shorter time period while others will adapt in a longer time period.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-3. You state on page 12, lines 23-25 of your testimony that "[n]early all respondents stated they also would like to see accompanying improvements in customer service to offset their loss in delivery service." Does USPS have plans to implement improvements in customer service to offset the proposed reduction in delivery service? If so, please specify what these customer service changes are and how they will offset the proposed reduction in delivery service.

RESPONSE:

I am not aware of any plans to "implement improvements in customer service to offset the proposed reduction in delivery service."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-4. On page 8, lines 5-16 of your testimony, you provide three reasons why you believe respondents "tend to overstate their reactions." Please identify the source, if any, for these asserted reasons. If the source is a document, please provide a copy. If it is a published text, please provide the citation. If it is a person or persons, please identify the person(s) by name, address and employer or affiliation.

RESPONSE:

The reasons I discuss on page 8 for why respondents tend to overstate their intentions to buy or to modify their mailing volumes are understood widely throughout the marketing and market research functions. As a practitioner of both, this has been a consistent attribute of market research commonly discussed when considering changes to products or channels.

In an article published in April 2000 by J. Scott Armstrong (The Wharton School, University of Pennsylvania), Vicki G. Morwitz (Stern School of Business, NYU) and V. Kumar (University of Houston), titled *Sales Forecasts for Existing Consumer Products and Services: Do Purchase Intentions Contribute to Accuracy*[1], there is a relevant discussion of this issue on page 11. It is important to note that the products these authors were assessing consisted of existing products, not new ones.

Morrison (1979)[2] developed a descriptive model of the relationship between purchase intentions and subsequent purchasing. Morrison proposed that there are three threats to the predictive validity of purchase intention measures. First,

[1] J. Scott Armstrong, Vicki G. Morwitz, V. Kumar, Sales Forecast for Existing Consumer Products and Services: Do Purchase Intentions Contribute to Accuracy, International Journal of Forecasting, Volume 16, 2000, pp. 383-397.
[2] Morrison DG (1979). Purchase Intentions and Purchase Behavior. Journal of Marketing, 43 (Spring), 65-74

intentions are measured with error. Second, respondents' purchase intentions might change over time because of exogenous events (*e.g.*, current car breaks down, sudden rise in income). Third, average stated purchase intentions might be a biased estimate of the proportion that actually buy the product because of systematic error (*e.g.*, response style biases, promotional effects, changes in the economy, as noted in Kalwani and Silk 1982)[3].

While these authors identify different reasons for "threats to the predictive validity" of respondents' estimates, they consistently address the observation that factors prevent respondents from providing estimates that later equal their actual "in-market" response when the time comes.

[3] Kalwani MU & Silk AJ (1982). On the Reliability and Predictive Validity of Purchase Intention Measures. Marketing Science, 1 (3), summer, 243-286

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-6. On page 8, lines 2-4 of your testimony, you state that respondents "tend to overstate their reactions" when asked about "proposed changes such as new product introductions or changes in channel option or service features."

(a) Explain what you mean by "channel option or service features" and provide an example of the type of "service features" to which you refer.

(b) Provide an example, if you can, of respondents in a quantitative market study overstating their reaction to a reduction in the quality of service.

RESPONSE:

a. By channel option I am referring to changes in a web site or retail operations. By service features I am referring to changes in service standards or service features. A recent postal example of a change in service feature occurred when we introduced Delivery Confirmation.

b. The only research studies which we have conducted on a reduction in service are the research in support of Five-Day Delivery and the First-Class Mail Service Standards. As neither of these proposed changes has been implemented, I am not able to provide you with an example.

I do have an example of customers overstating their intent for a new service introduction. In testimony the Postal Service filed in support of Premium Forwarding, MC2005-1, T-2, Library Reference 1, Witness Rothschild testified that in the first full year of implementation that customers would have 22,841,563 shipments made if the price was $10 per shipment. In FY2006, in the first full year of implementation there were just over 700,000 shipments. This clearly demonstrates that customers do over estimate their behavior in quantitative research.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-7. Do you have a view regarding the extent to which postal customers are currently aware of the proposed service changes? If so, state what your view is and the basis for your view.

RESPONSE:

At the time we conducted the qualitative research, there was little awareness about the proposed changes to the service standards for First-Class Mail and Periodicals mail.

Today, it would be safe to say that there is higher awareness given the extensive media coverage of both our Post Office and plant closings and, as part of the media story, the changes in First-Class Mail service standards.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-8. On page 18, line 19 of your testimony, you state or suggest that change by customers may be "delayed." In USPS's quantitative market research in this case, did it make any effort to assess what customers' responses to the proposed changes in service standards may be (*i.e.*, how respondents' mail volume might change) *beyond* the year of the implementation of the service changes? If so, explain what effort was made to make this assessment and what the results of the assessment were.

RESPONSE:

No. The research was designed to ask customers to provide us their volumes estimates for 2012. However, it can be expected that when customers begin to adapt to the changes in the service standards some will act faster than others and some will adapt within a shorter or longer time period. Further, we can expect that customers will mail different volumes using different products than they indicated in their responses in completing the questionnaire. However, we have no empirical basis for expecting that the sum of customers' responses will differ from those projected by the market research.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-9. Did USPS conduct, or request anyone else to conduct, any econometric studies in connection with USPS's effort to assess how much the proposed service standard changes would reduce demand for USPS's services or would reduce mail volume, revenue or contribution? If not, why not? If yes, please provide copies of such studies.

RESPONSE:

I am not aware of any discussion or action to conduct an econometric study as the Postal Service did not think this type of study would be useful or needed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NALC INTERROGATORY

NALC/USPS-T12-14: In its quantitative market research, did USPS seek to make any estimate of how much volume, revenue and contribution it would lose if USPS implemented both (1) the end of Saturday delivery and (2) the change in service standards proposed in this case? If so, please provide these estimates and explain how they were calculated.

RESPONSE:

The market research upon which the Postal Service relies in this docket examines mail volume changes arising from the service standard changes alone. The Postal Service has not undertaken similar research that isolates changes arising from the sum of service standard changes and the end of Saturday delivery.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-1. Please define the following terms as used in your testimony at page 13 and thereafter:

a. National Account
b. Premier Account

RESPONSE:

On page 17 of my testimony (USPS-T-12) I provide a definition of the segments for customers in the "commercial" market. By "commercial" I mean mailers for whom we have a record of their mailing activity, *i.e.*, information from a mailing statement or meter file. As stated on page 17, this segment is defined as followes:

> an account segment represents a grouping of similar customers. For example, the National and Premier Account segments represent the larger commercial mailers. Also, the Preferred Account segment represents small businesses which use one or more products for which we have a mailing record of their use.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-2. Do you believe that the persons at the National and Premier Accounts who were interviewed by the market research team have the authority to decide whether particular communications should be sent by mail as opposed to electronic alternatives? If so, what steps were taken to ensure that the executives contacted by the market research were individuals with such authority?

RESPONSE:

When scheduling interviews with the persons at National and Premier Accounts, the market research team specifically sought to identify the individual or individuals at the account with the authority to decide how the application(s) for which they were responsible are sent. If the person to whom the market research team was first directed indicated otherwise, the market research team then asked for a referral to the higher-level decision-maker.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-3. Please refer to Section B of your testimony, beginning at page 17. Did the Postal Service provide the market research company with the names and contact information of the persons at the National and Premier Account customers with whom the 17 IDIs were conducted? If so, what was the Postal Service's source of those names? If not, how were those persons selected?

RESPONSE:

The Postal Service provided ORC International with sample files containing a complete listing of National and Premier Accounts as of 2009. These files contained contact information such as a telephone number, address, *etc.*, and in some instances a contact name. In many cases, that contact is an administrative person or someone in accounting responsible for payments on the account rather than a decision-maker. Therefore, ORC International did not call the account and ask for that specific contact. Instead, and as stated in my response to NPPC/USPS-T12-2, when scheduling interviews with the persons at the National and Premier accounts, ORC International specifically asked for the individual or individuals at the account responsible for making decisions as to how the application(s) for which they were responsible are sent. If the person to whom the market research team was first directed indicated she did not have this responsibility, the market research team then asked for a referral to the higher-level decision-maker.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-4. Were the mailers who participated in the 17 in-depth interviews of National and Premier Account customers informed that the Postal Service would be increasing rates in January 2012? If not, does the Postal Service understand that those mailers were aware of that rate increase?

RESPONSE:

We did not inform these customers as part of the market research protocol about the potential for any future price changes. At the time of the in-depth interviews no plans regarding price changes had been announced so any such discussion would have speculative.

Also, it is not possible to know pursuant to our research protocol what these customers understood or assumed about the potential for any future price changes or their experience with such changes in the past.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-5. Some Presort First-Class mailers operate under legal requirements that require minimum notices before taking certain actions, such as cancelling insurance policies. Did the Postal Service conduct in-depth interviews with any such mailers? If so, how many?

RESPONSE:

We did not recruit nor screen customers using this criterion. Below is the profile of the 17 interviews indicating which industries and which "mailing" applications were covered. As you can see, four interviews were with individuals from financial service organizations. It is possible that within these four organizations that the specific situation cited above was part of their mailing requirements.

Interview Types Industry	# of Interviews	Application Type(s)
Manufacturers / Wholesalers	1	Payment such as dividend check
Retail	3	1 payment 1 direct marketing 1 billing
Printing / Publishing (mix of periodicals and newspapers)	3	At least 1 periodical and 1 newspaper
Financial Services	4	2 direct marketing 1 billing 1 payment
Utilities	3	2 billing 1 payment
Telecommunications	3	1 direct marketing 2 billing
Services – Not-for-Profit	1	Direct marketing
Government	1	Payment
Mail Service Providers	1	Billing

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-6. Some Presort First-Class mailers operate under legal requirements that require minimum notices before taking certain actions, such as cancelling insurance policies. Did the Postal Service conduct quantitative research regarding such mailers? If so, how many mailers provide responses to such quantitative research?

RESPONSE:

We did not recruit nor screen customers using this criterion. Below is the sample for the National, Premier, and Preferred Commercial segments. Overall, among the 26 interviews among National Accounts, four were with Financial Service organizations, representing 15.4 percent of all interviews. It is possible within these four organizations that the specific situation cited above was part of their mailing requirements.

	National	Premier	Preferred	Total
Agriculture, Forestry, Mining, Fishing	n	1	6	5	12
%	3.85%	1.44%	1.21%	1.40%
Construction	N	0	4	13	17
%	0.00%	1.0%	3.1%	1.99%
Manufacturing	N	4	53	23	80
%	15.38%	12.7%	5.6%	9.35%
Transportation	N	0	2	3	5
%	0.00%	0.5%	0.7%	0.58%
Telecommunications	n	1	8	4	13
%	3.85%	1.9%	1.0%	1.52%
Utilities	n	0	6	5	11
%	0.00%	1.4%	1.2%	1.29%
Wholesale Trade	n	1	10	6	17
%	3.85%	2.4%	1.4%	1.99%
Retail Trade or Mail Order	n	5	37	36	78
%	19.23%	8.9%	8.7%	9.11%
Finance, Insurance, or Real Estate	n	4	59	33	96
%	15.38%	14.2%	8.0%	11.21%

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

Newspaper Publishing	n	1	19	18	38
%	3.85%	4.6%	4.3%	4.44%	
Periodical or Book Publishing	n	3	25	5	33
%	11.54%	6.0%	1.2%	3.86%	
Services	n	4	82	65	151
%	15.38%	19.7%	15.7%	17.64%	
Not-for-Profit or Membership Organization	n	2	78	187	267
%	7.69%	18.8%	45.2%	31.19%	
Government or Public Administration	n	0	27	11	38
%	0.00%	6.5%	2.7%	4.44%	
Total	**n**	**26**	**416**	**414**	**856**
%	100.0%	100.0%	100.0%	100.0%	

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-7. When considering the effects of the proposed service standards on the volume of Presort First-Class mail [*sic*], did the Postal Service consider the possible costs that mailers may incur in redesigning their operating software and retraining employees to meet the changed delivery windows? If so, what did the Postal Service assume? If not, please explain why not.

RESPONSE:

Any costs that would be incurred by mailers "in redesigning their operating software and retraining employees to meet the changed delivery windows" would be potential elements that mailers would consider in deciding how to adapt to the changes in the service standards for First-Class Mail and Periodical Mail. Thus, from a research perspective, this would be reflected in the responses provided to us by respondents.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-8. When considering the effects of the proposed service standards on the volume of Presort First-Class mail, did the Postal Service make any assumptions regarding whether or not Presort mailers would need to invest in new or additional mail preparation equipment? If so, what did the Postal Service assume? If not, please explain why not.

RESPONSE:

Any investment "in new or additional mail preparation equipment" would be potential elements that mailers might consider in deciding how to adapt to the changes in the service standards for First-Class Mail and Periodicals mail. Thus, from a research perspective, this would be reflected in the responses provided to us by respondents.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-9. In general, do you agree that if the cost of using mail increases relative to alternative means of communicating, a company will have a financial incentive to try to shift more messages to alternative means of communicating?

RESPONSE:

I would agree that the price of and cost to use a service or product is a factor considered when deciding whether to buy that specific service or product. However, a price increase or increase in the cost to use a service or product will not necessarily lead to a changed purchase decision. Thus, a price increase or an increase in the cost to use a service or price may or may not constitute "a financial incentive to try to shift more messages to alternative means of communicating."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T-12-10. Please refer to Chart 1 on page 22 of your testimony. That Chart indicates that the Postal Service estimates that Presort First-Class mail [*sic*] volume would decline 1.4 percent from FY2010 data due to the changes in the service standards.

a. Does this mean that, had the proposed service standard changes been in effect throughout FY2010, that the Postal Service estimates that Presort volumes would have been 1.4 percent less than they actually were?

b. The Postal Service's Annual Compliance Report for FY 2011 (filed Dec. 29, 2011) indicates at page 17 that Presort volume declined 3.7 percent in FY 2011 compared to FY 2010. Is it a reasonable interpretation of your testimony that, had the proposed service changes been in effect throughout FY2011 (but not in effect at all in FY2010), Presort volume would have declined an additional 1.4 percent?

c. Is the 1.4 percent estimated reduction in Presort volume a one-time reduction, or do you expect a further incremental decline of 1.4 percent annually due to the changes in service standards?

RESPONSE:

a. Yes.

b. Yes.

c. The market research was designed to estimate any reduction during the first full year after implementation of the service changes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-11. Please refer to your responses to NPPC/USPS-T12-5 and 6.

a. Are the four "Financial Services" organizations indicated in your response to NPPC/USPS-T12-5 the same companies as the four "Finance, Insurance or Real Estate" organizations indicated in your response to NPPC/USPS-T12-6?

b-c [Redirected to witness Elmore-Yalch]

RESPONSE:

a. No, as the response to NPPC/USPS-T11-3 reflects.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO NPPC INTERROGATORY

NPPC/USPS-T12-12. Please refer to your response to NPPC/USPS-T12-9, where you state "a price increase or increase in the cost to use a service or product will not necessarily lead to a changed purchase decision."

a. Please describe the circumstances, other than a perfectly inelastic demand curve, in which a price increase or increase in the cost to use a product will not lead to a changed purchase decision?

b. Do you believe that there are National Mailers whose demand for Presort Mail is perfectly inelastic?

RESPONSE:

I answer these questions as a market research expert. *See* USPS-T-12, pp. 1-2.

a. As an example, if a customer is buying a product that is priced 20 percent below the competitor's price, a 2 percent increase in the price of that product may be considered such an insignificant price increase that, in light of the much higher competitor's price, the customer continues to buy the lower priced product.

b. I lack the knowledge necessary to answer this question. Only the individual customers can answer this question as it relates to their respective buying situations.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

PR/USPS-T12-1. Please refer to page 6 lines 16-19 of your testimony, where you mention that participants accepted the proposed service standards changes after hearing the reasons for them. Is it your opinion that most consumers of First-Class Mail were, prior to being informed, unaware of the reasons behind the Postal Services proposed changes?

RESPONSE:

It is not my "opinion that most consumers of First-Class Mail were, prior to being informed, unaware of the reasons behind the Postal Services proposed changes". During the focus groups, it was clear that many customers had heard a lot about the challenges facing the Postal Services, including major operating deficits, defaulting on our pre-payment requirement, the possibility of running our of cash, downsizing the number of employees, and implementing Five-Day Delivery.

However, in order to ensure that all customers in the focus groups could discuss the impact of changing the service standards for First-Class Mail and Periodicals mail with the same understanding, the moderator read the description of the proposed changes and the reasons for it. *See* Appendix D and Appendix E in USPS-T-11.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

PR/USPS-T12-2. Please refer to page 8 lines 1-4 of your testimony, which states "it is important to recognize that when respondents are asked to estimate their responses to proposed changes...they tend to overstate their reactions for several reasons..."

a. Please provide a source apart from new product testing and the overstated "propensity to buy" for the reasons provided.
b. Please provide a reference linking the use of the likelihood scale with product deletion or service diminution.

