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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 OFFICE OF THE CONSUMER ADVOCATE (OCA/USPS–T1–7-11)

The United States Postal Service hereby provides the responses of witness Garvey to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS–T1-7-11, filed on December 17, 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 OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-7. Please refer to your testimony at page 16, lines 4-6, concerning automation basic rates for Mailing Online during the experiment. According to the Postal Service, 25 print sites are expected to be in operation by the end of the experiment. Each print site will house a dedicated server to receive Mailing Online mailings processed for printing by the Postal Service's processing center.

Assume, however, that a competitive hybrid mail service contracts with each print site operator to install another server identical to the Postal Service's server at each print site and the operator charges the same printing fees. Also assume that on the same day both the Postal Service and the competitive hybrid mail service transmit to the print site operator identical small-volume mailings (i.e., having the same volume below the threshold minimum, job-type characteristics, and page count) that cannot be batched. Please confirm the only difference between the two mailings would be the postage paid upon entry. That is, that all of the Postal Service's Mailing Online mailpieces would be charged the Automation Basic rate, while the mailpieces of the competitive hybrid mail service provider would be charged rates for which the mailpieces qualify (i.e., the single piece rate). If you do not confirm, please explain.

RESPONSE:

Unable to confirm. This question sets up a hypothetical in which, apparently, the physical characteristics of mail originating from Mailing Online are compared with those of mail having identical characteristics from a different source. If the point is that mail with physical characteristics, including the number and type of pieces, can be entered into the mailstream via Mailing Online at the Basic Automation rates when what appears to be identical mail originating from a different source but still below the volume minimums cannot, then the answer would be "confirmed" at least at the outset of the experiment. See also my response to MASA/USPS-T1-6. However, when the question further queries whether the "only difference" would be the applicable postage rate, the response must be "unable to confirm". The reason for this lies in the design of Mailing Online, which takes advantage of various methods for driving out a variety of mail processing costs. The facts that the Mailing Online server commingles

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respective customers' mail, checks and corrects address elements, generates automation compatible pieces, presorts to the greatest extent possible when truly large volumes are projected, forgoes deeper discounts for which jobs might otherwise qualify, and (in conformity with the hypothetical) provides for a close cousin to destination entry are not all evident from the presented mailpieces' physical appearance. None of the key processes occur at the print site servers and they are therefore unaccounted for by the hypothetical. This also is why the Postal Service believes that the existing set of mail categories, which are based upon a presumption that qualification can be verified when mail is physically entered, may not necessarily provide the best answer regarding the appropriate mail categories for permanent Mailing Online service in which a customer's job is subject to considerable processing after it is handed off to the Postal Service.

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OCA/USPS-T1-8. Please refer to your testimony at page 16, lines 4-6, concerning automation basic rates for Mailing Online during the experiment, and your response to the Commission's Notice of Inquiry No. 1, Issue 3, in Docket No. MC98-1.

a. Please confirm that during the experiment the Postal Service will license or certify competitive hybrid mail service providers that are "functional equivalents" of Mailing Online. If you do not confirm, please explain.

b. Please confirm that competitive hybrid mail service providers so licensed or certified by the Postal Service would be able to offer First-Class Mail and Standard (A) Mail Automation Basic rates to small-volume mailings (i.e., mailings with volumes below the minimum requirements of the respective mail classes). If you do not confirm, please explain.

RESPONSE:

My response to the Commission's Notice of Inquiry No. 1, Issue 3, in Docket No.

MC98-1 stated that

"... the Postal Service would consider creating special licensing or

certification criteria for third party services that are full functional

equivalents of Mailing Online."

The Postal Service's position on this issue has not changed.

See also my response to interrogatory MASA/USPS-T1-6.

OCA/USPS-T1-9. Please refer to the section of your testimony entitled "VI.
Batching," on pages 14 and 15.

a.   Are the terms "batching," and the terms "merge" and "merger" as used in
     this section synonymous? Please define (and distinguish each term, if
     necessary).

b.   On the first day of the experiment, within First-Class Mail and within
     Standard (A) Mail, will the Version 3 system software be able to batch
     non-merge mail documents? Please explain. If the Version 3 system
     software will not be able to batch non-merge mail documents on the first
     day of the experiment, please explain when during the experiment that
     capability will exist.

