

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

MAILING ONLINE EXPERIMENT

Docket No. MC2000-2

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS GARVEY TO INTERROGATORIES OF  
THE MAIL ADVERTISING SERVICES ASSOCIATION, INTERNATIONAL  
(MASA/USPS-T1-1-13)

The United States Postal Service hereby provides the responses of witness Garvey to the following interrogatories of the Mail Advertising Services Association, International: MASA/USPS-T1-1-13, filed on December 15, 1999.

Each interrogatory is stated verbatim and is followed by the response.

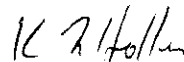
Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.

Chief Counsel, Ratemaking



Kenneth N. Hollies

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-1. Confirm that, on the first day of the experiment, if approved, MOL will not have the following capabilities:

- a. Full color printing;
- b. First [C]lass single piece mailings where the address is different for each piece;
- c. Nonprofit Standard Mail (A);
- d. Priority [M]ail;
- e. Express [M]ail; and
- f. International rates.

RESPONSE:

- a. Confirmed.
- b. Not confirmed.
- c-e. See my response to OCA/USPS-T1-4(c).
- f. Not confirmed. Currently our plans are to offer international rates on the first day of the experiment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-2. For each of the capabilities listed in MASA/USPS-T1-1, state when you currently expect the capability to be available on MOL, and explain the basis for and any assumptions underlying your response.

RESPONSE:

International rates: see my response to MASA/USPS-T1-1(f).

Full color printing: as stated in my testimony, we hope to expand into full color printing during the course of the experiment, however, no firm implementation date has been determined.

First class single piece: see my response to MASA/USPS-T1-1(b).

Nonprofit Standard Mail (A): see my response to OCA/USPS-T1-4(c).

Priority Mail, Express Mail: see my response to OCA/USPS-T1-4(c). As stated in my testimony, we expect to provide Priority Mail and Express Mail service during the course of the experiment; however no firm implementation date has been determined.

These responses suggest that the modifier "(starting on a date to be specified by the Postal Service)" proposed for various subparts of DMCS § 981.22 should also be applied to parts (a), (d), and (e) of that section.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-3. Identify all special services to which you refer on page 12 lines 10-11 of your testimony. With respect to each, answer the questions in MASA/USPS-T1-1 and MASA/USPS-T1-2.

RESPONSE:

Although we currently have no definitive development schedule, the provision of special services such as certificates of mailing, certified mail, and return receipts is contemplated during the experiment. The schedule and timing of the development and implementation of particular special services will be determined after further research is conducted into actual user requirements. A more complete understanding of the challenges to be overcome during the launch of the basic service is also necessary prior to finalizing a development schedule.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-4. For what types of mailings will MOL have batching capability as of the beginning of the experiment, if approved; what additional types of mailings will MOL subsequently be able to batch before the end of the experiment; and when do you expect such additional batching to be possible? For each type of mailing for which batching will not be available at the beginning of the experiment, state when you currently expect batching to be available, and explain the basis for and any assumptions underlying your response.

RESPONSE:

Currently, my understanding of the anticipated batching capability at the beginning of the experiment is thus:

- Due to production requirements, each combination of paper size (8.5" x 11", 8.5" x 14", 11" x 17"), individual spot color (red, green, blue, magenta) and finishing option (staple, tape binding) requires unique batching;
- Batching is further based upon page count as it determines envelope size. For letter size paper (8.5" x 11"), five or fewer sheets are batched for folding and insertion into #10 envelopes; for legal size paper (8.5" x 14"), four or fewer sheets are batched for folding and insertion into #10 envelopes. Letter and legal size documents with higher page counts (for all batches determined as above), as well as 11" x 17" documents, are commingled into batches for insertion into flat size envelopes.
- Mail merge and non mail merge documents are commingled, within batches created as described above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-5. State whether any changes in MOL since the inception of Docket No. MC98-1 affect your belief that the users of MOL will be short-run small office/home office users of the mails. Please explain the reasons for your answer.

RESPONSE:

*My beliefs regarding the characteristics of potential users of MOL have not changed.*

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-6. State whether the USPS intends to make available to any other users of the mail an exemption from the minimum quantity requirements for automation discounts for standard or first class mail [SIC]. If so, describe the criteria that the USPS will apply to determine whether a mailer qualifies for such exemption and explain the reason for each criterion. If not, explain why not.

RESPONSE:

As previously indicated in Docket No. MC98-1, the Postal Service is quite willing to "level the playing field" by extending to other hybrid mail providers exemptions from the volume minimums that are applied to volume entered via Mailing Online. Such other service providers would need to develop a means comparable to Mailing Online for driving from the mail processing system costs related to automation compatibility, presortation, and destination entry. The DMCS language proposed for this experiment does not include any specific means for "leveling the playing field". Since the proposal is only for an experiment, and no service has yet been created that even approximates the cost savings methods of Mailing Online – meaning that the extent of comparability cannot be determined at this time, such DMCS language now appears premature. However, the Postal Service would not object to being given the opportunity to discuss and define appropriate comparability, and perhaps even implement it, during the experiment rather than waiting for a permanent service offering.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL**