RESPONSE:

a. The reasons I discuss on page 8 for why respondents tend to overstate their intentions to buy or to modify their mailing volumes are understood widely throughout the marketing and market research functions. As a practitioner of both, this has been a consistent attribute of market research commonly discussed when considering changes to products or channels.

In an article published in April 2000 by J. Scott Armstrong (The Wharton School, University of Pennsylvania), Vicki G. Morwitz (Stern School of Business, NYU) and V. Kumar (University of Houston), titled *Sales Forecasts for Existing Consumer Products and Services: Do Purchase Intentions Contribute to Accuracy*[1], there is a relevant discussion of this issue on page 11. It is important to note that the products these authors were assessing consisted of existing products, not new ones.

Morrison (1979) developed a descriptive model of the relationship between purchase intentions and subsequent purchasing. Morrison proposed that there

[1] J. Scott Armstrong, Vicki G. Morwitz, V. Kumar, Sales Forecast for Existing Consumer Products and Services: Do Purchase Intentions Contribute to Accuracy, Interrnational Journal of Forecasting, Volume 16, 2000, pp. 383-397.

are three threats to the predictive validity of purchase intention measures. First, intentions are measured with error. Second, respondents' purchase intentions might change over time because of exogenous events (*e.g.*, current car breaks down, sudden rise in income). Third, average stated purchase intentions might be a biased estimate of the proportion that actually buy the product because of systematic error (*e.g.*, response style biases, promotional effects, changes in the economy, as noted in Kalwani and Silk 1982).

While these authors identify different reasons for "threats to the predictive validity" of respondents' estimates, they consistently address the observation that factors prevent respondents from providing estimates that later equal their actual "in-market" response when the time comes.

b. As has frequently been acknowledged, a common approach used to estimate the increases and decreases in usage of existing products and services is the Juster scale. The accuracy of purchase intention/ probability scales (*e.g.*, the Juster scale) for existing products has been documented for example in Clawson (1971)[2] for existing frequently purchased services (savings, investments, recreation, and travel), in Dawes (2001)[3] for existing bill payment methods in Australia (*e.g.*, payment at post office, payment by telephone,

[2] Clawson, C. Joseph (1971), "How Useful Are 90□Day Purchase Probabilities?" Journal of Marketing Vol. 35, No. 4 (Oct., 1971), pp. 43-47.

[3] Dawes J (2002). Further evidence on the predictive accuracy of the verbal probability scale: The case of household bill payments in Australia. Journal of Financial Services Marketing, 6, 3, 281-289.

payment by mail), existing branded products and packaged goods in Kalwani and Silk[4] (1982), and existing durable products in Juster (1966).[5] As such, it is standard in the literature to employ the Juster scale in forecasting usage of existing products and services.

Also note that the scale accommodates over-estimation of both increases and decreases in product and service usage. The scale ranges from "No chance/Almost no chance (1 in 100 chances)" up to "Certain/Practically Certain (99 in 100 chances)." Decreases in service usage would appear as lower scores on the scale, as less probable usage. Reflecting that purchase intention scales can be used to estimate increases or decreases in service usage as well as their applicability to existing categories, Morwitz (1997) stated "Consumers with previous experience should have more accurate predictions of whether or not they will engage in the behavior in the future than other consumers." (Morwitz 1997, p. 58).[6] Note the generality of the wording "behavior;" consumer intentions are not restricted to increases (or decreases) in product purchases but rather are applicable to behavior in general (Fishbein and Ajzen 1975).[7]

---

[4] Kalwani, M.U. & Silk, A.J. (1982). On the Reliability and Predictive Validity of Purchase Intention Measures, Marketing Science, 1, 243-286.

[5] Juster, F. Thomas (1966) "Consumer Buying Intentions and Purchase Probability: An Experiment in Survey Design," Journal of the American Statistical Association, Vol. 61, No. 315, (Sep), pp.658-696.

[6] Morwitz, (1997), "Why Consumers Don't Always Accurately Predict Their Own Future Behavior," Marketing Letters, p.58.

[7] M Fishbein and I. Ajzen, *Belief, Attitude, Intention, and Behavior; an Introduction to Theory and Research*, Reading, Mass, Addison-Wesley.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

PR/USPS-T12-3. Please refer to page 8 of your testimony, which states "the qualitative market research clearly demonstrates that both consumers and commercial organizations will be able to adapt to the changes in the service standards for First-Class Mail, and most would prefer the changes in the service standards to significant price increases."

a. Please elaborate on the qualitative market research and indicate if participants were given the option to choose between a change in service standards or price increase.
b. If so, please identify the library reference or description of methodology containing this choice.

RESPONSE:

a. The qualitative process is described by witness Elmore-Yalch on pages 6-20 of her testimony, USPS-T-11. The focus group moderators and the in-depth interviewers read a brief description of the proposed changes in service standards for First-Class Mail and reasons for the proposed changes. The description used in the focus groups and the in-depth interviews with consumers and small businesses can be found on pages 82-83 in witness Elmore-Yalch's testimony. The description used in the in-depth interviews with larger commercial customers can be found on pages 87-88 of witness Elmore-Yalch's testimony.

In neither the focus groups nor the in-depth interviews did we give the customers "the option to choose between a change in service standards or price increase." However, many customers on their own clearly indicated that making such changes was preferable to raising prices.

b. N/A

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

PR/USPS-T12-4. Please refer to page 13 lines 4-5 of your testimony where you assert, "when presented with a simple choice, whether the Postal Service should adopt the proposed change or not, approximately 80 percent of the consumers and small commercial customers indicated the Postal Service should adopt it." Were participants given any other options, apart from those referenced in the response to question PR/USPS-T-12-4?

RESPONSE:

See my response to PR/USPS-T-12-4. Customers were not given other options.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PR INTERROGATORY,

PR/USPS-T12-5. Please refer to page 9 lines 11-12 of your testimony, where you state "...focus groups and personal interviews allow us to gain a deep understanding of how customers will react."

a. Please indicate any differences in the ways the Postal Service is using the qualitative market research compared to the N2010-1 six to five day proposal.
b. How, if at all, did findings from the qualitative research impact the proposed service changes in this case?
c. Do you contend consumer knowledge of service standards correlates to consumer "adaptability" mentioned on page 11, lines 17-22 of your testimony?

RESPONSE:

a. Overall, the qualitative approach was very similar to the approach we used in the research to assess the impact of implementing Five Day Delivery. The major differences were that we (1) added in-depth interviews with consumers and small businesses in Alaska and Hawaii, (2) held groups in a very rural area, Pocatello ID, and (3) did not include in the discussion a trade-off of implementing the service standard changes vs. a price increase.

b. Given that the qualitative research demonstrated to us 1) that customers will accept the changes with the understanding that it is necessary for long term Postal Service financial stability, 2) that the service standard changes would have a limited impact on customers' mailing behaviors, and 3) that customers would be able to easily adapt to the changes, we were able to conclude that it was reasonable for the Postal Service to proceed forward in its consideration of implementing the proposed service standards changes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

c. Nowhere in my testimony did I state that "consumer knowledge of service standards correlates to consumer 'adaptability'." In fact, I do not know what is meant by this question. What I stated was the following (page 11 of USPS-T-12):

> The adaptability of consumers and small commercial organizations to changes in service standards for First-Class Mail™ reflects their general lack of awareness of current standards and their perceptions that First-Class Mail takes longer than the current service standards or actual service performance reflect.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

PR/USPS-T12-6. Please refer to page 8 lines 14-16 of your testimony, where you stipulate market research "compresses all estimates of change to a single point in time, when, in reality, the estimated change may take effect over a much longer period of time."

a. In this case, are the impact figures from page 7 lines 18-22 perpetual, recurring, or one-time?

b. If they are one-time, do the figures attempt to aggregate the estimated changes that occur over time?

RESPONSE:

The revenue losses discussed on page 7 would occur in a single year since that was the nature of the research design. For the purpose of my testimony the revenue loss would occur in the first full year after implementation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

PR/USPS-T12-7. Please refer to page 21 lines 8-10 of your testimony, where you state that you replicated the approach used to estimate the volume and revenue impact from N2010-1. Please indicate if there are any methodological or technical differences used in this case, and specifically identify the differences.

RESPONSE:

There are some minor differences between the way we analyzed the volume, revenue, and contribution impacts in the Five-Day Delivery testimony compared to this case. Overall, we followed the same approach with the minor differences shown below.

National, Premier, and Preferred Account Tab

In the Five-Day Delivery testimony, we included more products, such as all "package" products. In the Network Rationalization testimony we included only Express Mail and Priority Mail while we aggregated First-Class Mail Flats and Parcels together with Single Piece First-Class Mail and Presort First-Class Mail.

Five Day Delivery	**Network Rationalization**
Single Piece FCM	Single Piece FCM
Presort FCM	Presort FCM
Single Piece FCM Flats	
Presort FCM Flats	
Single Piece FCM Parcels	
Presort FCM Parcels	
Regular Standard Mail	Regular Standard Mail
Non Profit Standard Mail	Non Profit Standard Mail
Regular Periodical Mail	Regular Periodical Mail
Non Profit Periodical Mail	Non Profit Periodical Mail
Express Mail	Express Mail
Priority Mail	Priority Mail
Parcel Select	
Parcel Post	
Bound Printed Matter	
Media Mail/Library Mail	

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

Small Business Tab

In the Five-Day Delivery testimony we reported volumes for First-Class Mail, Priority Mail, Express Mail, First-Class Mail Flats, and First-Class Mail Parcels. In the Network Rationalization testimony we report volume for First-Class Mail, Priority Mail, and Express Mail while we aggregated First-Class Mail Flats and Parcels together with Single Piece First-Class Mail.

In addition, we used finer segments for Small Business in this docket. In the Five-Day Delivery testimony, we only included commercial establishments with one or more employees. In 2009, using the Equifax data, there were 12,509, 527 establishments with 1 or more employees. The 9,548,106 establishments with no employees (defined as "at-home" businesses) were analyzed as part of the Consumer segment.

In the Network Rationalization testimony, we included all commercial establishments. The establishments with no employees (6,988,036) and 1 employees (3,096, 757) were considered to be "at-home" businesses. The establishments with more than 1 employee (12,175,720) were considered to be small businesses.

Consumer Tab

In the Five-Day Delivery testimony we reported volumes for First-Class Mail, Priority Mail, Express Mail, First-Class Mail Flats, and First-Class Mail Parcels. In the Network Rationalization testimony we report volume for First-Class Mail,

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PR INTERROGATORY,

Priority Mail, and Express Mail while we aggregated First-Class Mail Flats and Parcels together with Single Piece First-Class Mail.

In the Five-Day Delivery testimony we analyzed the data based on 114,600,000 households and the 9,548,106 establishments with no employees. In the Network Rationalization testimony we analyzed the data based on 117,538,063 households.

Total Tab

In the Five-Day Delivery testimony, we included more products. In the Five-Day Delivery testimony we included all "package" products. In the Network Rationalization testimony we included a combined Express Mail and Priority Mail category while we aggregated First-Class Mail Flats and Parcels together with Single Piece First-Class Mail and Presort First-Class Mail.

Five Day Delivery	**Network Rationalization**
Single Piece FCM	Single Piece FCM
Presort FCM	Presort FCM
Single Piece FCM Flats	
Presort FCM Flats	
Single Piece FCM Parcels	
Presort FCM Parcels	
Regular Standard Mail	Regular Standard Mail
Non Profit Standard Mail	Non Profit Standard Mail
Regular Periodical Mail	Regular Periodical Mail
Non Profit Periodical Mail	Non Profit Periodical Mail
Express Mail	Express Mail/Priority Mail
Priority Mail	
Parcel Select	
Parcel Post	
Bound Printed Matter	
Media Mail/Library Mail	

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

12. Single-piece First-Class Mail volume is separately identified for the three account types in "CBCIS-Account Type_Products.xls" tab 'sheet1' cells F11, F33 and F55. The source of the single-piece First-Class Mail volume data found in "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred' cells E8, I8, and M8 is the First-Class Mail Residual volume data in cells E56, F56, and G56.

a. Please explain what is identified by First-Class Mail Residual volume.

b. Please explain why the single-piece First-Class Mail found in "CBCIS-Account Type_Products.xls" cells F11, F33 and F55 is not included in the total single-piece First-Class Mail volumes found in "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred' cells E8, I8, and M8.

RESPONSE:

a. First-Class Mail residual volume represents full rate First-Class Mail for which a meter was used for payment. However, it does not include single piece First-Class Mail which is part of a Presort Automation mailing.

b. The single piece First-Class Mail found in "CBCIS-Account Type_Products.xls cells F11, F33, and F55" are included in the Presort total in cells E8, I8, and M8. We include this volume in the Presort total as we assumed that when customers provided us estimates on their Presort volume, they would include both their qualifying volume and their non-qualifying volume.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

13. Presort First-Class Mail volumes are separately identified for the three account types in "CBCIS-Account Type_Products.xls" tab 'sheet1' cells F10, F32 and F54. The source of the presort First-Class Mail volumes found in "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred' cells E9, I9, and M9 is the First-Class Mail total volume data found in cells "CBCIS-Account Type_Products.xls" tab 'sheet1' cells F9, F31, and F53. Please explain why the presort volumes found in "CBCIS-Account Type_Products.xls" tab 'sheet1' cells F10, F32, and F54 are not used to identify presort First-Class Mail volumes found in "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred' cells E9, I9, and M9.

RESPONSE:

This question essentially inquires about two definitions commonly applied to the meaning of 'presort mailing.' When a presort customer presents a large mailing, most of the mail qualifies for the deepest intended presort discount, while a residual amount that does not (perhaps because insufficient pieces are presented for a given five-digit ZIP Code) still qualifies for a lesser discount. But a small amount of 'other volume' does not qualify for any discount and consequently pays the First-Class Mail single piece rate. Our research asked customers about their presort volumes, by which we expected them to refer (as they do colloquially) to entire mailings. But this presents a challenge for mapping the research results to particular products. This question accordingly inquires about the logic of such mapping.

The volume shown in cells F9, F31, and F53 represents the qualifying discount volume in presort automation mailings (cells F10, F32, and F54 in CBCIS-Account Type_Products.xls), the non-qualifying volume in presort automation mailings (cells F11, F33, F55 in CBCIS-Account Type_Products.xls) and other volume (cells F12, F34, and F56 in CBCIS-Account Type_Products.xls). We

used all three to represent the presort total since this would best reflect respondents' understanding. We included the other volume in the total for presort automation mail, despite its paying single-piece First-Class Mail, both because of our best understanding of respondents' expectation, and because were it instead aggregated with actual First-Class Mail otherwise reported as "residual meter" volume because it might have had a material impact upon First-Class Mail results. So essentially we took the most conservative course that, in effect, uses the other volume in a way where its significance is less than a rounding error.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

14. Please refer to the USPS-LR-N2012-1/NP1 file "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred.'

a. Please confirm that the source of the Express Mail volumes identified in cells E20, I20 and M20 should have been the Express Mail volumes identified in cells E62, F62, and G62 respectively.

a. If not confirmed, please explain why the Express Mail volumes identified in cells E20, I20, and M20 include both the Express Mail volumes found in cells E62, G62, and G62 as well as the Parcels/Packages Residual volumes found in cells E60, F60, and G60.

RESPONSE:

a. Not confirmed.

b. The volumes included in cells E20, I20, and M20 include the respective volumes from cells E62, F62, and G62 plus E60, F60, and G60. The volumes in E62, F62, and G62 represent only the Corporate Account Express Mail, a small portion of all Express Mail volume. Most of the Express Mail volume is included in the volume in E60, F60, and G60. As we are not able to determine what portion of the volume in E60, F60, and G60 is Express Mail, we decided to include all the volume reported as Residual Packages as Express Mail volume so we would be assured that we were not underreporting the Express Mail volume.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

15. Please refer to the USPS-LR-N2012-1/NP1 file "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred.'

a. Please confirm that the source of the Parcels/Packages volumes identified in cells E25, I25, and M25 should have been the Parcels/Packages volumes identified in cells E59, F59, and G59 plus the Parcels/Packages Residual volumes identified in cells E60, F60, and G60.

b. If not confirmed, please explain why the source of Parcels volumes identified in cells E25, I25, and M25 does not include the Parcels/Packages Residual volumes identified in cells E60, F60, and G60.

RESPONSE:

a. Not confirmed.

b. The logic here is the same as described in response to question 14(b).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

16. Please confirm that the source of the data found in USPS-LR-N2012-1/NP1 "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred' cell I15 is cell F67 in "CBCIS-Account Type_Products.xls" tab 'sheet1.' If not, please identify the source of the data found in "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" cell I15.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

17. Please refer to the USPS-LR-N2012-1/NP1 file "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred' cells J9-J21.

a. Please confirm that the source of this data is column D in figure 43 of USPS-T-11.

b. If confirmed, please explain discrepancies between the data in cell J14 and the data in figure 43 of USPS-T-11.

c. If not confirmed, please identify the source of the data found in cells J9-J21.

