

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

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS WHITEMAN TO
QUESTIONS POSED DURING ORAL CROSS-EXAMINATION**

The United States Postal Service hereby provides the responses of witness Whiteman to questions raised during his oral cross-examination in this docket on March 21, 2012, at transcript pages 807-10 and 814-16. Citations to questions are provided, with questions paraphrased then followed by the responses.

Respectfully submitted,

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RESPONSE OF WITNESS WHITEMAN TO QUESTION RAISED DURING
ORAL CROSS-EXAMINATION

Tr. V3/807-10 Period Of Performance or Timeline for Phase 1 Market Research

RESPONSE:

Part 1:

The Postal Service has a basic ordering agreement with various market research firms, including ORC International (ORC). When we discussed this contract with ORC, the original plan was to move quickly and complete both quantitative and qualitative analyses in five weeks. The statement of work (SOW) for what has become known as the Phase 1 market research¹ established a series of goals measured in days from the date the contract was awarded. Separate schedules were provided for quantitative versus qualitative research, which were pursued in parallel.

In the SOW the period of performance was defined in terms of days after the contract award, as shown below. However, given the need for timely execution of the research, we proceeded to initiate work with ORC on July 22 before the

¹ The Phase 1 market research had both qualitative and quantitative components, conducted in parallel on an aggressive schedule. The concept statement used in Phase 1 identified the full range of possible strategies the Postal Service has announced are under consideration as ways of addressing its financial situation. See, e.g., library reference USPS-LR-N2012-1/70 (Large Commercial Accounts questionnaire, p. 11). The Postal Service became worried during Phase 1 that participants and respondents were responding to the broad concept statement rather than the intended focus—changes in First-Class Mail service standards (Tr. 616-17)—with the result that substantial variance was introduced into the quantitative work from which the specific impact of changes to First-Class Mail service standards could not be discerned. Tr. 676, lines 12-25; 681-82, 733. [*This last citation is to the designated response of witness Whiteman to DFC/USPS-T12-9; since the transcript is missing the second page of that response, the full question and response are attached here.*] While the qualitative market research from Phase 1 could be utilized because moderators/interviewers were able to refocus participants attention back upon their responses to changes in First-Class Mail service standards, no tool for correcting focus existed in the quantitative research design. Tr. 883-84. Hence when preliminary quantitative results seemingly confirmed that respondents were also not focused exclusively upon changes in First-Class Mail service standards, the need for a better focused concept statement in Phase 2 of the research was recognized (Tr. 865-68) and commenced “within a one to two week timeline after we had presented ... preliminary results.” Tr. 648.

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actual contract was concluded. Thus, the original statement specified that the qualitative and quantitative research would be completed in five work weeks, or by the end of August. Five additional work days were then allowed for the completion of testimony. Below is the SOW section of the work schedule.

Period Of Performance

The key factor in the scheduling of this project is that the due date for the qualitative report and the data tabulation from the quantitative research is September 1. Therefore, we will start both the qualitative and quantitative research at the same time.

Key timing after contract award is:

Work days

Qualitative Research

Telecon to initiate the project	2
Develop Recruitment Screener and Discussion Guide	5
Complete groups/IDIs	20
Completion of report	25

Quantitative Research

Telecon to initiate the project	2
Develop sampling plan	5
Revise questionnaire	5
Complete field interviewing	20
Prepare data tabulations	25
Write testimony	30

Part 2:

Witness Elmore-Yalch has also provided me with her understanding, in the form of a chart, for how the schedule and actual events converged. While it largely conforms with information provided above (including footnote 1), I am also making her chart available since this issue has drawn attention.

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Schedule

Task	Date
Statement of Work Issued	7/10/2011
Contract Approval / Notice to Proceed	7/22/2011
Data Collection	8/5/2011 – 9/13/2011
Preliminary Forecasts Provided	10/7/2011
Statement of Work Issued – Phase 2	10/19/2011
Contract Approval / Notice to Proceed	10/20/2011
Data Collection	10/26/2011 – 11/8/2011
Final Forecasts Provided	11/22/2011

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

RESPONSE:

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

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

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

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

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

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

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Tr. V3/814-16 COST OVERLAP BETWEEN PHASE 1 AND PHASE 2

[Illustrative discussion from transcript]

CHAIRMAN GOLDWAY: Does their record include how much of funds were still available from Phase I to be allocated to Phase II? I think the question is –

MS. WOOD: That's exactly --

THE WITNESS: Yes, we didn't -- I mean, we didn't ask for that. We knew how much was still available, and so when they gave us a revised funding, that included the fact that there was still money available to fund the additional work.

