

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

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OFFICE OF THE SECRETARY

MAILING ONLINE EXPERIMENT

Docket No. MC2000-2

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS POELLNITZ TO INTERROGATORIES OF  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL  
(MASA/USPS-T2-1-5)

The United States Postal Service hereby provides the responses of witness Poellnitz to the following interrogatories of Mail Advertising Service Association International: MASA/USPS-T2-1-5, filed on December 16, 1999. Interrogatories MASA/USPS-T2-6-10 were redirected to witness Garvey.

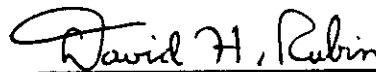
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
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December 28, 1999

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS POELLNITZ  
TO INTERROGATORY OF THE MAIL ADVERTISING SERVICE ASSOCIATION  
MASA/USPS-T2-1, p.1 of 2

**MASA/USPS-T2-1.** Explain in what respect the costs in your testimony are conservatively high, as indicated in your testimony at page 4 note 6, and why you did not explicitly provide for contractor profit.

**RESPONSE:**

In response to the first question, the following are specific cites to my testimony describing in what respects the costs in my testimony are estimated conservatively high:

- (1) On page 7, note 10, I describe how my estimates of the costs of digital printers and inserters are conservatively high. From this analysis, it follows that my estimates of finisher costs (which are based on the number of printers required for producing black and white impressions), maintenance costs (the base rates of which are dependent on the number of printers, finishers, and inserters), digital printer operator and inserter operator costs (which are based on the number of printers/finishers and the number of inserters, respectively), and facility costs (which are also based on the number of digital printers/finishers and inserters) are also conservatively high.
- (2) On page 11, notes 23 and 24, I describe how my estimates of personnel costs are conservatively high, beyond the reasons described in (1) above.
- (3) On page 12, note 26, I describe how my estimates of facilities costs are conservatively high, beyond the reasons described in (1) above.

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In response to the second question, I did not explicitly provide for contractor profit in my testimony for the following reasons:

- (1) The profit level anticipated by individual print contractors will depend on numerous factors, and I know of no reliable data with which to forecast it accurately.
- (2) As I describe above and in my testimony, I believe my cost estimates to be conservatively high, thereby implicitly accounting for potential print contractor profit.

Note also that witness Seckar, in Docket No. MC98-1 (USPS-T-2), did not explicitly account for print contractor profit in his cost estimates. See Docket No. MC98-1, Tr. 2/412.

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TO INTERROGATORY OF THE MAIL ADVERTISING SERVICE ASSOCIATION  
MASA/USPS-T2-2, p.1 of 3**

**MASA/USPS-T2-2.** With respect to your testimony at pages 7-8 and note 11 concerning printing costs:

- a. Confirm that, if a print site has insufficient printing capacity to meet the demand created by Mailing Online, it cannot satisfy the excess demand by using a printer from another print site.
- b. Confirm that, if each of several print sites has demand that exceeds the capacity of their existing printers, each of the sites will have to acquire an additional printer.
- c. Explain why you deviated from the methodology used by witness Seckar in determining the number of printers required each year for MOL.
- d. Confirm that rounding up to the next full printer at the network level -- the methodology that you used -- is less conservative than rounding the number of printers to the next highest integer at the site level -- the methodology used by witness Seckar.

**RESPONSE:**

Note that this interrogatory was originally labeled "MASA/USPS-T2-1." I changed the label to read "MASA/USPS-T2-2" to avoid confusion.

- a. Not confirmed. It is my understanding that the MOL system will have the capability to monitor pending print job production quantities and will not assign print jobs to a site that reaches its expected daily threshold of capacity. Moreover, it is my understanding that the MOL system will assign each print job to a primary site and to two secondary sites and that if the primary site has insufficient printing capacity or for any other reason fails to meet the demand created by MOL, the MOL system has the capability to redirect the print job to one of the back-up sites, or to other sites if necessary.
- b. Not confirmed. It is unclear whether or not "print sites" in this statement refers only to MOL print sites and whether or not "demand" in this statement refers only to MOL demand. If this interrogatory refers specifically to MOL print sites and demand, see response "a" above for why the statement is not confirmed.