RESPONSE

a. Confirmed.

b. Investigation of this question reveals a data entry mistake in the form of the wrong sign: I entered "0.1" when it should be "-0.1." I will correct the spreadsheet.

c. N/A

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

18. Please refer to the USPS-LR-N2012-1/NP1 file "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Nat'l, Premier, and Preferred.' Please refer to cells N9-N21.

a. Please confirm that the source of this data is column D in figure 44 of USPS-T-11.

b. If confirmed, please explain discrepancies between the data in cells N20 and N21 and the data in figure 44 of USPS-T-11.

c. If not confirmed, please identify the source of the data found in cells N9-N21.

RESPONSE:

a. Confirmed.

b. Investigation of this question revealed data entry errors for the sign of certain values. I entered slightly more negative numbers than the data in Figure 44 warrant. I will accordingly correct the spreadsheet.

c. N/A

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

19. Please refer to the USPS-LR-N2012-1/NP1 file "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Small Business.'

a. Please confirm that the source of the data found in cell B49 should be the sum of cell C33 in tab 'Small Business' and cell C16 in the tab 'Consumers.' If not confirmed, please identify the source of the data found in cell B49.

b. Please confirm that the source of the data found in cell B60 should be the sum of cell C34 in tab 'Small Business' and cell C17 in the tab 'Consumers.' If not confirmed, please identify the source of the data found in cell B50.

c. Please confirm that the source of the data found in cell B51 should be the sum of cell C35 in tab 'Small Business' and cell C18 in the tab 'Consumers.' If not confirmed, please identify the source of the data found in cell B51.

RESPONSE

a. Confirmed.

b. If this question is understood as referring to cell B50 rather than B60 (as I think it was), confirmed. As such, the total should be 6,325,013,327. I will correct the spreadsheet.

c. Confirmed, which means that the total should be 4,030,681,201. I will correct the spreadsheet.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

20. Please refer to the USPS-LR-N2012-1/NP1 file "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab 'Small Business.' Please identify the source of the data found in cells B43 and B44 and explain why these businesses are subtracted from the total number of small business found in cell B42.

RESPONSE:

The source of the data in cells B40 and cells B42-B45 is Equifax. This tab is designed to report separately the estimated volumes for business establishments which we title "small businesses" (cell B45) and "at-home businesses" (cells B43 and B44). We got from Equifax the total number of small establishments (cells B42), and establishments with no employees (cell B43) and 1 employee (cell B44). We characterized the number of establishments with no or just 1 employee as "at-home" businesses. By subtracting the number of establishments in cells B43 and B44 from the total number of establishments (cell B42), we get the number of establishments with 2 or more employees, which we used as the total of "small businesses,"

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2

21. Please refer to the USPS-LR-N2012-1/NP1 file "Network Rationalization Volume Revenue Contribution Loss-Final2.xls."

a. Please explain why a different methodology is used in tab 'Nat'l, Premier, and Preferred' to calculate estimated volume loss due to changes in service standards as compared to that employed in tabs 'Small Business' and 'Consumer.'

b. Please provide estimated volume losses employing the same methodology for tabs 'Nat'l, Premier, and Preferred,' 'Small Business,' and 'Consumer.'

RESPONSE:

The reason we used different methods for the National, Premier, and Preferred category versus the Small Business and Consumer categories is that we had known product volumes for the former, but not the latter. Thus for the former, we are able to apply the estimated percentage change provided to us by OCR International to a known volume figure for each product to calculate reliable volume changes.

Since we do not have known product volumes for Small Businesses and Consumers, we had to rely on both the volume and the percentage change in volume estimates provided by ORC International to calculate the volume changes.

Using the two different methods is appropriate as we are not comparing differences between the respective segments. We used the best available estimates for each category of customers to generate the most reliable and valid estimates available for each segment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1

POIR1, Question 18. Please refer to library reference USPS-LR-N2012-1/NP1.

* * *

b. Please provide a cross walk which links the data found in "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" tab "Nat'l, Premier & Preferred" in the table beginning in cell E55 with the source data found in "CBCIS-Account Type_Products.xls."

RESPONSE:

The requested cross walk for data found in "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" (hereafter Table A), tab "Nat'l, Premier & Preferred", cells E55, E57-59, E61-63, F55, F57-59, F61-63, G55, G57-59, and G61-63 are pulled from "CBCIS-Account Type_Products.xls", tab "Sheet1" in column F titled "FY10 Total Volume." The specific crosswalk of the cells in tab "Nat'l, Premier & Preferred" to the cells in "CBCIS-Account Type_Products.xls", tab "Sheet1" is as follows:

"Nat'l, Premier & Preferred"	"CBCIS-Account Type_Products.xls"
E55	F31
E57	F43
E58	F38
E59	F37
E61	F28
E62	F30
E63	F41
F55	F53
F57	F65
F58	F60
F59	F59
F61	F50
F62	F52
F63	F63
G55	F9
G57	F21
G58	F16
"Nat'l, Premier & Preferred"	**"CBCIS-Account Type_Products.xls"**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1

G59	F15
G61	F6
G62	F8
G63	F19

[
The data in the table in cells E56, E60, E64, F56, F60, F64, G56, G60, and G64 are taken from cells G72, G73, G74, H72, H73, H74, I72, I73, and I74 in the tab titled "Network Rationalization Volume Revenue Contribution Loss-Final2.xls" as shown below.

"Nat'l, Premier & Preferred"	**"Nat'l, Premier & Preferred"**
E56	G72
E60	G73
E64	G74
F56	H72
F60	H73
F64	H74
G56	I72
G60	I73
G64	I74

The data in cells E65, F65, G65, and H65 are the summed data in cells E55-E64, F55-F64, G55-G64, and H55-H64 as shown below.

Total Line	**Source Cells**
E65	E55-E64
F65	F55-F64
G65	G55-G64
H65	H55-H64

The data in cells H55-65 are the summed data as shown below.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1

Total Line	Source Cells
H55	E55-G55
H56	E56-G56
H57	E57-G57
Total Line	**Source Cells**
H58	E58-G58
H59	E59-G59
H60	E60-G60
H61	E61-G61
H62	E62-G62
H63	E63-G63
H64	E64-G64
H65	E65-G65

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1

POIR-1, Question 21. Please refer to USPS-T-12 at 22, chart 1, titled *Volume, Revenue, Cost, and Net Contribution Changes with First-Class Mail Service Standard Changes*.

a. Please confirm that the analysis summarized in chart 1 predicts that combined Express Mail and Priority Mail volumes will be impacted the most (on a percentage basis) of all the listed items. If not confirmed, please explain.

b. Please provide any analysis performed specific to the impact of MPNR on Express Mail and Priority Mail volumes.

c. Please confirm that neither Express Mail nor Priority Mail service standards will be impacted by the current proposal. If not confirmed, please explain.

d. Please provide any insight or explanation as to why customers indicated that use of Express and Priority Mail would be more negatively affected by the proposed service standard changes than any other type of mail?

RESPONSE:

a. Confirmed.

b. The only and limited analysis performed on the impact of MPNR on Express Mail and Priority Mail volumes appears in my testimony.

. Confirmed.

d. Express Mail and Priority Mail volume impacts, when reported in percentage terms, appear larger than the actual volume and revenue impacts and were a secondary focus of the market research. The primary focus of the market research was the impact on First-Class Mail, Standard Mail, and Periodical Mail..

The market research estimates the overall revenue impact at $1.340 billion and the estimated impact from Express Mail and Priority Mail is less than 25 percent of this estimate. Further, the quantitative research was not designed to evaluate reasons for the estimated volume impact. It is entirely reasonable to expect that the actual impact, when the Network Rationalization Plan is implemented, will be less than estimated from the market research.

An explanation for why the combined percentage decrease for Express Mail and Priority Mail is larger than the percentage decrease for other products can be found in the impact of the small volume bases for these two products. For example, if a small business

ships 10 pieces of Express Mail a year and, as a result of the implementation of the Network Rationalization reduces its volume to 9 pieces a year, the resulting percentage decrease may appear large at 10 percent. If that same small business ships 12 pieces of Priority Mail a month and, as a result of the implementation of the Network Rationalization, reduces it volume to 11 pieces a month, the resulting percentage decrease would be 8.3 percent. Thus, even the smallest possible volume decreases for Express Mail and Priority Mail would appear to produce a "high" percentage change.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST No.2, REDIRECTED FROM WITNESS ELMORE-YALCH

11. Please refer to USPS-T-12 at 22, chart 1, titled *Volume, Revenue, Cost, and net Contribution Changes with First Class Mail Service Standard Changes.*

a. Please provide insight as to how the relationship of Express Mail and Priority mail as substitute goods for First-Class Mail might be affected by the MPNR.

b. The predicted decrease in the volume of Express and Priority Mail due to the service standards changes for First-Class Mail is suggestive of a relationship as complementary goods rather than substitute goods. Please explain this counter-intuitive result.

RESPONSE:

a. As indicated in the quantitative market research, we can expect both Express Mail and Priority Mail to experience volume decreases. It should be acknowledged that some customers will trade up from First-Class Mail to Priority Mail depending upon the needs for speed of service, tracking, and value imparted by, for example, use of the Priority Mail branded mailing supplies. However, we would generally not expect customers to bypass Priority Mail and trade up from First-Class Mail to Express Mail.

It also should be acknowledged that some customers will trade down from Priority Mail to First-Class Mail depending upon the importance of attributes such as speed of service, tracking, and value imparted by, for example, use of Priority Mail branded mailing supplies. However, we would not expect customers to bypass Priority Mail and trade down from Express Mail to First-Class Mail.

b. The reason why Express Mail and Priority Mail will experience volume decreases most likely is due to a concern that, as the Postal Services changes the service standards for First-Class Mail and adjusts its operating plan for First-Class Mail, service for Express Mail and Priority Mail would also be affected, thereby reducing the perceived value of service for these two products.

1 CHAIRMAN GOLDWAY: Is there any additional
2 written cross-examination for Witness Whiteman? If
3 not, then we may proceed with cross-examination.
4 MS. WOOD: Madam Chairman, I have a
5 procedural question that I would like to ask that
6 relates to the interrogatories that have been
7 designated and library references that this witness
8 has not sponsored. Could you tell us what the
9 evidentiary status is of library references that are
10 referred to in designated interrogatory responses but
11 otherwise not sponsored by the witness? I mean, my
12 understanding was that they were then incorporated
13 into the record and could be relied upon.
14 MR. HOLLIES: Madam Chairman, if I could
15 comment to help.
16 CHAIRMAN GOLDWAY: Please.
17 MR. HOLLIES: As a general matter, library
18 references when identified in responses to
19 interrogatories are either witness foundational
20 materials, which would be a Category 2 library
21 reference, or ones that are responsive to materials
22 requested in the interrogatory and therefore filed as
23 Category 4 library references. And by tradition, if
24 they are mentioned in those responses, they are
25 considered part of the record when those responses go

1 in.

2 MS. WOOD: Great. Thank you.

3 CHAIRMAN GOLDWAY: That clarifies your

4 question?

5 MS. WOOD: Yes, that does. Thank you.

6 CHAIRMAN GOLDWAY: Okay. Then we have three

7 participants who have asked to question this witness.

8 They are the American Postal Workers Union AFL-CIO,

9 and will that be you, Ms. Wood?

10 MS. WOOD: Yes.

11 CHAIRMAN GOLDWAY: And the National

12 Association of Letter Carriers, Mr. DeChiara.

13 MR. DECHIARA: Yes.

14 CHAIRMAN GOLDWAY: And then the public

15 representative, Mr. Laver.

16 Is there any other participant who wishes to

17 cross-examine Witness Whiteman today? If not, APWU

18 counsel, you begin.

19 MS. WOOD: Thank you, Madam Chairman. Just

20 as a preliminary matter, I want to say that I may have

21 to confer again with Postal counsel. There are

22 questions that I have and I didn't realize it earlier

23 that may involve material in NP-14. Again, I think

24 that these are questions that can be asked that don't

25 involve any of the material that is kept secret, but I

1 just wanted to alert you to that at the beginning.
2 CHAIRMAN GOLDWAY: Well, why don't you
3 proceed with the questions you have and hopefully we
4 can have a very short break, no more than five
5 minutes, to deal with that issue when it arises.
6 MS. WOOD: Okay. Thank you.
7 CROSS-EXAMINATION
8 BY MS. WOOD:
9 Q Good afternoon, Mr. Whiteman.
10 A Good afternoon.
11 Q I'm Jennifer Wood, counsel for the American
12 Postal Workers Union. Were you in the hearing room
13 today during Ms. Elmore-Yalch's testimony?
14 A Yes.
15 Q Okay. And so you heard our discussion about
16 the Phase I and Phase II?
17 A Yes.
18 Q Yes. And are you familiar then with what
19 has been labeled in this case as USPS Library
20 Reference N2012/1-70, Library Reference 70?
21 A Yes, I am.
22 Q Okay. And were you the Postal Service
23 official that was responsible for the contract and the
24 work being done under the contract contained in that
25 Library Reference?

1 A I was responsible from a content standpoint.
2 Obviously the contractual portion of the contract was
3 handled by purchasing. But in terms of the
4 requirements for the research and then the ongoing
5 work with ORC, I was the main contact.
6 Q Okay. Are you aware of what the deadline,
7 the original deadline was for having ORC complete all
8 of their data collection and cleaning the data in
9 Phase I?
10 A In terms of the specific date right now, I
11 cannot recall it. But when we develop what we call
12 statement of works for market research, we put into
13 the statement of work a timeline from the first day,
14 which is when the contract is awarded, and then
15 through the various steps of the work, developing
16 either a questionnaire or discussion guide, data
17 collection, data analysis. I don't have a specific
18 date, but in general, we probably had a date around
19 the middle of October for the completion of basically
20 the original scope of work for the market research.
21 Q If you were given the opportunity to look at
22 your notes that might be back in your office, would
23 you be able to provide us with an exact date?
24 A Well, there's two things. I could give you
25 the number of days from the award of the contract that

1 we had originally specified for the completion of the
2 original contract. So I have it. I just can't recall
3 the number of work days in the statement of work.
4 MS. WOOD: Okay. I understand. Is that
5 something that we could get filed later?
6 MR. HOLLIES: I'm curious as to whether you
7 can make an offer of proof as to what that does for
8 us.
9 MS. WOOD: I'm not sure that I understand
10 what the offer of proof would be. I mean, I think
11 that the timeline here is relevant. It's been
12 demonstrated earlier during Ms. Elmore-Yalch's
13 testimony, and I also would like to know, and I have
14 another question that would follow along, how long the
15 phases and what would be left to complete this
16 analysis would take.
17 MR. HOLLIES: You asked questions earlier
18 which elucidated the dates of respective task orders
19 in the contract which pinned it down to mid-October,
20 as has the answer here, and Mr. Whiteman has indicated
21 some softness about what date he might be able to
22 provide and how it fits into these other
23 possibilities. So I guess if we are directed to
24 provide information, it would be useful to know
25 precisely what we are directed to provide.