RESPONSE:

a.   The discussion of "merger" and "batching" on pages 14 and 15 of my

     testimony focuses on the processing of mail pieces originating from

     customers that are "merged" together into "batches" and sent to a printer

     over the wire. The term batching describes the Mailing Online system

     function whereby groups of document files with similar printing and

     finishing characteristics are created prior to transmission to the print and

     mail vendors. Merge and merger in this context are descriptive of the

     process of commingling mailpieces from customer jobs by use of the

     batching process. A certain confusion may arise from the fact that

     "merge" during the market test also referred to that subset of customer

     documents with embedded word processing codes used to customize a

     base document, i.e. mail merge documents. Moreover, during the market

     test, those were the only job types that could be aggregated into the

     batches received by a printer. Recognizing that word processing merge

     codes are no longer relevant to what can or cannot be batched, this

confusion should abate. Thus, "merger" simply refers to the aggregation

of customer jobs into "batches" sent to printers.

b.   See my response to MASA/USPS-T1-4 and the tab labeled "102590-98-

D-3091 Delivery Order" in USPS-LR-29/MC98-1 (Mailing Online version

3.0 system description).

OCA/USPS-T1-10. Please refer to the section of your testimony entitled "VI. Batching," on pages 14 and 15.

a.　　On the first day of the experiment, within First-Class Mail and within Standard (A) Mail, will the Version 3 system software be able to batch all letter-shaped 1) merge mail documents having the same job-type and page count and 2) non-merge mail documents having the same job-type and page count? Please explain. If the Version 3 system software will not be able to batch such letter-shaped merge mail and non-merge mail documents on the first day of the experiment, please explain when during the experiment that capability will exist.

b.　　On the first day of the experiment, within First-Class Mail and within Standard (A) Mail, will the Version 3 system software be able to batch all letter-shaped 1) merge mail documents having the same job-type but different page counts and 2) non-merge mail documents having the same job-type but different page counts? Please explain. If the Version 3 system software will not be able to batch such letter-shaped merge mail and non-merge mail documents on the first day of the experiment, please explain when during the experiment that capability will exist.

c.　　On the first day of the experiment, within First-Class Mail and within Standard (A) Mail, will the Version 3 system software be able to batch all letter-shaped 1) merge mail documents having the same page count but different job-types and 2) non-merge mail documents having the same page count but different job-types? Please explain. If the Version 3 system software will not be able to batch such letter-shaped merge mail and non-merge mail documents on the first day of the experiment, please explain when during the experiment that capability will exist.

d.　　On the first day of the experiment, within First-Class Mail and within Standard (A) Mail, will the Version 3 system software be able to batch all flat-shaped 1) merge mail documents having the same job-type and page count and 2) non-merge mail documents having the same job-type and page count? Please explain. If the Version 3 system software will not be able to batch such flat-shaped merge mail and non-merge mail documents on the first day of the experiment, please explain when during the experiment that capability will exist.

RESPONSE:

a – d. See my response to MASA/USPS-T1-4.

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OCA/USPS-T1-11. Please refer to your testimony at pages 9-11, concerning the volume of Mailing Online mail pieces during the market test, and the testimony of OCA witness Callow (OCA-T-100), Table 1, at page 27, in Docket No. MC98-1. Table I in OCA-T-100 contains Mailing Online "look-up" tables for First-Class Mail for the collection of volume data by job-type, page-count and presort level. The same number of "look-up" tables would exist for Standard (A) Mail. *See* Docket No. MC98-1, PB/OCA-T100-4. This interrogatory seeks the Mailing Online volume data requested by the "look-up" tables, as modified in parts a. and b. below.
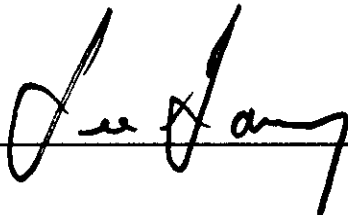
a.   For each First-Class Mail "look-up" table, please provide the daily volume by job-type, page-count and presort level during the market test for
i.   merge mail documents submitted by customers in quantities of 1) fewer than 500 pieces and 2) 500 or more pieces, and
ii.   non-merge mail documents submitted by customers in quantities of 1) fewer than 500 pieces and 2) 500 or more pieces.

b.   For each Standard (A) Mail "look-up" table, please provide the daily · volume by job-type, page-count and presort level during the market test for
i.   merge mail documents submitted by customers in quantities of 1) fewer than 200 pieces and 2) 200 or more pieces, and
ii.   non-merge mail documents submitted by customers in quantities of fewer than 500 pieces and 500 or more pieces.

RESPONSE:

The Postal Service has not compiled nor does it plan to compile the volume data

analyses requested by this interrogatory. Due to factors explained in my

testimony, the market test data are not deemed worthy of the sort of quantitative

analysis requested here. The raw data necessary to calculate these volumes

has been provided in data collection reports and attachments and can be used to

determine these and other measures if they are deemed to be of value by

others.

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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.

Dated: _December 29, 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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Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–3083 Fax –5402
December 29, 1999