CHAIRMAN GOLDWAY: Well, then how much was available?

THE WITNESS: Well, I don't have that information, you know, available right now.

CHAIRMAN GOLDWAY: I think we could use that information as to how much was available and get a better sense of how much of the work was completed in the contract.

RESPONSE:

My responses during oral cross-examination were based on two things:

- 1) earlier in that day's testimony, witness Elmore-Yalch indicated from the witness stand that data processing costs had been less than expected; and
- 2) my understanding of the approximate total invoice value the Postal Service had processed from ORC International (ORC) and paid for Phase 1 of the research compared to the total fixed price amount set by the contract. Had I attempted a guesstimate at that time, it would have been that perhaps as much as five percent of the overall contractual amount had not been spent. The transition between research for Phase 1 and Phase 2 was, however, quick; moreover, as I explain, identification of particular expenses as being in Phase 1, as distinguished from Phase 2, is neither easy nor particularly constructive.

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Since my appearance for cross-examination, I have taken time to consult with ORC and examine my records on this question, which has improved my understanding. Work had been completed by the time we transitioned to Phase 2 that had yet to be invoiced to the Postal Service. In general terms from ORC's perspective, ORC had incurred costs less than planned for data processing, but greater than planned for design and programming of the questionnaires and data collection. (These changes from planned cost incursion were not brought out on witness Elmore-Yalch's oral cross-examination, so I was unaware of them during my appearance on the witness stand.)

My understanding now is that, had ORC invoiced the Postal Service for all of its justified work on the contract and the Postal Service had made payment, little to no money from Phase 1 would have remained. By answering this "homework" question after getting additional information, I am now better informed. However, additional information does not entirely forestall possible speculation, since decisions by ORC regarding what it might have invoiced, when approaching the limit for a fixed price contract, never actually had to be answered.

A further potential complication necessitated by the quick switch to Phase 2 arose from the fact that some of the work undertaken for the quantitative part of Phase 1 (the qualitative part of Phase 1 was utilized completely in the market research testimony and in this docket), such as the questionnaire design, some programming of the questionnaires, the general sampling plan, computation of the forecasts, *etc.* – most of section 6 within USPS-T-11, could be utilized in

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Phase 2 with modest updates. The estimate of costs provided by ORC for Phase 2 took into account these efficiencies.

While I was not fully aware of how far ORC had gotten with every element of the planned Phase 1 (although I did receive a first set of preliminary estimates), ORC had complete knowledge of where it stood when it was asked to estimate costs for a Phase 2. ORC knew precisely what work had been done, and—at least better than I did—what could be reused and which required modification or supplantation for the Phase 2 examination of a narrower concept statement that focused exclusively upon volume changes driven by First-Class Mail service standards changes. The back and forth between the Postal Service and ORC quickly arrived at an agreed upon fixed price for Phase 2. But the estimate was based on a firm and shared understanding that Phase 2 would resemble Phase 1 in many respects except for the narrowed concept statement.

The divergence between witness Elmore-Yalch's and my total knowledge of what costs had already been incurred, what had yet to be invoiced, and which work could be used in Phase 2, explains why, in the Postal Service's discussions with ORC to develop an estimate for Phase 2 that assumed an immediate transition to Phase 2 and abandonment of Phase 1 quantitative research, I thought more of the Phase 1 money was available for Phase 2 than actually proved to be true. The Postal Service focus was upon price for and timely completion of Phase 2. We are gratified by ORC's rapid transition.

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Notwithstanding my understanding that little to no funds remained from Phase 1 for use in Phase 2, witness Elmore-Yalch estimates that using the existing sample plan and some of the questionnaire resulted in a cost for Phase 2 that was lower by over \$40,000 than it would have been if ORC International had started the study from scratch. Since she is looking at this question based on a perspective somewhat different from my own, I believe both estimates are reasonable.