1 MS. WOOD: I understand that. Perhaps there
2 was some misunderstanding on my part. My
3 understanding of his testimony so far has been that
4 his current knowledge about those dates and his
5 current ability to recall was a bit fuzzy and he could
6 just remember generally but that if he went back into
7 his office, he could actually give us a date from the
8 statement of work of when ORC's work would be
9 completed and each phase of their work would be
10 completed.
11 And I think it's relevant because at some
12 point results came in and there was a decision made
13 not to move forward with the data and scrubbing it to
14 get results that could be used assuming in a case like
15 this. And I think that it's relevant to the
16 decisionmaking of the Postal Service -- I mean, I
17 think to the decision to then start another study and
18 the timing of that.
19 CHAIRMAN GOLDWAY: I think there were
20 questions asked about the first phase and the second
21 phase and the relationship between how much work was
22 done in the first phase and the second phase, and
23 having the actual number of work days that the
24 contract called for originally and then what it called
25 for in the amendment is not very much different from

1 what we already have in the contract. It just gives
2 us a slightly more specific calendar. And, you know,
3 these contracts are public documents.
4 MR. HOLLIES: Understood. The contract is
5 already in evidence. We'll respond if that's what you
6 want.
7 CHAIRMAN GOLDWAY: Simple enough.
8 MS. WOOD: Thanks.
9 CHAIRMAN GOLDWAY: Thank you.
10 MS. WOOD: I wasn't trying to be overly
11 burdensome, but I figured if you already had it, then
12 maybe we could just have it on the record. I do
13 appreciate that.
14 BY MS. WOOD:
15 Q Do you I guess generally know how long it
16 would take for ORC to have cleaned or scrubbed the
17 data that they had collected?
18 A I wouldn't have that knowledge. I mean,
19 that's something that, you know, there's a process
20 they follow, but I don't have first-hand knowledge of
21 steps in that process.
22 Q Okay. I suppose then you also don't know
23 what the initial deadline was for Ms. Elmore-Yalch's
24 testimony to be ready? I mean, actually I should back
25 up. During the Phase I contract, was there an

1 anticipation that she would file testimony, she would
2 create testimony?
3 A In the initial contract, it was stated --
4 excuse me. It was written in there that potentially
5 ORC would be asked to support the Postal Service in a
6 filing at the Postal Rate Commission. So that had
7 been established as a potential task, you know,
8 because obviously at that point there hadn't been any
9 determination specifically or dates established for
10 any filing, so we just assumed that that would be a
11 potential -- we put it into the contract.
12 So, in the contract, there was no specific
13 date by which testimony would be written and filed
14 with the Postal Rate Commission.
15 Q Was there left in the statement of work an
16 amount of time to be given devoted to creating the
17 testimony?
18 A Only that that would be potential work that,
19 you know, could be tasked to ORC at a particular point
20 in the future. So it was established as a potential
21 task within the contract.
22 Q But no dates were set for it?
23 A No date, no specifications in terms of
24 requirements.
25 Q Do you recall how much time was given in the

1 contract for Phase II for creating -- like between
2 when the survey results were completed and scrubbed
3 and when the testimony was going to be finalized for
4 filing?
5 A The way that was established with ORC was
6 that when the Postal Service made determinations that
7 we would be filing and when a filing date was
8 established for planning purposes, then that
9 information would be provided to ORC. But
10 specifically, that would be the same information that
11 was provided to me for my testimony.
12 Q Okay. And when was the decision made that
13 there was going to be a filing?
14 A That is a piece of information specifically
15 that I do not have.
16 Q Okay. So no one told you at any -- when did
17 you find out there was going to be a filing?
18 A To be honest with you, I can't recall. I
19 mean, obviously sometime before December 5.
20 Q Okay. Do you recall when it was -- well, I
21 guess did you have any responsibility with regard to
22 the decision to pursue a Phase II of the study?
23 A I was involved in the discussion and the
24 decision, yes.
25 Q Okay. Do you remember when it was decided

1 that Phase I should be abandoned and Phase II should
2 be started?
3 A It was in the timeframe of middle to end of
4 October. And by definition, the document that you
5 have which I don't have, but for the second part where
6 Phase II is acknowledged, there's a contract date in
7 there. So by definition, decisions would have been
8 made before that date in the contract.
9 Q Do you not have Library Reference 70? You
10 don't have Library Reference 70 up there?
11 A No, I don't.
12 Q Let's see.
13 MS. WOOD: Sorry, I would like to have the
14 witness have that copy. Hold on. I may have an
15 extra.
16 BY MS. WOOD:
17 Q Okay. So I assume that when the initial
18 contract which is in Library Reference 70, I'm
19 assuming that when this contract was initially entered
20 into that it was meant to have research be conducted
21 and completed and finalized for Phase I, is that true?
22 A Well, the original assumption was that we
23 would complete the research.
24 Q And so then the cost of finalizing the data,
25 of scrubbing it so that it could be used was included

1 in the price of the contract, is that correct?

2 A That would be all bundled in.

3 Q Okay. And so when the decision was made to

4 not continue with Phase I and move to Phase II, was

5 there a refund that was given because that work wasn't

6 completed?

7 A Well, in effect, what happened was when we

8 then moved into Phase II, that was taken into

9 consideration into the additional amount of money that

10 was required to complete Phase II.

11 Q Okay. So it was a credit on the --

12 A Yes.

13 Q Do you remember how much of a credit that

14 was?

15 A Well, it wasn't broken out that way. ORC

16 came back and said, you know, moving forward to

17 complete the work basically, you know, representing

18 the first contract and then the first mod, they gave

19 us an amount of money for the second mod, so it's

20 total, but it wasn't broken out in terms of that type

21 of funding.

22 CHAIRMAN GOLDWAY: Okay. They didn't give

23 you an estimate of how much additional work was needed

24 and the cost for that versus how much they had not had

25 to bill you on the first contract so that --

1 THE WITNESS: Well, the amount that they
2 provided on the second mod reflected basically what
3 was going to be required to complete Phase II but
4 including the fact that there was funds already
5 available from the first mod that then reflected the
6 total cost.
7 CHAIRMAN GOLDWAY: Does their record include
8 how much of funds were still available from Phase I to
9 be allocated to Phase II? I think the question is --
10 MS. WOOD: That's exactly --
11 THE WITNESS: Yes, we didn't -- I mean, we
12 didn't ask for that. We knew how much was still
13 available, and so when they gave us a revised funding,
14 that included the fact that there was still money
15 available to fund the additional work.
16 CHAIRMAN GOLDWAY: Well, then how much was
17 available?
18 MS. WOOD: Yes.
19 THE WITNESS: Well, I don't have that
20 information, you know, available right now.
21 CHAIRMAN GOLDWAY: I think we could use that
22 information as to how much was available and get a
23 better sense of how much of the work was completed in
24 the contract.
25 MR. HOLLIES: Madam Chairman, we will look

1 at that, but I think it would be wise to caution
2 people that the way contracts work may not allow a
3 specific amount to be identified.
4 CHAIRMAN GOLDWAY: I appreciate that.
5 MR. HOLLIES: But if the contract does --
6 CHAIRMAN GOLDWAY: I would appreciate you
7 looking into it and seeing if you can provide for us
8 information on the amount of money still available in
9 the initial contract.
10 MS. WOOD: And I would say that for our
11 purposes, if an exact number isn't available, an
12 estimate would I think do fine. I do understand that
13 contracts involve lots of moving parts.
14 MR. HOLLIES: You might ask the witness if
15 he can do that now.
16 BY MS. WOOD:
17 Q Are you able to give a rough estimate of --
18 A No. I wouldn't want to answer an estimate.
19 Q Okay. Thank you. All right. Moving on.
20 Earlier today, Ms. Elmore-Yalch testified I
21 believe that the primary difference in the
22 quantitative research that they conducted in Phase I
23 and Phase II was the concept statement that was
24 included in the surveys and questionnaires, is that
25 correct? Would you agree with that?

1 A That was one major change, yes.
2 Q Okay. So what were the other changes?
3 A Well, the other major change -- now is that
4 too loud? Is there a feedback? The other major
5 change was, as Witness Elmore-Yalch testified, we also
6 added a question at the very end which was to ask the
7 question the estimate of change that you just provided
8 us, was that solely due to the change described for
9 First Class Mail service. So we changed the concept
10 and then we added that last what I would call sort of
11 confirming question on their volume estimates.
12 Q Okay. Perhaps this is what you're referring
13 to, but can I get you to pull out the large commercial
14 accounts questionnaire from Library Reference 70 and
15 turn to page --
16 A The large commercial one?
17 Q The large commercial. And turn to page 13.
18 A Page 16?
19 Q Thirteen.
20 A Thirteen, okay.
21 Q Okay. I don't actually think that this is
22 what you were referring to, but I have a question.
23 I'm looking at Question 5(b), and I understand that
24 you likely don't have Ms. Elmore-Yalch's testimony in
25 front of you, but on page -- sorry. Give me one

1 moment to find exactly what exhibit.

2 It's page 102 of her testimony. I believe

3 if you could accept subject to check that it is the

4 Phase II version of what was in Phase I. I'm looking

5 at Question 5(b) on page 102 of her testimony, and in

6 that, there are only four options that the respondents

7 would be given as to how they would anticipate -- what

8 is the question -- what percent of bills, invoices or

9 statements do you anticipate you will mail under the

10 proposed first-class mail standards.

11 And in her testimony, it just says single

12 piece, presort, priority and express mail, and I hope

13 that you will accept that subject to check.

14 A In what questionnaire?

15 Q This was in page 102 of Elmore-Yalch's

16 testimony, and it would have been the Phase II

17 equivalent of the one that was in Library Reference

18 70.

19 A Oh, okay. Okay.

20 Q And I bring this to your attention because

21 in Library Reference 70, Question 5(b) includes at

22 least five other additional options that the

23 respondents could give, which would include email and

24 online billing and competitive products and then some

25 other way. Did you have any responsibility with

1 revising the responses that would be available?
2 A Yes. You know, now that I see it, this was
3 another change. And in essence, the reason why we
4 removed those non-postal products was because if a
5 customer for any application was using email and then
6 we asked the question for 2011, 2012, 2000 -- and then
7 preimposed 2012, and they were using email, it didn't
8 really affect the results to see how they would
9 continue to use email over a period of time.
10 What we were interested in, for those for
11 which they were using mail, how would they change,
12 potentially how would they change their use of mail
13 for that particular application. So to get an
14 application that had already been removed, in the
15 beginning the thought was let's understand their
16 entire business practice in terms of how they were,
17 for example, invoicing, including mail and non-mail.
18 So we started let's understand their entire business
19 context and then we could understand the totality.
20 But then when we began thinking about it, to
21 understand their total context didn't really help us
22 address the issue, which was if we implemented the
23 change in service standards, how was it going to
24 affect their use of mail for that particular
25 application. So we were asking the information that

1 added to the questionnaire, added to their sort of
2 information-gathering requirements that really had no
3 value to answer the questions that we were trying to
4 answer, which was what was going to happen to mail.
5 So we decided when we got into the second round of
6 research that that was information that was extraneous
7 and was not answering anything that we were going to
8 use.
9 Q I think that I understand what you're
10 saying, but I don't understand how a choice as a
11 result of a change in service standards, a choice to
12 move to email or online billing would be extraneous
13 information. I mean, isn't that going to affect how
14 they would use the mail?
15 A This question was you indicated in the past
16 12 months that you had sent you invoices as follows,
17 so we were saying the last 12 months how many bills
18 did you send by email. Well, that was non-postal
19 volume already.
20 Q But the question says assuming that the
21 changes had been in place during the past 12 months
22 what percentage would you have sent. So it's assuming
23 that we're -- I mean, it's looking backwards, but it's
24 pretending that the service standards have already
25 been in place and overnight delivery has gone away.

1 And don't you think that --

2 A The first part of the question, we gave them

3 information of what they had sent in the last 12

4 months. So the first page of the question basically

5 said in the last 12 months you have sent your volume

6 by the following ways. Okay. So we established in

7 the first question what was mail, what was not mail.

8 Then the next question was in the next 12

9 months how much will you mail. So, if they told us

10 the first time around that they sent 1,000 pieces by

11 mail and then the next question in the next 12 months

12 how will you send by mail and they said 800, at that

13 point, what we wanted to know was of the 200 that they

14 no longer were sending by first-class mail, was that

15 being sent by another postal product. If the 200 was

16 being shifted from first-class mail to the internet,

17 it didn't bother us if they shifted out of the Postal

18 Service because --

19 Q Okay. Sorry. I think I understand that.

20 But then why didn't you in the Phase II questions -- I

21 don't see the question of how they had previously sent

22 their mail. I mean, if you could direct -- I mean,

23 admittedly I am sort of looking at this right on the

24 fly here at least for that particular issue, so could

25 you direct me to where that question is?

1 A Well, in this question here, so I assume
2 it's the same question --
3 Q Well, I do too, but I can't actually find 2.
4 A Question 2(a). Go back to Question 2(a).
5 Q Right. There isn't a 2(a). It goes from --
6 A Well, I don't have the Phase II question in
7 front of me, so I'm just looking at the Phase I.
8 Q Okay.
9 A But in the Phase I question, Question 2(a)
10 says of the bills you sent in the past year, what
11 percent of your bills, invoices or statements did you
12 send by, and then we gave them a lot of categories.
13 Q All right.
14 A But the Phase II questionnaire would be in
15 her testimony, so if you have her testimony.
16 Q I'm looking at her testimony currently, and
17 what I see is the introduction, and then it goes
18 directly to Question 3 and Question 4, and my
19 understanding is that you provided some direction on
20 these questionnaires, so --
21 A Could you bring her testimony up so I can
22 take a look at it?
23 MR. HOLLIES: Yes. I'm not sure, but I hope
24 this will help. What's in her testimony is the
25 Phase II questionnaires, which are not as the same as

1 the Phase I questionnaires.

2 CHAIRMAN GOLDWAY: Yes. That's the point of

3 the questioning.

4 MR. HOLLIES: Okay.

5 MS. WOOD: I would like to get an

6 understanding of the changes that were made.

7 BY MS. WOOD:

8 Q All right. So where I'm looking is back in

9 the appendix, and it begins as far as I understand on

10 page 100. It's the First-Class Mail service standards

11 description commercial, which, correct me if I'm

12 wrong, this was now the new concept for Phase II.

13 A If you will go to page 93. We're starting

14 at 92. Question 1, during the past 12 months, how

15 many individual pieces of the following did your

16 organization mail using the U.S. Postal Service, and

17 then there's a table, bills, invoices, statements,

18 payments. That's on page 92.

19 Then on page 93, for any application on page

20 92 --

21 Q I'm sorry, I don't think -- is this -- hold

22 on one second because I want to make sure that we're

23 actually still within the same questionnaire, and

24 perhaps we are now that --

25 A We're on the large commercial accounts.

1 Q So there's a lot of 2's. Okay. All right.
2 Fair enough. I think we can move on from that then.
3 A When you say move on, you mean move on to
4 another question?
5 Q Yes. No, you've clarified my question for
6 me. I didn't realize that the questions for 2 now
7 included so many subparts.
8 Now I just have a couple more questions, but
9 again this is information that was contained in NP-14
10 and it's about what was provided in that Library
11 Reference. I think that I can. I know I can ask
12 these questions without getting into the information,
13 and I believe that you would be able to answer the
14 questions without providing any sensitive information.
15 CHAIRMAN GOLDWAY: Counsel for the Postal
16 Service, would you like to discuss this with counsel
17 off the record? Why don't you just step outside for a
18 minute or two. Hopefully this can be done very
19 quickly.
20 MS. WOOD: Thank you, Madam Chairman.
21 (Whereupon, a short recess was taken.)
22 CHAIRMAN GOLDWAY: Okay? What have we
23 worked out?
24 MR. HOLLIES: Madam Chairman, my
25 understanding is that counsel wishes to ask at least

1 one question about a particular page from a worksheet
2 that comes from a nonpublic source, and my
3 understanding, it is the last worksheet from NP-14,
4 and the question for me at least is whether that can
5 be public rather than nonpublic, and the answer is
6 that it can be public. And with that understanding, I
7 believe counsel is going to seek to authenticate it.
8 We'll see where that goes.
9 CHAIRMAN GOLDWAY: Thank you.
10 MS. WOOD: Thank you.
11 CHAIRMAN GOLDWAY: We were discussing that
12 very page ourselves over lunch, so I'm glad that you
13 think it can be made public.
14 MS. WOOD: I only have one copy of that
15 page, so may I approach the witness to show him my
16 copy?
17 CHAIRMAN GOLDWAY: Yes, you may.
18 BY MS. WOOD:
19 Q Mr. Whiteman, do you recognize the page that
20 I just showed you from Library Reference NP-14?
21 A Yes.
22 Q And what do you recognize it to be?
23 A This provides the analysis of the volume
24 revenue and contribution impact based upon the Phase I
25 research.

1 Q And did you conduct this analysis?
2 A I prepared this, yes.
3 MS. WOOD: Okay. That's all I have. Thank
4 you. Well, can I just clarify then?
5 So earlier I had asked if Library References
6 that were referred to in responses were a part of the
7 record. This was one of the Library References that
8 was referred to by Mr. Whiteman in response to an
9 interrogatory that's been designated. Now that it's
10 going to be public, can that page -- would you mind
11 revising -- it's DFC/USPS-T12-10 I believe.
12 MR. HOLLIES: I'm afraid counsel has lost
13 me.
14 MS. WOOD: Well, for ease of the record, if
15 we have agreed that this sheet is now public and this
16 particular sheet was a part of the Library Reference
17 referred to in that interrogatory, can we just go
18 ahead and attach it to --
19 CHAIRMAN GOLDWAY: Add that sheet to that
20 interrogatory?
21 MS. WOOD: -- yes, so that it will appear in
22 the transcript?
23 MR. HOLLIES: Why don't you mark it as a
24 cross-examination exhibit and get it in that way.
25 MS. WOOD: Because I would prefer to have it

1 associated with the witness's testimony and his
2 responses to that question, I mean, although I guess
3 at this point it doesn't -- I can mark it as --
4 CHAIRMAN GOLDWAY: I think if you label it
5 as an exhibit and it's tied to the cross-examination
6 here, that will work in the same fashion.
7 MS. WOOD: Okay. Then I will have to give
8 you an IOU for the copies because this was a bit
9 unanticipated, but can I --
10 CHAIRMAN GOLDWAY: Why don't you work on
11 that while other people are asking questions and you
12 can submit it later this afternoon.
13 MS. WOOD: Thank you. Thank you, Madam
14 Chairman.
15 CHAIRMAN GOLDWAY: So then our next
16 participant is Mr. DeChiara from the National
17 Association of Letter Carriers.
18 MR. DECHIARA: Peter DeChiara from the law
19 firm of Cohen Weiss & Simon, LLP for the National
20 Association of Letter Carriers, AFL-CIO.
21 Madam Chairman, if I could just have 30
22 seconds to look at the document that was just placed
23 before the witness, it may allow me to avoid some of
24 the questions I would otherwise ask.
25 CHAIRMAN GOLDWAY: Surely.