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Generally, however, if overall demand (both MOL and non-MOL-related) at a print site exceeds the capacity of its existing printers for an extended period of time, then I would expect print site managers either to increase the number of printers available on-site or to take measures to reduce or divert demand.

- c. It is my understanding that witness Seckar assumed an even distribution of MOL volume, and therefore printers, across sites at the end of the experiment to calculate the number of print sites that would be contracted for in the first and second years of the experiment (Docket No. MC98-1, USPS-T-2, p.14). This assumption was necessary, because the print-site roll-out schedule had not been determined at the time of witness Seckar's testimony, and applying this assumption allowed witness Seckar to round to the next higher printer at the print site level rather than at the network level. It is also my understanding that his decision to round to the nearest printer at the site level as opposed to at the network level was intended to ensure sufficient capacity levels at the various print sites, given the inability of the previous MOL information system to manage print job load distribution (in the way described in "a" above; *i.e.*, the previous MOL information system would not have had the capability of diverting print jobs from MOL print sites that had reached their capacity).

I made no assumption about MOL volume (and therefore printer) distribution across sites, because no such assumption was necessary in light of my awareness of a planned roll-out schedule for the experiment, and because I would have no economic basis for applying such an assumption. Therefore, I

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MASA/USPS-T2-2, p.3 of 3

would have been unable to round to the next higher printer at the print site level even if I had wanted to do so. Additionally, my testimony reflects the capabilities of the new MOL information system to manage load distribution (as described in "a" above), which makes capacity constraints a system-wide issue, and thus limits the MOL-related capacity requirements of individual MOL print sites.

- d. Not confirmed. Although it may be true, all else being equal, that rounding to the next full printer at the network level rather than at the site level could result in lower total MOL network costs (given the assumption of an equal distribution of printers to each site), there are many scenarios in which costs would be the same using either approach. For example, assigning all MOL printers to a single site or assigning printers to sites such that rounding was necessary only at one site would result in the identical costs for the MOL network using either rounding method (again, all else being equal).

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MASA/USPS-T2-3, p.1 of 1

**MASA/USPS-T2-3.** With respect to your testimony at pages 9-10 and note 18 concerning inserter costs:

- a. Confirm that, if a print site has insufficient inserting capacity to meet the demand created by Mailing Online, it cannot satisfy the excess demand by using an inserter from another print site.
- b. Confirm that, if each of several print sites has demand that exceeds the capacity of their existing inserters, each of the sites will have to acquire an additional inserter.
- c. Explain why you deviated from the methodology used by witness Seckar in determining the number of inserters required each year for MOL.
- d. Confirm that rounding up to the next full integer at the network level -- the methodology that you used -- is less conservative than rounding the number of inserters to the next highest integer at the site level -- the methodology used by witness Seckar.

**RESPONSE:**

- a. – d. Please see my response to MASA/USPS-T2-2, which applies to inserters  
as well as printers.

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TO INTERROGATORY OF THE MAIL ADVERTISING SERVICE ASSOCIATION  
MASA/USPS-T2-4, p.1 of 1

**MASA/USPS-T2-4.** Confirm that all volume projections used in developing your cost estimates were derived from the study that was the subject of witness Beth Rothschild's testimony in MC98-1.

**RESPONSE:**

Confirmed. Volume projections used in developing my cost estimates were derived from witness Rothschild's testimony in MC98-1, including the supporting USPS-LR-2/MC98-1 (Section E), which I understand has been designated into the record of this docket. Presiding Officer's Ruling No. MC2000-2/4.



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MASA/USPS-T2-5, p.1 of 1

**MASA/USPS-T2-5.** Confirm that volume projections affected your estimates of costs associated with impressions, inserters, transportation, paper, envelopes and volume variable information technology. Did volume projections affect any other cost estimates?

**RESPONSE:**

Confirmed – although some cost components within impression costs and inserter costs, such as supervisor costs, are not directly affected by volume.

Volume projections did not affect any other cost estimates,

DECLARATION

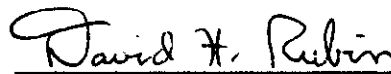
I, Joseph M. Poellnitz, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, reading "Joseph M. Poellnitz", is written over a horizontal line.

Dated: DECEMBER 28, 1999

## 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.



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