**MASA/USPS-T1-7. Identify all of the pre-qualified vendors seeking to provide print/mail services, as referenced at p. 7, lines 9-12 of your testimony, and specify which of them are members of MASA. Produce any list of pre-qualified vendors and all documents relating to the process of identifying and evaluating proposed printers.**

**RESPONSE:**

The following suppliers have been prequalified:

Access Communication Systems, Inc.  
Corporate Communications Group  
Datamart/Advanced Mailing Services  
Data Transmission Service Inc. dba Mailsort-Chicago  
Federal Computer Corporation  
IKON Office Solutions  
Moore Business Communication Services  
Omni Direct  
Output Technologies  
Pitney Bowes  
Starnet  
Vestcom International  
Webtrend Direct  
Xerox Business Services

Based on a 1998 copy of The MASA Buyers' Guide to Blue Ribbon Mailing Services, the following companies appear to be members of MASA: Access Communication Systems, Inc.; Datamart/Advanced Mailing Services; Omni Direct; and Webtrend Direct.

Documents relating to the process of identifying and evaluating proposed printers are the prequalification package and solicitation. Basically, an interested bidder can become prequalified by indicating its ability to provide the services specified in the solicitation. Thereafter, an actual bid provides specific numbers relating to the solicitation, so the key document is the solicitation. Since the one for New York is being updated before use in Los Angeles and Chicago, both the



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

prequalification package and solicitation will be provided when that update cycle is complete. This will likely occur early in January.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-8. Identify all MASA members who have shared with you their expectation that MOL is likely to complement their marketing strategies and stimulate the total market for mailing, as stated at page 7, lines 12-15 of your testimony; describe in detail any communications you have had with them concerning this subject; and produce any documents related thereto.

**RESPONSE:**

No record has been kept of specific MASA members' comments concerning their expectations. My testimony is based upon recollections of anecdotal exchanges at recent National Postal Forums (NPF) in Chicago, Illinois and San Antonio, Texas. NPF attendees identifying themselves as MASA members were in attendance at presentations regarding Postal Service electronic commerce initiatives and either commented publicly or approached me individually to express opinions regarding expectations reflected in my testimony.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-9. Have any MASA members or other mail preparation services shared with you any concerns about MOL? If so, identify the MASA members or others, describe in detail any communications you have had with them concerning this subject and produce any document related thereto.

RESPONSE:

To the best of my recollection, aside from the oral communications described in MASA/USPS-T1-8 above, I have not had any MASA members or other mail preparation services share any concerns about MOL with me.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-10. Confirm that "rapidly changing printing technology" during the three-year MOL experiment, if approved, could cause digital printing to become cost-efficient for runs well in excess of 5,000 pieces.

RESPONSE:

Confirmed that rapidly changing technology, including printing technology, is highly likely to impact Mailing Online during the three years of the experiment. However, I am unable to confirm that I am personally aware of any change in printing technology which could cause digital printing as it has been implemented for Mailing Online to become substantially more cost-efficient. In particular, I do not expect that the flat rate pricing for digital printing (*i.e.*, the 5000<sup>th</sup> copy costs the same as the first copy in a one-copy run) will change, meaning that other printing technologies are likely to retain their economies of scale for larger mailings.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-11. Explain meaning of "third party value-added vendors" on page 13 line 2 of your testimony.

RESPONSE:

Third party value-added vendors in this context include (but are not limited to): mailing list vendors and service bureaus, graphic designers, direct mail consulting firms, software vendors, online portals, and various established mailing services firms seeking to provide an auxiliary small-volume service for their existing customers.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

MASA/USPS-T1-12. State whether the USPS intends to make available to other users of the mail as well as through MOL on-line authentication for nonprofit status verification, and thereby to allow other users of the mail to use an authorization to enter nonprofit mail at more than a single post office.

RESPONSE:

*The Postal Service has yet to establish the specifics or long term plans of how it will apply online authentication of nonprofit status. However, my understanding of the primary technological solution being pursued suggests it could be used more broadly.*

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE  
ASSOCIATION INTERNATIONAL

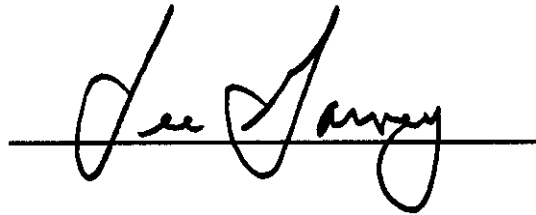
MASA/USPS-T1-13. Did the market test produce any data that supports your testimony on page 17 lines 3-5 that MOL will offer opportunities for mail production and assembly services to benefit? If so, identify such data and explain how it supports your testimony.

RESPONSE:

The market test data reported to the Commission indicate that Mailing Online generated primary demand for printing services, even if less than hoped. I think it is unlikely the limited volume was generated by mail production or assembly services. However, my testimony reflects the recognition that Mailing Online creates a niche which third-party service providers can occupy. The niche is quite similar conceptually to previous ones created by the Postal Service through automation compatibility and presort discounts; those niches were certainly occupied by third-party service providers. As Mailing Online volume ramps up, we believe the increasing size of the new niche will indeed attract such providers.

**DECLARATION**

I, Lee Garvey, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, reading "Lee Garvey", is written over a solid horizontal line.

Dated: 12/27/99



## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

*K N Hollies*

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Kenneth N. Hollies

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