1 MR. DECHIARA: Thank you.

2 CROSS-EXAMINATION

3 BY MR. DECHIARA::

4 Q Good afternoon, Mr. Whiteman. In your

5 testimony, you conclude that the total volume drop

6 that's estimated to result from the proposed service

7 changes in this case would be 1.7 percent, is that

8 correct?

9 A Correct.

10 Q And is that still your best estimate?

11 A Yes.

12 Q And that's based on the ORC quantitative

13 market research that was done in this case?

14 A Correct. That's based upon the testimony

15 and the filing of Witness Elmore-Yalch.

16 Q Okay. And just to state what I think is

17 obvious, that 1.7 percent is only a estimate, correct?

18 A It's an estimate, yes.

19 Q In the sense that no one really knows if the

20 service changes were implemented what in fact would be

21 the total mail volume drop, correct?

22 A Correct, and that's true for all market

23 research.

24 Q Let me refer you to page 8 of your

25 testimony, and in the middle of the page there are

1 three numbered paragraphs. And let me refer you to
2 paragraph 3 on line 14. Do you see that?
3 A Yes.
4 Q And let me read it. It says "Market
5 research also compresses all estimates of change to a
6 single point in time when in reality the estimated
7 change may take effect over a much longer period of
8 time." Do you see that?
9 A Yes.
10 Q Okay. So it could be that the effect of the
11 proposed service changes, were they implemented, would
12 occur over an extended period of time, correct?
13 A Yes.
14 Q And so the mail volume loss could extend
15 beyond 2012, correct?
16 A The timing could extend beyond. My estimate
17 of the amount, you know, would be the same.
18 Q Well, your estimate of the amount, the 1.7
19 percent, is based on the ORC research, which in turn
20 only looks at 2012, correct?
21 A In terms of how the questions were asked of
22 respondents, yes. We asked them to answer in the
23 context of either the last year or 2012.
24 Q Okay. And let me refer you to the paragraph
25 before paragraph 3, so it's paragraph 2, beginning on

1 line 10. It says, "Customers often act less
2 decisively than they indicate they might when asked
3 directly. In reality, customers experience some
4 amount of inertia when faced with change. Change in
5 itself can be difficult, such that an affirmative
6 response may be inhibited or delayed."
7 Again, is it your understanding that there
8 may be an inertia that postal customers have that may
9 delay the change in their mailing behavior that might
10 result from the service changes were they implemented?
11 A What I meant by that paragraph, a very
12 simple example, a customer answers and says I would
13 reduce my volume by 100,000, and then the customer
14 goes back and initiates planning within their
15 organization and they recognize that it's going to
16 cost them $100,000 to make a change in a business
17 process as a function of changing how they currently
18 use mail or use other media.
19 And so then when faced with the fact that
20 that indicated change that I provided that I would
21 reduce my volume by 100,000 pieces is going to cost me
22 money, at that point, they may say I need to
23 reconsider that decision because there are a lot of
24 variables that a customer goes through in thinking
25 about how to respond and they don't have the full

1 picture. In a lot of cases, it's things like the
2 impact, the consequences of taking action, and so
3 that's what I meant by inertia, that there's always
4 other consequences of, you know, taking action, the
5 opportunity costs and so forth. So that's what I
6 meant by that paragraph.
7 Q Okay. To take your example, it could be the
8 business that realizes that it would have to change
9 its processes and that that would cost it money might
10 delay the change. It might say, for example, well, it
11 would cost X amount of money to change our processes,
12 let's budget that into next year's budget and we'll do
13 it next year. So, in other words, it could happen in
14 the future, correct?
15 A That's another plausible explanation.
16 CHAIRMAN GOLDWAY: Couldn't a plausible
17 explanation be, well, if it's going to cost us
18 $100,000, we better look for an additional $100,000
19 savings in mail volume and cut mail volume even more
20 as long as we're going to make this investment in a
21 change? Would that be something that they would do?
22 THE WITNESS: Well, at that point, you know,
23 if you're saying the $100,000 savings would come
24 through more reductions, you know, I'm not sure
25 whether they would try to pay for that investment.

1 CHAIRMAN GOLDWAY: I mean, yes, I think both
2 options are realistic. I think I would certainly hope
3 for the one that delays it, but it seems to me what
4 we've seen to some degree in the industry is that as
5 long as they're going to invest in changing their
6 processes, they were going to take more mail out of
7 the system.
8 THE WITNESS: I can't really, you know.
9 CHAIRMAN GOLDWAY: Okay.
10 THE WITNESS: The point, though, that I do
11 think that raises is that decisions that companies,
12 especially larger companies, that they make, you know,
13 can be very, very complicated and there's a lot of
14 factors they do take into consideration.
15 BY MR. DECHIARA:
16 Q The 1.7 percent drop in mail volume is an
17 estimate based solely on the proposed service changes
18 proposed in this case, correct?
19 A That was the objective of the research, and
20 we accomplished it.
21 Q Okay. Now, if in addition to changing the
22 First-Class Mail service standards, if the Postal
23 Service ended Saturday delivery, that would also
24 reduce mail volume, correct?
25 A In context of what? You really made two

1 statements, so I wasn't sure what your question was
2 referring to.
3 Q Okay. Let me just ask you, you would agree
4 with me that if the Postal Service ended Saturday
5 delivery that that would reduce mail volume?
6 A As I testified in the five-day delivery
7 case, yes.
8 Q Exactly. And as the Postal Regulatory
9 Commission found, correct?
10 A Correct.
11 Q And there's nothing in this record -- or let
12 me ask you, is there anything in this record of this
13 case that shows the combined, what might be the
14 combined impact on mail volume of both a reduction in
15 First-Class Mail service standards and a elimination
16 of Saturday delivery?
17 A No, there's not.
18 Q Okay. And have you considered that the
19 combined impact of those two changes, the ending of
20 Saturday delivery and the implementation of the
21 service standard changes in this case, might drive
22 away customers to the extent that the combined impact
23 may be larger than the impact of each of those changes
24 considered separately?
25 A To be honest with you, I can only answer

1 that, you know, by conducting additional quantitative
2 research. There are a variety of ways customers could
3 respond that making that type of statement basically
4 is too simplistic because there's so many different
5 ways that customers could respond.
6 Q Okay. So is it fair to say that at this
7 moment you don't know whether the combined impact of
8 those two changes, eliminating Saturday delivery and
9 the implementing the service changes, may exceed the
10 sum of those two changes considered individually? Is
11 it fair to say you don't know the answer?
12 A I don't have that answer.
13 Q And the Postal Service, putting aside you
14 individually, as far as you're aware, the Postal
15 Service as an institution doesn't have the answer to
16 that question, correct?
17 A Correct.
18 Q Okay. And if I added a third change being
19 the closing of post offices and I asked you the same
20 series of questions, whether if you took those three
21 changes and I asked you whether that would
22 cumulatively have an effect that would exceed the sum
23 of each of those three changes individually, would
24 your answer be that you don't know whether the
25 cumulative effect would exceed the sum of the

1 individual changes?

2 A What I would say and I should have said the

3 last time, one possibility is that the cumulative

4 effect would be less, the cumulative effect would be

5 the combination of the two or could be greater. And

6 that's the reason why I can't say because the way

7 customers could respond to that doesn't allow me to

8 even speculate on what would be the likelihood of an

9 outcome.

10 Q Right. So the answer is you just don't know

11 one way or another?

12 A It could be more. It could be the same. It

13 could be less.

14 Q Okay. Yet as far as you're aware, the

15 Postal Service is currently seeking to make all three

16 of those changes?

17 A We are seeking the ability to implement

18 five-day delivery. We are seeking the ability to

19 implement the service standard changes. In terms of

20 our strategies toward small post offices, there's not

21 a simple yes or no answer in terms of implementation.

22 Q But the Postal Service is planning on

23 shutting a large number of small post offices,

24 correct?

25 A I really can't answer that. You know, you

1 would have to speak to someone in the delivery area.
2 Q Okay. But again, if all those three changes
3 were effectuated, at least as of now the Postal
4 Service really doesn't know what the impact on mail
5 volume would be of those changes. Is that a fair
6 statement?
7 A I cannot provide you an estimate of what
8 that volume impact would be.
9 Q And are you aware of anyone at the Postal
10 Service who could?
11 A No, I'm not.
12 Q Okay. Let me refer you to page 9 of your
13 testimony and in particular line 10 through line 12.
14 The last sentence in that paragraph says, "While not
15 statistically representative of customers, focus
16 groups and personal interviews allow us to gain a deep
17 understanding of how customers will react." Do you
18 see that sentence?
19 A Yes.
20 Q Do you have an understanding -- well, what
21 do you mean by "statistically representative"? What
22 does that phrase mean?
23 A It means that that represents what --
24 whatever the universe is that you're doing the
25 research on, the quantitative research, is that the

1 results represent what the results would be at the
2 universe level. So you can have statistical results
3 for the American households, and therefore, you can
4 say that for American households this is what the
5 results would be. And statistically, you can say that
6 that is a data point that you can use for business
7 planning.
8 Qualitative research allows you to
9 understand reasons why, how they potentially could
10 react, why they would react that way, but you can't
11 put a number of X percent would act this way. It just
12 would give you an indication about how people
13 potentially could be reacting to a certain scenario.
14 But you can't put a number, a percent number, against
15 that and say in the American households this is the
16 number of American households that would react this
17 way.
18 Q All right. So is it fair to say that the
19 responses you got in the focus groups and personal
20 interviews are not necessarily representative of
21 American households writ large?
22 A Yes, but they give you a good indication
23 about how people think, how they react, why they would
24 react that way, and it gives you deep insight at a
25 qualitative level because you've got to remember, when

1 you do qualitative research, you are structuring the
2 research to represent a certain type of customer.
3 So, in our qualitative research, we had
4 groups in talking to rural customers, to small
5 business customers, and so we had groups that we
6 brought customers together that represented a segment.
7 The only thing you can't do is you can't
8 apply a percentage number against that in terms of
9 information that you acquired.
10 Q Let me draw your attention to further down
11 on that page 9 of your report or of your testimony and
12 in particular the sentence that appears on line 15
13 through 16. You write, "Conversely, customers would
14 not accept a significant price increase because it
15 would not (by itself) ensure long-term financial
16 stability." Do you see that?
17 A Yes.
18 Q Okay. Now did you review the decision of
19 the Postal Regulatory Commission in the Saturday
20 delivery case?
21 A At the time it was issued, I read it, yes.
22 Q Okay. I'd like to just read a couple
23 sentences out of the separate views of Chairman
24 Goldway that appears in that decision, and I'm reading
25 -- well, it's the second page of Chairman Goldway's

1 separate decision. She writes, "In its testimony, the
2 Postal Service acknowledges that a reduction in
3 service could be characterized as a hidden cost. It
4 would amount to a de facto price increase". Do you
5 agree with Chairman Goldway that a reduction in
6 service would amount to a de facto price increase?
7 A No and for a variety of reasons. But a
8 particular change in service, in this case, the change
9 in first-class service standards, to certain
10 customers, that may not be perceived at all as any
11 reduction in service. My perception of first-class
12 mail service and the value of first-class mail service
13 to me relates to the dependability of service, that
14 they tell me how long it's going to take to deliver
15 and they deliver within that timeframe.
16 If it relates to the convenience of using
17 that way to pay bills, if it relates to the accuracy
18 of delivery and the security that is provided to
19 first-class mail, if it relates to the very low price
20 of first-class mail, if those are the important things
21 related to first-class mail for me and service
22 standards, whether it's delivered overnight or in a
23 second day in the Washington, D.C. area, if that's not
24 important to me, that change in service standard would
25 not be perceived by me as a reduction in service.

1 And therefore, I could actually build a case
2 that that change may be better for me than not making
3 the change. And so my perception either of first-
4 class mail or my perception of the Postal Service may
5 actually improve by that process. So I think we need
6 to be careful that we don't assume that all features
7 are important to every customer at the same level.
8 Q But if we don't look at individual customers
9 and ask a particular customer whether that particular
10 customer cares about how quickly their letter is going
11 to arrive at the destination, if we look at the
12 customer body as a whole, would you agree with me that
13 the service standards taken as a whole have value that
14 overall customers care about how long it will take
15 their letters to get where they're going?
16 A Once again, you know, that seems to be a
17 very simple statement and a simple question, but it
18 can be from the perspective of analyzing the
19 marketplace, it is more complicated because when you
20 talk about service standards and speed of service and
21 dependability, that for some customers, whether it's
22 one, two or three days, which some people would say is
23 tied to service standards and reliability, may be very
24 important.
25 For other customers, what's more important

1 is if you tell me it's two days, make sure you deliver
2 in two days because I'm doing things based upon when
3 you tell me when the mail is going to be delivered,
4 not necessarily whether it's one or two days.
5 So around this context of reliability, speed
6 of service and dependability, it's not a simple
7 statement in terms of how to define what's important.
8 And so, in our qualitative research, we found many
9 customers who basically said the actual speed of
10 service is not really that crucial for me. A lot of
11 customers said two days delivery is really great, you
12 know, it's amazing. Or three days delivery is really
13 amazing that you can send mail from New York City to
14 L.A. in three days. That's extraordinary, especially
15 when the price is at that time 44 cents.
16 So, for those customers, this whole context
17 of changing the actual service standards of one to two
18 or some two to three was not really critical. What
19 they said, I count on the dependability. I count on
20 the fact that it's going to rely, you know, be
21 delivered on time, that you're going to deliver safely
22 and securely. You make it easy for me to mail.
23 And so speed of service and the service
24 standards, you know, in this context, yes, you know,
25 it's standing by itself, but in the context of

1 customers, it's one of many attributes that they look
2 to in terms of their perception of the value of first-
3 class mail.
4 Q Isn't it true that for many postal customers
5 the speed of delivery matters?
6 A Well, once again, speed of delivery can be
7 defined in many ways. A lot of customers --
8 Q Well, let me define what I mean by my
9 question.
10 A -- a lot of customers --
11 Q Wait a minute. Mr. Whiteman, let me define
12 my question. By speed of delivery, I mean the current
13 service standards, how many days a letter is supposed
14 to get to where it's going. Isn't it true that for
15 many postal customers that matters?
16 A I can't necessarily agree with the word many
17 because I don't know what many means. I can tell you,
18 yes, for some customers the actual one, two and three
19 days, you know, is important. I can tell you for
20 other customers it's just telling me when it's going
21 to be delivered and then delivered dependably. And so
22 for them -- so, you know, when you say many, I have no
23 way of putting any number around many, but I can tell
24 you, yes, some will perceive that as an important
25 attribute, but others, other attributes are more

1 important.

2 MR. DECHIARA: Madam Chairman, I think I'm

3 done with my questioning. If I could just have a few

4 seconds to confer with counsel with the Postal Service

5 before I ask a question. I just want to make sure I'm

6 not revealing anything I'm not supposed to.

7 CHAIRMAN GOLDWAY: Certainly. You can do

8 the same thing that the previous participant did.

9 Step out in the hall and hopefully work it out

10 quickly.

11 MR. DECHIARA: Thank you.

12 (Whereupon, a short recess was taken.)

13 MR. DECHIARA: Thank you, Madam Chairman,

14 I'm ready to resume.

15 CHAIRMAN GOLDWAY: Go ahead then, please.

16 MR. DECHIARA: Thank you.

17 CHAIRMAN GOLDWAY: I'm glad that was fast.

18 BY MR. DECHIARA:

19 Q Mr. Whiteman, I'm going to show you a

20 document which you previously identified during the

21 examination by the APWU.

22 MR. DECHIARA: And, Madam Chairman, I think

23 there's only one of these floating around as far as I

24 know. Would it be okay if I approached the witness

25 and questioned him about this document?

1 CHAIRMAN GOLDWAY: Yes.

2 MR. DECHIARA: Thank you.

3 BY MR. DECHIARA:

4 Q Mr. Whiteman, I'm showing you a document

5 that I believe is the last page of NP-14. Are these

6 numbers that appear on the page the results of the

7 preliminary work that ORC did in its quantitative

8 market research regarding what's been referred to as

9 the all causes analysis?

10 A Yes. It's also been referred to today as

11 the Phase I quantitative research.

12 Q Right, and those two things are synonymous?

13 A Yes.

14 Q Okay. And I just want to confirm that for

15 the first-class mail, the volume change that's

16 estimated in these preliminary results is negative

17 10.2 percent, is that correct?

18 A Yes.

19 MR. DECHIARA: Thank you. Nothing further.

20 CHAIRMAN GOLDWAY: Thank you. The public

21 representative is next in line to ask questions.

22 MR. LAVER: Thank you, Madam Chairman.

23 CROSS-EXAMINATION

24 BY MR. LAVER:

25 Q Again, welcome --

1 A Hi.

2 Q -- Witness Whiteman, and thank you for being

3 here. Blessedly going late, I only have a few

4 questions left on my list now that other counsel have

5 asked most of them. I'll first ask you a little bit

6 about the development of what you've been calling the

7 Phase I or the all sources quantitative market

8 research.

9 A Yes.

10 Q Now I know you were involved in developing

11 the questionnaire with Witness Elmore-Yalch for the

12 Phase II. Were you similarly involved in developing

13 the questionnaire and the survey for the Phase I

14 research?

15 A Yes.

16 Q Okay. Is it fair to say that your aim in

17 developing the Phase I research was to estimate the

18 customer reaction or the volume effect of the change

19 in service standard rolling forward?

20 A Yes.

21 Q Okay. Now I just have a couple of other

22 questions. The first, I'll refer you to your response

23 to Public Representative Question No. 5, so it's PR-

24 USPS-T12-5, subpart B.

25 A If you'd just wait one second.

1 Q Sure.

2 A Question 5?

3 Q Five, subpart (b), yes.

4 A Subpart (b). Okay.

5 Q You may not have to read it directly because

6 I'm just going to paraphrase. You explain that in the

7 six-to-five day case in the N-2010 case that you used

8 the qualitative research and drew a conclusion from

9 that, and your conclusion was that it was okay to move

10 forward with the change according to most customers,

11 is that correct?

12 A Let me just make sure that that's what I

13 said. Yes.

14 Q In your qualitative research for the current

15 case, so in the Phase II, what they've been calling

16 the Phase II that included -- I'm sorry. I apologize.

17 The Phase I qualitative market research done in the

18 current case, were you able to draw any conclusions of

19 the same sort or did you draw any conclusions of the

20 same sort?

21 A What I consider to be, one, very, very

22 insightful was that what we heard in the qualitative

23 research in the five-day research and what we heard in

24 this research was very, very similar. I mean, I was

25 amazed in the sense of it was almost as if deja vu all

1 over again, was I was hearing customers basically
2 talking the exact same way in terms of their use of
3 mail, the value the mail brings to them, what's
4 important to them and then how either the five-day
5 delivery change or the change in first-class service
6 standards, one, would affect them and, two, how they
7 could respond and adapt to those proposed changes.
8 Q That's fair enough. And now I'm going to
9 move to the -- it's the same question, Question 5(a),
10 and this is where you talk about one of the major
11 differences between the qualitative research performed
12 in the six to five versus --
13 A Right. Oh, 5(a) you said.
14 Q 5(a).
15 A Oh, okay.
16 Q You said that one of the major differences
17 between the qualitative research between, again, we're
18 talking about the same two, the N-2010 six-to-five day
19 case and the current case, one of the major
20 differences was that there was not a discussion of a
21 tradeoff such as in the N-2010 case there was the
22 tradeoff between a price increase or eliminating
23 Saturday delivery. In this case, you were saying that
24 there's not such a tradeoff, is that accurate?
25 A Yes.

1 Q Now I'd like to move briefly to page 8 of
2 your testimony.
3 A Okay.
4 Q That's where you state that "Overall the
5 qualitative market research clearly demonstrates that
6 both consumers and commercial organizations will be
7 able to adapt to the changes in the service standards
8 for first-class mail and would prefer the changes in
9 the service standards to significant price increases"?
10 A Correct.
11 Q I might be a little bit confused. Was this
12 in response to a tradeoff, or was this simply --
13 A This was an assessment based upon what
14 customers told us. So when we began to talk about
15 this change and how it would affect them and how they
16 could adapt and then discussions about, you know, why
17 the Postal Service would be doing this and how this
18 would affect their perception of the Postal Service,
19 what they said was we understand the Postal Service is
20 facing serious financial problems, that the Postal
21 Service is too critical for us in our personal lives
22 and our business lives to have the Postal Service not
23 exist, not to survive. We need the Postal Service.
24 And they said, one, if this is what needs to
25 be done, they should do it. They should take the

1 decisive actions necessary to solve their financial
2 problems. But then they said we would much rather
3 have them make this change, design their
4 infrastructure in the most effective and proper manner
5 and in lieu of this not raise their prices
6 significantly.
7 And we heard the same thing in the five-day
8 delivery research. They have a sense that using price
9 increases as a way to solve the problem is like now in
10 Washington, you know, we're hearing over and over
11 again kicking the can down the road. That's how they
12 saw a significant price increase. It wouldn't really
13 solve the problem. They said take the action
14 necessary to really solve the problem.
15 Q So is it that they viewed decreasing the
16 service as a way to pay for -- and I'm using that
17 metaphor very loosely -- the structural problems in
18 the Postal Service versus using price increases to pay
19 for it? Is that how you view what they thought the
20 tradeoff was?
21 A Once again, I just want to clarify because I
22 think it's really important to make this distinction.
23 Some customers would say having this reduction in
24 service in lieu of a significant price increase, you
25 know, is my preference. Other customers told us that

1 they didn't even see this as a reduction in service,
2 that for them there were other things more important.
3 And obviously, for them, they said, however, if this
4 is what you need to do to solve your problems, take
5 the action. But the reason why it doesn't bother me
6 and the reason why I can adapt is because this is not
7 really important to me, so you're taking an action
8 that doesn't really matter to me.
9 Others said yes, you know, this would affect
10 them, but they could adapt. But all of them said
11 don't raise your prices significantly.
12 Q And I have one final question here, and this
13 refers to page 11 of your testimony. But first, I
14 didn't see you yesterday. Were you in the room for
15 Witness Williams' testimony yesterday?
16 A No, I wasn't.
17 Q Are you familiar with his testimony at all?
18 A I haven't read it, no.
19 Q Okay. Because on page 11 of your testimony
20 you use the term turnaround mail.
21 A Yes.
22 Q And he uses that same term and defined it
23 for us yesterday and I just wanted to make sure that
24 we were using the same definition moving forward. So
25 I'd like you if you could to explain what you mean by

1 turnaround mail.

2 A Yes. This may be different than an

3 operational definition if that's what he gave us. To

4 us, what the customer said, here is turnaround mail

5 for an insurance agent. I send out a contract, a

6 policy. My customer must sign and my customer returns

7 that policy to me. And so, to an insurance agent,

8 that's the turnaround. It's the company's mail that's

9 turning around. Contract out, signed contract.

10 Unsigned contract out, signed contract coming back in.

11 That's what I mean here by turnaround mail.

12 Q Would that also include things like bills,

13 where a company is sending you a bill and you are

14 tossing the check in not the prepaid but in the

15 enclosed envelope and sending it back? Would that be

16 turnaround mail by your definition?

17 A Yes. If it's the mail relating to two

18 parties to a relationship.

19 MR. LAVER: Okay. That helps. And that's

20 all I have. And again, thank you very much for your

21 time and your expertise.

22 CHAIRMAN GOLDWAY: It looks like Mr. Baker

23 would like to ask some questions.

24 MR. BAKER: Thank you. Thank you, Madam

25 Chairman.

1 CROSS-EXAMINATION

2 BY MR. BAKER:

3 Q Mr. Whiteman, I'm William Baker, appearing
4 on behalf of the National Postal Policy Council, and I
5 wanted to ask you something because during your cross-
6 examination by counsel for NALC, it occurred to me
7 that something I thought I'd understood I must not
8 have. So let me -- I'd like to bring your
9 recollection to a conversation you had with him
10 regarding page 8 of your testimony and the paragraphs
11 there, the 1.7 percent volume decrease and inertia
12 effects and that discussion, okay?
13 And I think the way I'd like to do that is
14 by turning to your -- directing your attention to your
15 answer to NPPC, Question 10, to you. Do you have it?
16 Oh, you're looking for it.
17 A Yes. Which question?
18 Q NPPC, Question 10.
19 A Ten? Okay.
20 Q And there, these questions actually use not
21 the 1.7 percent total figure but the 1.4 percent
22 presort first class figure, but I think we're on the
23 same page otherwise. And in part C, we asked about
24 the 1.4 percent estimated reduction in presort volume.
25 We asked whether it's a one-time reduction or not.

1 And your answer was the market research estimated the
2 reduction during the first full year after
3 implementation of service changes.
4 Okay. So I understood that. Now my
5 question was when you consider inertia effects of the
6 kind that you were talking about in reference to page
7 8 of your testimony, could there be further reductions
8 in the second or third year as mailing budgets and
9 operations change to reflect the changes in service
10 standards?
11 A My answer to that one is basically -- the
12 answer to both of you is that my estimate of total 1.7
13 is my estimate of how much volume will be affected by
14 the implementation of the changes in service
15 standards.
16 Now, for the purposes of my testimony, based
17 upon the design of the research, was we asked
18 customers to talk in terms of their volume in the last
19 year and the volume in 2012, which would be the next
20 year. And so therefore we calculated it. So, for the
21 purposes of my estimates shown in my testimony, that
22 1.7 and then the associated revenue and contribution
23 are presumed to occur during 2012.
24 Q So you're assuming the complete effects of
25 the service changes would be reflected in the first

full year --

A First full year.

Q -- for purposes of explication in your testimony?

A In my testimony, yes. So when I said 2012, because that's what we said in the research. But it would be the first full year. But now in response to how individual customers could behave in the real marketplace, which is a different sort of discussion than how I calculated the total cost from a volume standpoint for the purposes of my filing and my testimony, but when I talk about how individual customers could respond, some customers could say I am going to reduce my volume by 100,000 pieces. And we asked that customer in the context of 2012.

But in the real world, that customer may not get started until nine months into the year, and it may take that customer six months, nine months, 12 months to have a total impact because we're talking about, you know, a full year. So, if they don't start on day one of "the first full year of implementation", by definition, in a reality that 1.7 may not occur in the first full year in the real world, it may start in the first year, but it's going to be 1.7.

It's just a question of whether it's 1.7 in

1 the first full year or 1.7 over a longer period of
2 time because I can't ask customers to give me a
3 timeline in research about when they will start, how
4 long it will take them to implement. So that's the
5 reason why you need to understand that when I am asked
6 to provide an estimate I am going to put it in the
7 context of a time period. But that's not a real-world
8 context.
9 Q Okay. So, for purposes of your testimony,
10 you condensed it all into the first year, full year of
11 implementation.
12 A I didn't condense it. That's how we asked
13 the customers to provide --
14 Q But in reality, you would -- in practice,
15 you would expect the effects to be spread out maybe
16 more than one year depending on the customer.
17 A The timing, yes. The total impact, 1.7,
18 will not change.
19 Q Okay. And the basis for that is the
20 quantitative research in Phase II, of what we've been
21 calling Phase II. That's your basis for the volume
22 forecast reduction, correct?
23 A For the 1.7, it comes from the Phase II
24 quantitative research, yes.
25 Q Okay. And so to the extent those were done

1 by telephone, everything depends on the sum of these
2 telephone interviews that were on average about 21
3 minutes long, is that right?
4 A The small business segment, we used the
5 internet as the source for that research.
6 Q And for national accounts, it was telephone,
7 20-minute long phone call.
8 A But the other segments telephone, yes.
9 MR. BAKER: Okay. No more questions. Thank
10 you, Madam Chairman.
11 CHAIRMAN GOLDWAY: Any other followups from
12 our participants?
13 MS. WOOD: Madam Chairman, Jennifer Wood
14 from the American Postal Workers Union. As you
15 advised during the other questioning, we now have
16 copies of the document I previously presented to Mr.
17 Whiteman. I have now marked that as APWU Cross-
18 Examination Exhibit 1.
19 (The document referred to was
20 marked for identification as
21 APWU Cross-Examination
22 Exhibit No. 1.)
23 CHAIRMAN GOLDWAY: And if you'd like to give
24 us copies?
25 MS. WOOD: And I have copies.

1 MR. HOLLIES: Madam Chairman, as we were
2 looking -- go ahead, not stopping that. I guess I
3 would like to ask for a break at this point for two
4 reasons, one of which is personal and the other of
5 which is we want to make more certain that that chart
6 is actually correct.
7 CHAIRMAN GOLDWAY: That seems to me quite
8 reasonable. How long do you think you'll need? Ten
9 minutes?
10 MR. HOLLIES: Could we take 10 or 15
11 minutes? We should be close to done for the day.
12 CHAIRMAN GOLDWAY: Okay. 3:20 we'll come
13 back.
14 MR. HOLLIES: Okay. Thank you.
15 (Whereupon, a short recess was taken.)
16 CHAIRMAN GOLDWAY: Ladies and gentlemen,
17 we'll reconvene. I believe counsel for the Postal
18 Service would like to clarify the document that we
19 have been given by APWU as exhibit evidence.
20 MR. HOLLIES: Thank you, Madam Chairman.
21 I've worked out an approach that seems amenable to all
22 of those involved, and it begins with recognition that
23 the exhibit which I thought was entirely public
24 information is not. It has two lines of competitive
25 product information for the Postal Service. And so

1 what we have agreed to is that, first of all, the ones
2 that were distributed in the hearing room today will
3 be collected because they continue to be sensitive
4 information that is not in the public realm.
5 Second, that the Postal Service will prepare
6 a version of this which combines express mail and
7 priority mail onto a single line, thereby shielding
8 those product-specific and competitive sensitive
9 information onto that one line. And we will prepare
10 that tonight with the expectation of submitting it
11 first thing in the morning as basically APWU's Cross-
12 Examination 1, marked as APWU-XE-1. And so that is
13 what we propose to do. It would be submitted as
14 record evidence.
15 CHAIRMAN GOLDWAY: And that's agreeable to
16 all the parties involved?
17 COMMISSIONER TAUB: Madam Chair, I have a
18 question.
19 CHAIRMAN GOLDWAY: Yes.
20 COMMISSIONER TAUB: Just to clarify what
21 was --
22 CHAIRMAN GOLDWAY: Commissioner Taub.
23 COMMISSIONER TAUB: -- what was outlined, if
24 I understand correctly, express mail, priority mail,
25 those lines, what would happen to those lines?

1 MR. HOLLIES: They would be collapsed
2 together.
3 CHAIRMAN GOLDWAY: Into one sum.
4 COMMISSIONER TAUB: So there will still be
5 the numbers there. The totals that we see will still
6 be on the page as just --
7 MR. HOLLIES: And reconcilable, yes.
8 COMMISSIONER TAUB: Yes, okay. So none of
9 the numbers beyond those two that will be together.
10 MR. HOLLIES: That's correct.
11 COMMISSIONER TAUB: Thank you.
12 MR. HOLLIES: I had prepared one in advance
13 for this purpose, but when we checked some of the
14 numbers, it's not quite perfect, so we would prefer
15 that it be accurate.
16 CHAIRMAN GOLDWAY: Mr. Baker.
17 MR. BAKER: Question for counsel. What
18 about the parcel lines?
19 MR. HOLLIES: Partial lines?
20 CHAIRMAN GOLDWAY: Parcel.
21 MS. WOOD: Could I interject for a moment?
22 Jennifer Wood for the APWU. What we expect is that
23 the document that will be provided tomorrow will be
24 set up in the same way as Chart 1 from Mr. Whiteman's
25 testimony on page 22, which does compress express mail

1 and priority mail into one line, but it leaves parcel
2 select, parcel post and all the other categories as
3 they are.
4 CHAIRMAN GOLDWAY: I think that's agreeable
5 to all the parties concerned, and I believe it's also
6 of interest to the Commissioners as well to have this
7 document. So I commend the Postal Service for being
8 cooperative on this document and for the parties to
9 have brought it up and to work with them on it. And
10 we will get the corrected version tomorrow morning,
11 which I will then accept into evidence.
12 MR. HOLLIES: Yes, Madam Chairman.
13 CHAIRMAN GOLDWAY: And the documents that
14 have been circulated today will be returned to the
15 Postal Service.
16 MR. HOLLIES: Yes, thank you. And just to
17 confirm with counsel for APWU, yes, our intent is to
18 have it in the same format as Chart 1 on page 22 of
19 USPS-T-12.
20 CHAIRMAN GOLDWAY: Okay.
21 MS. WOOD: Okay, great.
22 COMMISSIONER TAUB: Madam Chair, I have one
23 more followup question.
24 CHAIRMAN GOLDWAY: By all means,
25 Commissioner Taub.

1 COMMISSIONER TAUB: The Postal Service just
2 had mentioned that in addition to putting those two
3 lines together, there would be -- was it checking of
4 the numbers, or is there a correction you expect to
5 some of the data that's currently listed there?
6 MR. HOLLIES: I had anticipated this moment
7 and prepared a chart for use, but that chart has
8 errors, so we can't use it today.
9 COMMISSIONER TAUB: Got you.
10 CHAIRMAN GOLDWAY: So the chart we have at
11 the moment is correct, but it should not be made
12 public.
13 MR. HOLLIES: Correct.
14 CHAIRMAN GOLDWAY: And the one we have
15 tomorrow will have --
16 MR. HOLLIES: The same numbers.
17 CHAIRMAN GOLDWAY: -- the same numbers but
18 with the combination of two categories.
19 COMMISSIONER TAUB: Thank you for the
20 clarification.
21 VICE CHAIRMAN LANGLEY: This is a good
22 resolution. Thank you.
23 CHAIRMAN GOLDWAY: All right. Now are there
24 any other questions from the participants before the
25 bench begins its questioning?

1 MS. WOOD: Madam Chairman, Jennifer Wood for
2 the APWU. I have a brief followup.
3 CHAIRMAN GOLDWAY: By all means.
4 BY MS. WOOD:
5 Q Mr. Whiteman, in the discussion that you had
6 earlier with the public representative, you were
7 talking about these consumers who had expressed the
8 opinion that the Postal Service should do whatever
9 they needed to do to solve the problem and therefore
10 were willing to I guess be okay with this reduction in
11 service. Is it your belief that this willingness to
12 accept a reduction in service would decrease if they
13 were told that this would not in fact solve the
14 problem and other initiatives would also have to be
15 undertaken that may impact their access to postal
16 services or the frequency of delivery?
17 A In the qualitative research, we indicated
18 that this would be a step to help us solve the
19 problem. So it was presented, you know, that this was
20 not the total solution but that this would be part of
21 a solution, that this was one thing that we were
22 considering to do to help us solve the problem.
23 MS. WOOD: Okay. Thank you. That's all I
24 have.
25 CHAIRMAN GOLDWAY: Okay. Thank you. Now

1 anyone else on the bench?

2 MR. DeCHIARA: Madam Chairman, Peter

3 DeChiara for the NALC. Just one question I believe.

4 BY MR. DECHIARA:

5 Q Mr. Whiteman, I just want to make sure I

6 understand your prior testimony. Is it correct that

7 even though the market research conducted by ORC only

8 asked respondents about their change in mail volume if

9 the standards were implemented for 2012, even though

10 they were only asked about 2012, you believe that that

11 market research allows you to know the total volume

12 change, including in years beyond 2012. Is that your

13 testimony?

14 A Yes.

15 MR. DeCHIARA: Thank you.

16 CHAIRMAN GOLDWAY: Thank you. Okay. So we

17 have questions from the bench. I'm going to let

18 Commissioner Taub begin this time.

19 COMMISSIONER TAUB: Sure. I just want to

20 make sure, back to this exhibit -- it's kind of who's

21 on first, who's on third, but make sure we're adhering

22 to the procedural rules here. This has been a

23 nonpublic reference. Clearly, as discussed, this one

24 page will now be public. In fact, we've discussed it

25 here today. It's been entered into testimony,

1 although the exact document will appear tomorrow.
2 However, the numbers, as we've discussed,
3 have not changed. I want to make sure we're not
4 violating our rules of 3007 by discussing the
5 aggregate numbers here, and I didn't want to start
6 asking a question in that regard, so I ask Madam Chair
7 and maybe from counsel on that.
8 CHAIRMAN GOLDWAY: I will defer to our
9 counsel to make sure that we're not violating our own
10 rules with regard to asking a question about this.
11 There was a question already asked by counsel from
12 NALC on this, on the total.
13 MR. HOLLIES: Madam Chairman, Commissioners,
14 as long as we stay away from mention of competitive
15 product-specific information, we should be okay. As I
16 indicated a moment ago, we had fully anticipated that
17 this was going to become knowledge in the public
18 realm. It was filed as a nonpublic library reference
19 because we were responding to an all-documents type
20 discovery or production request, and it was one of the
21 few things that we had. It was a single Excel
22 workbook that starts with different types of -- well,
23 competitive product information in particular and then
24 builds results from that. And as we see, there are
25 some lines in what we've been discussing that remain

1 confidential, but the others in their aggregate form
2 are not.
3 COMMISSIONER TAUB: Right. I appreciate
4 that. Thank you very much. I wanted to make sure
5 before we proceed.
6 In that regard, I think looking at this,
7 there's going to be a logical -- maybe not logical is
8 the right word, but a question that will arise and
9 giving an opportunity here to get the witness's
10 perspective on the record I think will be helpful.
11 If we look at the aggregate numbers here,
12 this is suggesting that revenues will decrease by $5.2
13 billion and net contribution will decrease by $1.9
14 billion. Some may suggest or question did the Postal
15 Service abandon this survey because it didn't like the
16 results.
17 THE WITNESS: No, most definitely not. When
18 we got the results and when we saw these results,
19 based upon what we had heard in the qualitative
20 research in which customers basically were reacting to
21 what I call basically a very broad environmental sort
22 of impact statement that went way beyond initiatives
23 of the Postal Service, but it included sort of a
24 perspective that customers were seeing that, yes, we
25 included in there going to five-day delivery, taking

1 actions on small post offices, changing first class
2 service standards.
3 But we also said things like we needed to
4 seek legislative relief from Congress. And, you know,
5 back in the fall, the idea of legislative relief to a
6 lot of customers probably didn't appear very logical.
7 It included a discussion about the potential running
8 out of cash in the summer of 2012, major deficits, $8
9 billion three years in a row. And so there was a
10 great concern in the qualitative researches that
11 people basically were reacting to a variety of things.
12 And so, in the qualitative research, we were able to
13 get them back to talk about, okay, we understand that.
14 We understand your great concern about whether the
15 Postal Service is going to survive.
16 You know, the Postal Service will survive.
17 Now let's talk about the change in first class service
18 standards. So, in the qualitative research, we were
19 able to bring the customers back to let's just focus
20 on the one thing we want to talk about.
21 Now the quantitative research was being
22 conducted at the exact same time as the qualitative
23 focus groups and in-depth interviews. So we got these
24 results. Massive, massive impact on the business.
25 Two years earlier we had conducted research that, you

1 know, we still stand behind, which said that there
2 would be an impact of eliminating Saturday delivery
3 but that it would be the level of impact that was
4 affordable.
5 And so we said this basically puts us in a
6 completely different world. This is not the world in
7 which we are addressing changing first class service
8 standards. And so we said that I don't know how
9 customers would respond to this. What they were
10 responding to, everything. They said, it appears that
11 the Postal Service as we know may no longer exist.
12 What will I do in that world?
13 Well, yes, if they no longer exist, I'm
14 going to have to make major changes. And so they said
15 I can't depend upon the Postal Service. I can't
16 depend upon it for my billing operations, so I'd
17 better really start moving my bills to online billing
18 and payment. I can't count on the Postal Service for
19 advertising, getting into the local retail markets, so
20 I'd better start thinking about using the internet as
21 a way to get into local retail markets.
22 So we were very concerned that the way we
23 had constructed the context around which people are
24 asked to give us estimates on their change in first
25 class mail volume tied to change in first class

1 service standards, that we thought we basically had
2 created a context that gave us information that was
3 not reliable. Not that the numbers were not the
4 numbers we wanted but that they were not the numbers
5 that we could with credibility present to you as a
6 fair estimate of what we think the impact of changing
7 the standards would be in the marketplace.
8 So it was a judgment that this produced
9 research results that were not reliable and not
10 credible that we would present.
11 COMMISSIONER TAUB: I appreciate that. As I
12 said, I think it was important to get that perspective
13 on the record. Those that may have that question, I
14 think, you know, another aspect would go to the idea
15 of, well, maybe that wasn't the reason it was
16 abandoned, but is it important for the Postal Service
17 and policymakers to still look at this data and these
18 results in the context of those other proposals.
19 Given the savings that are estimated here, could it be
20 that the cumulative effect of those other proposals
21 and reaction in essence subsume the savings that may
22 be expected here? Could you address that?
23 THE WITNESS: Yes. I mean, that's a very
24 reasonable question, and I think I was asked that a
25 couple times. And I think that it would be beneficial

1 and it could be useful to have that type of research.
2 We haven't conducted it. It would have to be very
3 carefully constructed in order to ensure that we could
4 actually do the research in a way to protect the
5 credibility.
6 As one example, you know -- or not as an
7 example but as another explanation about our
8 assessment of what we call the Phase I research is
9 when we then went into Phase II and we said we need to
10 be very, very careful to construct the research so
11 that we keep the focus purely on the first class
12 service standards.
13 We see the results in the Phase II research
14 much, much different, you know, relatively consistent
15 with what we saw with the five-day delivery research.
16 And so that was sort of a confirmation that our
17 assessment of the Phase I research was a correct
18 assessment. But as I said earlier, what the
19 cumulative effect of making several changes would be,
20 today I can't and I really wouldn't want to speculate
21 because there is many, many ways that the interplay
22 between different changes could play out in the
23 marketplace.
24 One example would be if, you know, a
25 customer may make a change and it would make the same

1 change if it was eliminating Saturday delivery or
2 changing first class service standards. So, you know,
3 by asking them in two different research, they gave us
4 an estimate for five-day. They gave us an estimate
5 for first class mail. If we combined the two, some
6 customers would give us the same answer because they
7 say I can only change volume once. I could change it
8 for here, I could change it for here, but I don't have
9 two separate, you know, sort of volume applications
10 that I can make a change.
11 So some customers would say if you do one or
12 two, you know, I could respond the exact same way.
13 Other customers, you know, may say, yes, there could
14 be an independent impact on five-day and another
15 impact on change in first class service standards.
16 And so there could be a cumulative effect. And there
17 could be people who basically would say I would
18 respond to one but not the other.
19 And so even if you did two changes, I would
20 only change because you eliminated Saturday delivery
21 or you changed first class service standards. So I
22 really would caution everyone not to jump to the
23 conclusion that in the marketplace that each
24 independent change, if implemented individually, could
25 have its own incremental impact that you would add the

1 results of three separate research studies together.
2 That would not be an appropriate way to evaluate what
3 the impact would be because the marketplace,
4 especially in the commercial sector, is very, very
5 complex in how they make decisions and how they would
6 respond. You know, not necessarily it would be a
7 simple one-on-one relationship between five-day
8 delivery, making a change, changing service standards,
9 making a change.
10 So I just would caution everyone to say
11 there could be an impact because of multiple changes,
12 but what that impact would be may not be what people
13 just on the surface would expect.
14 COMMISSIONER TAUB: I appreciate that. I
15 have two more questions on this issue of the first
16 survey if you will, the one I guess as abandoned or
17 put aside. Looking at that survey, which was put in
18 yesterday and then again today, that one had included
19 questions about mailing behavior with response options
20 such as the use of email, internet, UPS, FedEx.
21 The survey that's in your testimony or is
22 here before us as part of this case doesn't include
23 those options. So I just want to clarify, why did you
24 drop those options in favor of first class, priority,
25 express Postal Service? I realize, you know, the

1 noise issues we talked about, not wanting to get in
2 there, but why, if you could walk through dropping the
3 other options, the use of email, internet, UPS, FedEx.
4 THE WITNESS: Yes. That's a very good
5 question. In the Phase I research -- and I'm just
6 going to use billing as an example. So we asked the
7 customer, for your billing operations, how do you
8 distribute your bills. And so a customer could say,
9 well, I distribute some by first class mail, I
10 distribute some by priority mail, I distribute some by
11 email. And so those were the three options.
12 And then we said, okay, if we implement the
13 change in 2012, how would you distribute the bills.
14 So, if they said in 2011 I send 1,000 bills by first
15 class mail, 1,000 bills by priority mail and 1,000
16 bills by email, and then after the change they said I
17 now will send 500 by mail, first class mail, 500 by
18 priority mail, so, you know, the presumption would be
19 that they would say and I'm going to send 2,000 by
20 email.
21 So we were able to say that change on mail
22 would go from 2,000 to 500. We also learned from that
23 one that email would go from 1,000 to 2,000. So when
24 we were going into Phase II, recognizing that we were
25 asking customers to give us a lot of information --

1 and some of that information really wasn't relevant to
2 the question at hand because to know that email was
3 going to go from 1,000 to 2,000 didn't really matter
4 to us. What we wanted to know was of the originating
5 mail, how much was going to remain.
6 So then we said in Phase II just ask them
7 how much they use mail for. Ask them how much they
8 will use mail for. And that's the difference we want
9 to know about. Whether if they were going to reduce
10 their mail by 1,000, whether they would give those
11 1,000 pieces and distribute them by email or give the
12 1,000 pieces and give them to UPS, it didn't really
13 matter to us. That was not a piece of information
14 that we would make any decisions about.
15 CHAIRMAN GOLDWAY: I would think wanting to
16 know whether your mail went to your FedEx and UPS
17 competitors, and you compete with them -- I can
18 understand the email is not something, but I would
19 think you'd want to know that.
20 THE WITNESS: In a world of postal
21 management, yes. But one of the things that I know is
22 when we do research that there is a high likelihood
23 that will be part of filing at the Postal Regulatory
24 Commission that we get into issues about that research
25 information then becoming public information. And so,

1 you know, from two standpoints, that would be
2 information that the Postal Service and/or UPS, FedEx,
3 the internet server world could competitively take
4 advantage of, and so we said it wouldn't benefit the
5 Postal Service in terms of this decision at hand,
6 which was the purpose of the research.
7 Plus, there could be some competitive impact
8 that would not necessarily benefit the Postal Service.
9 And so we are always very careful when we design
10 research that we know we're going to file that we do
11 take in consideration the fact that this will be
12 public information potentially as opposed to
13 proprietary information just within postal management.
14 COMMISSIONER TAUB: I appreciate that.
15 Indeed, you know, part of our whole issue today was
16 the nonpublic status of some of these filings.
17 Last question I had, I had asked the
18 previous witness, and, you know, given that this is in
19 the same arena, I talked a little bit about the
20 confidence intervals. And in one of the NALC
21 responses, T12-13, it had at least implied some large
22 standard errors there. And so I just wanted to give
23 you an opportunity if you could for the record discuss
24 these revenue and contribution estimates given those
25 large standard errors.

1 THE WITNESS: In that line of questioning
2 regarding the statistics and the confidence intervals,
3 I have no expertise in that element of research.
4 COMMISSIONER TAUB: Thanks.
5 CHAIRMAN GOLDWAY: So you're relying
6 exclusively on that 1.7 percent number even though
7 there are questions about confidence intervals and
8 reliability of the data.
9 THE WITNESS: What I'm really relying on is
10 the advice and counsel of ORC, you know, as a leading
11 market research company that when we contract with
12 them, this is the level of expertise that we rely on
13 from our supplier. So they are one of the most well-
14 known and respected research companies in the country,
15 and so we do take their advice and counsel very, very
16 seriously, and the recommendation was that the quality
17 of that information comprehensively was research that
18 with credibility we could present to the Commission
19 with credibility.
20 CHAIRMAN GOLDWAY: Commissioner Langley,
21 Vice Chair Langley?
22 VICE CHAIRMAN LANGLEY: Thank you very much,
23 Madam Chairman. And thank you, Mr. Whiteman. We
24 really appreciate your being here, your testimony and
25 that of Ms. Elmore-Yalch. You were both very open and

1 forthright, and I think you answered a tremendous
2 number of questions and certainly helped clarify from
3 your perspective of Phase I and Phase I whether or not
4 Phase I was abandoned. And I think the information
5 that will be filed tomorrow will also be helpful. I
6 do believe that the next two days' witnesses will have
7 a hard act to follow from both of you.
8 One thing that caught my attention, and most
9 of the questions that I've had have already been asked
10 by other people, but in response to your discussion
11 with Mr. Laver, the public representative, you
12 mentioned that both in the six-day review and this
13 current analysis that customers are willing to adapt.
14 Adaptation seems to be a central point here.
15 But I notice from your testimony that in the
16 analysis before us, both customers and commercial
17 mailers indicated a real willingness to migrate to
18 electronic communication. Was that apparent when you
19 were doing the six-day review? I'm just curious.
20 THE WITNESS: Yes.
21 VICE CHAIRMAN LANGLEY: And I realize -- so
22 it was.
23 THE WITNESS: Yes. And that's a very, very
24 I think insightful point because when we talk with
25 customers about how they would respond, you know, what

1 we knew and then what was confirmed in the qualitative
2 research and implicitly in the quantitative research
3 was one of the reasons why they said that they could
4 adapt was the fact that the internet is a robust way
5 of communicating.
6 So we recognize that the Postal Service is
7 in a very competitive marketplace. And I know from a
8 legal standpoint we have this concept of the
9 competitive side and the market-dominant side. But
10 all our products in the market-dominant side are in
11 very, very competitive markets. So standard mail is
12 in a very competitive advertising marketplace.
13 Billing and payments obviously are in a very, very
14 competitive marketplace with the internet.
15 And so what we heard was customers basically
16 saying we do use you. We do value you. We want you
17 to preserve. We want you to be able to offer us
18 convenient services, quality services. But they said
19 that if necessary, I have alternatives and if you have
20 to make these changes to survive so that you can
21 continue to be a viable supplier in the marketplace,
22 then take the actions really necessary. I may change
23 my usage, but that doesn't mean that I don't value you
24 and I won't continue to use you. I just will shift
25 what we call share of wallet, how much do we get

1 versus how much do the competitors get. But that's
2 the nature of competitive marketplaces where customers
3 always have the ability to adapt.
4 And I can tell you that no one in the Postal
5 Service basically has said my preference is to make
6 these changes. There is no one who has said I would
7 prefer to eliminate Saturday delivery or I would
8 prefer to change first class service standards. What
9 we have been forced to acknowledge is that these may
10 be things that we have to do because the alternative
11 is even worse to American consumers and American
12 business and it's regretful.
13 And my research basically demonstrates that
14 customers understand and they'll be able to adapt and,
15 yes, we will lose business. But that's sort of the
16 price that we're being forced to accept in order to
17 avoid those alternatives, which I don't think anyone
18 wants to, you know, experience.
19 VICE CHAIRMAN LANGLEY: And that's probably
20 the importance of both your testimonies today was
21 bringing together Phase I and Phase II of these
22 surveys because I think there was some concern at
23 least on my part that everything was being looked at
24 in isolation, and I can see that there is a lot more
25 work being done.

1 Because electronic communications and
2 diversion is such a threat, particularly to first
3 class mail, how does the Postal Service track
4 electronic diversion? Is there a way that you can do
5 that to see what is moving?
6 THE WITNESS: There is two ways. One,
7 obviously, you know, we look very, very carefully at
8 our own internal data. Automation of first class
9 mail, which is where the billings and -- large-scale
10 companies are using first class mail for advertising.
11 That's where those applications, you know, are
12 embedded. Single-piece, first class mail is where
13 most of the payments are embedded.
14 So by definition, when you see those changes
15 in volume, especially in single-piece first class
16 mail, the biggest source of that decline in single-
17 piece first class mail is consumers migrating to
18 online payment. Some of that reflects businesses who
19 use full-rate first class mail for their invoicing, so
20 as some of those businesses are beginning to bill
21 their customers electronically, we're also losing
22 single-piece first class mail from small businesses, a
23 small retailer on Main Street.
24 So, you know, we look at our own internal
25 data very carefully. But then we also do what we call

1 secondary research where we're basically, you know,
2 spending time looking at what's being reported. So we
3 look at fed reports and we look at reports being
4 published by companies that are on the consulting
5 space. A lot of companies are doing research and then
6 publishing research in the marketplace because it's
7 part of their business development strategy. So there
8 is a lot of companies who are reporting what's going
9 on in that space, financial transaction space, the
10 advertising space.
11 So we have a variety of sources that we just
12 continue to track, internal and external, and then we
13 evaluate them, and then we say, okay, what's driving
14 that, you know, what are the causes behind that. And
15 that's then where strategically we go through a
16 thinking process by trying to connect the dots.
17 And I think we do the type of secondary
18 research in the competitive marketplaces that I
19 honestly believe is the type that if you were talking
20 to someone at AT&T or someone at FedEx, UPS or Apple,
21 that I honestly believe that you would hear them
22 talking in the exact same way in terms of how they
23 track their competitive marketplaces.
24 VICE CHAIRMAN LANGLEY: Thank you again for
25 your responses. I appreciate it.

1 CHAIRMAN GOLDWAY: Thank you. I have a few
2 questions. I want to be clear again about the
3 process. We know that the Postal Service has been
4 thinking about consolidating its network for a long
5 time and in fact has been moving in that direction
6 with various AMPs. But at some point, I would imagine
7 last spring, they decided to move forward with a
8 comprehensive plan and assumed that they would have to
9 come to us for an advisory opinion.
10 So who was it who came to your office and
11 said, Mr. Whiteman, we need to prepare some material
12 for research and filing to the Postal Regulatory
13 Commission and you need to develop some studies? When
14 did that occur?
15 THE WITNESS: I was brought into it from a
16 management standpoint in the early summer.
17 CHAIRMAN GOLDWAY: And who were the people
18 who you had to report to on that?
19 THE WITNESS: Well, the key person who
20 brought it all together for us from the senior
21 management standpoint was Dave Williams. And so, you
22 know, Dave put together basically a process by all key
23 stakeholders who were going to be critical to
24 evaluating the decision moving forward brought
25 together, and they included my group, you know, with

1 the clear recognition that as we move forward, you
2 know, we need to understand the marketplace and how
3 the marketplace will respond.
4 CHAIRMAN GOLDWAY: Okay. So when you were
5 all discussing this, did you talk about the kind of
6 scope of the study you would do?
7 THE WITNESS: In broad terms, we talked
8 about how market research could be used, what
9 information we could develop. In terms of details of
10 questionnaire development sampling, you know, that was
11 left to us.
12 CHAIRMAN GOLDWAY: Okay. So did you
13 actually read our RAOI decision in which we pointed
14 out that the Postal Service ought to be considering
15 the cumulative impact of their different service
16 changes? We've made that recommendation at various
17 times.
18 THE WITNESS: And the only thing that I've
19 read from an opinion standpoint was the five-day
20 opinion.
21 CHAIRMAN GOLDWAY: I'm not quite sure
22 whether that was out in the summer. So, when you met
23 with ORC and apparently you give them the direction
24 and develop the initial context --
25 THE WITNESS: Right.

1 CHAIRMAN GOLDWAY: Contextual question. Who
2 was it who determined that the overall situation of
3 the Postal Service and the many potential actions for
4 reduction in service that are being considered would
5 be included in that contextual statement?
6 THE WITNESS: That was driven by my
7 direction.
8 CHAIRMAN GOLDWAY: Okay. So it wasn't Mr.
9 Williams. That was your thinking that it would be
10 useful to have this comprehensive review. Now you're
11 an experienced researcher. You've done this for a
12 long time. Do you have a sense that the response you
13 got, whether it was specifically relevant to this
14 particular study, but the response you got from those
15 qualitative interviews and the quantitative data was
16 valuable information?
17 THE WITNESS: The qualitative, most
18 definitely. And as I mentioned earlier, the reason
19 why the qualitative research was able to provide those
20 insights to allow us to understand customers in
21 different segments, consumers, small businesses, was
22 because while they reacted in a sense of everything
23 that was in this context and it overwhelmed them, they
24 began to talk about what they would do and what it
25 would mean to them in context of everything happening

1 almost as if it was all going to happen at the same
2 time because basically that's how it was presented.
3 We gave them basically a description that
4 said these are the things that are going to happen.
5 CHAIRMAN GOLDWAY: That's how the Postmaster
6 General is presenting it.
7 THE WITNESS: And in the focus groups,
8 though, and the in-depth interviews, we were able to
9 bring the customers back into a more rational
10 discussion. So after they expressed their concerns
11 and started talking about it, we said, okay, you know,
12 that's interesting, we understand, but let's just talk
13 now about it. The Postal Service changes these
14 service areas.
15 CHAIRMAN GOLDWAY: Okay. Yes, but --
16 THE WITNESS: Now, in the quantitative
17 research, we gave them -- in the Phase I research. In
18 the quantitative research, we gave them the exact same
19 statement. But there was no way for us then to go
20 back and have them just react to the one change.
21 CHAIRMAN GOLDWAY: Okay. But if they were
22 reacting to the whole panoply of possible changes,
23 which is what the Postmaster General is advocating --
24 he's advocating the whole shebang here. He wants it
25 all.

1 THE WITNESS: But there was more in the
2 context than just the three service initiatives.
3 There was a context of legislative relief --
4 CHAIRMAN GOLDWAY: Right, as they're
5 losing --
6 THE WITNESS: Losing billions of dollars
7 year after year.
8 CHAIRMAN GOLDWAY: Yes. That's what the
9 Postmaster General -- that's the current political
10 discussion, current public policy discussion that is
11 circulating. I think your question was an honest
12 reflection of what is in fact the debate that is going
13 on now. And if your research indicated that customers
14 responded to that debate by walking away from the mail
15 in huge numbers, in huge volume numbers, doesn't that
16 concern you? Doesn't that response by customers
17 indicate to you that there are some at least real
18 problems about the public debate that's going on now
19 and how customers react to that?
20 THE WITNESS: You know, the short answer is
21 yes. But my cautionary remark is that the reaction
22 that we saw quantitatively, I can't and I don't want
23 to say that that reaction is because they were
24 reacting in addition to the service standard changes.
25 They were reacting to eliminating Saturday delivery

1 and closing post offices. We also brought in all
2 these other elements.
3 CHAIRMAN GOLDWAY: Yes.
4 THE WITNESS: And so I caution -- we should
5 say --
6 CHAIRMAN GOLDWAY: But if you were to take
7 all those elements --
8 THE WITNESS: Everything? Yes.
9 CHAIRMAN GOLDWAY: It is a reflection of the
10 current political debate and the choices that are
11 being presented to people, which are all of them. Now
12 I understand for this particular docket that we're
13 looking at, it's responsible on your part and
14 responsible on our part to focus on the particular
15 action at hand, just as we did with Saturday delivery.
16 But to be responsible for the future of the
17 Postal Service, don't you think that information that
18 you garnered from that Phase I is useful?
19 THE WITNESS: It's useful as long as you
20 understand that -- all I want to caution people --
21 because I'm concerned that people are going to take
22 those results and just react to if in addition to the
23 first class standards they also eliminate Saturday and
24 take some action regarding post offices. I'm afraid
25 that they're going to take these numbers and just say

1 it just reflects those three things.

2 CHAIRMAN GOLDWAY: I'm not doing that. I'm

3 recognizing --

4 THE WITNESS: And if all these other things

5 came into play in sort of what I call the doomsday --

6 CHAIRMAN GOLDWAY: Yes.

7 THE WITNESS: -- environment, you know, yes,

8 I think that the marketplace would be fragile.

9 CHAIRMAN GOLDWAY: And the discussion about

10 a death spiral that people have been talking about is

11 validated to some degree by the response you got

12 there. It's a cautionary note for us all to have, and

13 I'm glad that this information has surfaced even

14 though I realize it may not be the precise information

15 we need for this case.

16 Another question I have for you is you were

17 talking about how when people have these qualitative

18 discussions and they say, well, do this, do this, but

19 don't raise my price, don't raise the rates, do you

20 think there is any product or service in the United

21 States where people would say it's okay to raise my

22 price?

23 THE WITNESS: No. But what I --

24 CHAIRMAN GOLDWAY: Maybe iPods, maybe iPads.

25 THE WITNESS: Maybe. Well, there is a

1 classic case of many years ago about the original
2 calculator with Texas Instruments where that actually
3 occurred, where they increased their price by five
4 times and like quadrupled their sales. But there were
5 a lot of reasons behind it. But there are some cases.
6 What I do try to communicate is that a price
7 increase itself will not necessarily drive a different
8 behavior on the part of customers because a price
9 increase is really the price in comparison to
10 alternative prices and, you know, depending upon your
11 price versus your competitor's and how much you
12 increase your price, whether you're changing sort of
13 the competitive price value relationship between two
14 different products.
15 If you're intensely competitive, a price
16 increase is much more damaging to you than if you're a
17 low price in the marketplace and you have pricing room
18 below your competitor. Some people will say you've
19 got to be very careful that you don't leave money on
20 the table in pricing in competitive marketplaces.
21 So this conversation frequently comes up
22 that any price increase is one that's going to drive
23 negative behavior on the part of customers. And there
24 are cases, yes, you will find that. But there are
25 other cases where, you know, you have room to increase

1 your prices and you won't find people leaving you.
2 They're paying more, but the option of leaving you
3 would be they would have to pay even more to someone
4 else.
5 CHAIRMAN GOLDWAY: So my point in asking
6 that question is when you get these responses that
7 say, well, we'll manage with adjusting to a lower
8 delivery standard as long as you don't raise my price,
9 do you think that that's really a reliable response
10 given the fact that price doesn't necessarily really
11 change people's behavior? Maybe they would prefer a
12 price increase to this change in the service
13 standards.
14 THE WITNESS: Well, what we heard was more
15 -- in this case, qualitatively, we did not create this
16 conversation, so this came organically from customers
17 who started responding. But what they said, though,
18 was if you really need to take action to help solve
19 your financial problem, we would much rather have you
20 take action such as changing first class service
21 standards because I can deal with that as opposed
22 to -- and this was basically the way they described
23 it, different words, but basically the way I
24 summarized it, a significant price increase.
25 And I think when people are talking about a

1 significant price increase, you know, they would be
2 talking about 5, 10 cents. A one- or two-cent price
3 increase is basically the norm. You know, we just
4 went from 44 to 45. So there is an expectation that
5 the Postal Service will be increasing its prices on a
6 regular basis in a reasonable manner.
7 But what they were saying was if you take
8 action such as changing first class service standards,
9 if you right-size your network, if you get your
10 operations to be more efficient, you know, basically
11 that's a type of action that you can then move forward
12 on and build upon, but that if you just increase your
13 prices significantly, we're not confident that you're
14 going to be taking really key internal management
15 decisions to get yourself in the right shape.
16 And customers, you know, were reflecting
17 this sense that sometimes you've got to be careful
18 that you don't use a price increase and then say,
19 okay, now we've got the additional revenue coming in.
20 We don't have to take action. Then all you're doing
21 is you're pushing off the inevitable or --
22 CHAIRMAN GOLDWAY: But what you've done is
23 you're relying on qualitative responses that included
24 this whole comprehensive issue that the Postal Service
25 is in real trouble and has structural problems and

1 we've got to make the changes. But then on the
2 quantitative, you've presented data that's just
3 dealing specifically with going from overnight to two-
4 day delivery, and you're not dealing with those bigger
5 issues. So there is some disconnect between the kind
6 of responses you get in the qualitative, which have
7 this big background, and the data that you're relying
8 on for this case that's quantitative.
9 THE WITNESS: Yes. I'm confident that even
10 in the qualitative it was because we were able to
11 bring them back. You know, after they began to react
12 to everything that they had read, then we were able to
13 bring them back. And that's where we had the fruitful
14 conversation about the change in first-class mail
15 standards versus the significant. That's when that
16 conversation occurs, after we got them back and sort
17 of focused on the thing at hand, which got a
18 comparable to the Phase II quantitative research.
19 CHAIRMAN GOLDWAY: I appreciate your
20 confidence in it and your confidence in ORC, but it
21 raises some questions for me.
22 The last concern that I had was that we had
23 asked for the data behind the Phase I study and that
24 we wanted to make sure that we would get that
25 information and wanted to know when that would be

1 available. You said that you would file the
2 underlying data from that survey, the Phase I survey.
3 We had discussed this earlier today, and we wanted to
4 know when that would be.
5 MR. HOLLIES: That's not my understanding.
6 That data has not been finalized. That data is not
7 being released, as we heard from Witness Elmore-Yalch
8 earlier today. What we have are the -- let me
9 rephrase that. We don't have the respondent-specific
10 information and they have not prepared it to the level
11 that they would release it.
12 What we do have and what we have supplied is
13 the results of that research measured at the
14 application and segment levels. So, for première and
15 premium and preferred accounts, small businesses, very
16 small businesses and consumers across different
17 applications, such as advertising, billing and such,
18 that information is embedded in the very spreadsheet
19 whose final worksheet we were talking about earlier.
20 That you already have. That's all that the Postal
21 Service has to give.
22 CHAIRMAN GOLDWAY: All right. We will go
23 over the transcript from the testimony today and will
24 determine to the extent we discussed this issue. Our
25 understanding is different. Given the potential

1 importance of this study, we believe the Postal
2 Service needs to finalize and provide the underlying
3 data, and we will look at the transcript today and
4 determine how we can proceed to make sure we get that
5 data. We'll leave it at that for the moment.
6 I believe that this concludes our -- oh, no,
7 we have an opportunity to redirect. So let's break
8 for 10 minutes?
9 COMMISSIONER TAUB: Madam Chair, just to
10 clarify, maybe this is a good opportunity to maybe get
11 a point of contact where everyone can turn in this
12 information that was shared so we can make sure the
13 Postal Service has that collected from anyone who
14 still has it.
15 CHAIRMAN GOLDWAY: Absolutely. Let's turn
16 in this document, and we will reconvene within -- you
17 need 10 minutes?
18 MR. HOLLIES: No more than 10 minutes. And
19 my colleague, Keith Nusbaum, who is circulating
20 through the room, if you could give him your copies,
21 that would be very much appreciated.
22 CHAIRMAN GOLDWAY: Okay. And we will see
23 you all here at 4:20.
24 (Whereupon, a short recess was taken.)
25 CHAIRMAN GOLDWAY: I've been informed by

1 Postal Service counsel that there will be no redirect,
2 so I'm calling this meeting back to order a little bit
3 sooner than our scheduled time so that we can all
4 leave as soon as possible.
5 This concludes your participation here, Mr.
6 Whiteman. Thank you for your participation. You're a
7 very eloquent advocate for the Postal Service and gave
8 us a good explanation of your work here on the
9 studies, and we think that your contribution to the
10 record is really going to be useful to us in making
11 our final decision. So I appreciate your
12 participation, as I think all of us here do today.
13 I'm adjourning this meeting, but we are
14 continuing tomorrow, and I will see you all here at
15 9:30, where we have Witnesses Bratta, Martin and
16 Rosenberg scheduled to go through the same procedures
17 that we've gone through today. Thank you all for your
18 participation and patience with my oversight here, and
19 we look forward to seeing you tomorrow.
20 (Whereupon, at 4:20 p.m., the hearing in the
21 above-entitled matter was adjourned, to reconvene at
22 9:30 a.m. the following day, Thursday, March 22,
23 2012.)
24 //
25 //

REPORTER'S CERTIFICATE

DOCKET NO.: N2012-1

CASE TITLE: Mail Processing Network Rationalization Service changes, 2012

HEARING DATE: 3/21/12

LOCATION: WDC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before Postal Regulatory Commission.

Date: 3/21/12

Gabriel Gheorghiu

Official Reporter
Heritage Reporting Corporation
Suite 600
1220 L Street, N.W.
Washington, D.C. 20005-4018