

ORIGINAL

Official Transcript of Proceedings

*Before the*

UNITED STATES POSTAL RATE COMMISSION

In the Matter of

MAILING ONLINE EXPERIMENT

Docket No.

MC2000-2

VOLUME II

Filed: Wednesday, February 12, 2000

Place: Washington, D.C.

Page: 15 of 15

AMERICAN ASSOCIATION OF

BEFORE THE  
POSTAL RATE COMMISSION

- - - - -X  
In the Matter of: :  
MAILING ONLINE EXPERIMENT : Docket No. MC2000-2  
- - - - -X

Third Floor Hearing Room  
Postal Rate Commission  
1333 H Street, N.W.  
Washington, D.C. 20268

Volume II  
Wednesday, January 12, 2000

The above-entitled matter came on for hearing,  
pursuant to notice, at 11:16 a.m.

BEFORE:

HON. W.H. "TREY" LeBLANC, PRESIDING OFFICER  
HON. GEORGE A. OMAS, VICE CHAIRMAN  
HON. DANA B. "DANNY" COVINGTON, COMMISSIONER  
HON. RUTH GOLDWAY, COMMISSIONER

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## 1 APPEARANCES:

2 On behalf of the United States Postal Service:  
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10  
11 On behalf of the Office of the Consumer Advocate:  
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## C O N T E N T S

WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
JOSEPH POELLNITZ				
BY Mr. Rubin	51			
MICHAEL K. PLUNKETT				
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Additional Written Cross-Examination of Michael K. Plunkett	126
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EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
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## P R O C E E D I N G S

[11:16 a.m.]

COMMISSIONER LeBLANC: Ladies and gentlemen, I think we can finally get started here.

Mr. Reporter, are you okay now? All right. We will go on the record then.

Good morning. Today we begin evidentiary hearings in Docket Number MC 2000-2 -- that really sounds funny, 2000 -- concerning the Postal Service request for establishment of an experimental mail classification and fee schedule for Mailing Online. Today and tomorrow we will receive direct evidence from the Postal Service.

Before we get started, I sincerely want to apologize to all of you for the inconvenience of the delay before the start of today's hearings. I can tell you positively we will review our procedure for assuring that a court reporter is available at the beginning of each day's hearings. I assure you this will not happen again, I hope, let's put it that way, under my watch. But I do apologize for any inconvenience it has caused anybody.

Our schedule calls for the receipt of three pieces of prepared testimony today. Before we receive evidence, I want to go over some procedural matters that we have here before us. The Postal Service filed notice that Witness Garvey has left the Postal Service and that his testimony

1 and discovery responses will be adopted by Witness Plunkett.  
2 It is my intention to receive USPS-T-1, which is the  
3 prepared testimony of Witness Garvey, and cross-examination  
4 related to that testimony today. We will receive USPS-T-5,  
5 the prepared testimony of Witness Plunkett, and  
6 cross-examination related to that testimony tomorrow.

7 No participant has filed a request to  
8 cross-examine USPS-T-2, the direct testimony of Joseph M.  
9 Poellnitz. Did I get that right again, sir?

10 MR. POELLNITZ: I think that is right.

11 COMMISSIONER LeBLANC: All right. That is close  
12 enough, as we say.

13 It is my intention to receive the testimony and  
14 the evidence before we begin oral cross-examination on  
15 USPS-T-1.

16 Next, I want to resolve issues related to the  
17 receipt of materials from other dockets designated as  
18 evidence in this case. The Post Service designated the  
19 testimony of Beth B. Rothschild, USPS-T-4, from Docket  
20 Number MC 98-1. Certain parts of her written and oral  
21 cross-examination were also designated.

22 While it would be most convenient to have this  
23 material printed in a transcript of this docket, I hesitate  
24 to require that since it would add to the expense of the  
25 participation in this case. If this material is to be

1 included in a transcript, I think it should be added  
2 tomorrow so that the Postal Service direct case is all in  
3 one complete time put in.

4 Now, does any counsel wish to comment on whether  
5 the added convenience outweighs the added cost before we get  
6 into getting Mr. Poellnitz in?

7 [No response.]

8 COMMISSIONER LeBLANC: Okay. Since there is none  
9 -- I'm sorry, Mr. Hollies.

10 MR. HOLLIES: I was exchanging non-verbal signals  
11 with counsel for OCA as to who might go first. While not  
12 having a strong preference, I think it would be more  
13 expedient, notwithstanding the additional cost, to go ahead  
14 and put that material into the transcript of this  
15 proceeding. It will facilitate the writing of briefs, among  
16 other things.

17 But as a push-back on myself for that matter, I  
18 think there is some reason to put all of the direct evidence  
19 in, including the direct testimony, and the tradition here  
20 at the Commission has been not to transcribe that into a  
21 volume of the transcript. And I think for the same reasons  
22 we should put Witness Rothschild's material in and we should  
23 also put the written direct testimony of the witnesses in  
24 because that, again, would facilitate, in particular,  
25 citations or citations to corrected testimony, in

1 particular, when it comes time to file briefs.

2 COMMISSIONER LeBLANC: Ms. Dreifuss.

3 MS. DREIFUSS: Speaking for OCA, I don't have  
4 strong feelings about this either way. If the Commission  
5 wants to have a cite to the MC 98-1 record, that would be  
6 all right with us.

7 COMMISSIONER LeBLANC: Having heard both comments,  
8 what I will do is I will take it under advisement and I will  
9 rule on that first thing tomorrow morning then, for sure.

10 Mr. Hollies, would you care to take care of Mr.  
11 Poellnitz now or do you want to --

12 MR. HOLLIES: I have a related procedural matter I  
13 would like to raise.

14 COMMISSIONER LeBLANC: All right.

15 MR. HOLLIES: The designation of Witness  
16 Rothschild's testimony was accommodated initially through a  
17 motion on our part filed as part of our case, or at least  
18 together with our case in chief. There is a separate  
19 designation procedure for bringing evidence in from the  
20 other cases. I believe OCA, MASA and Pitney Bowes all filed  
21 designations last Wednesday for that.

22 The Postal Service response to that, which  
23 basically consists of an opportunity to make sure that the  
24 designations are either complete or, if appropriate,  
25 updated, is due today, and I would like at this time to ask

1 for an additional week to accomplish that. Unfortunately,  
2 there are only seven days in the week and that is not  
3 something we have been able to attend to.

4 Now, my hope would be that if we get this  
5 additional time, we could designate substantially less  
6 material, or update substantially less material. I have had  
7 some preliminary discussions with part of the Mailing Online  
8 team and those discussions have included queries to the  
9 effect that, gee, shouldn't we really update that from last  
10 time? Things have changed. And some of my initial  
11 responses were, well, maybe, but I think some of those we do  
12 not need to update because those pertain to the fact  
13 situation that was in play at that point in time, and we  
14 have a different record in play here.

15 However, I have really not had the opportunity to  
16 give that my full scrutiny. And for that reason, I would  
17 request that the Postal Service be given until next  
18 Wednesday to complete that process. I believe it will  
19 result in both a more complete record and probably a smaller  
20 one.

21 COMMISSIONER LeBLANC: Ms. Dreifuss, would you  
22 care to comment before we actually make a ruling there? Is  
23 your mike on, please?

24 MS. DREIFUSS: Sorry. I would like to ask Mr.  
25 Hollies to clarify his statement just a bit. Do you

1 anticipate opposing some of the designations that you have  
2 seen because you feel that they are inconsistent with the MC  
3 2000-2 record?

4 MR. HOLLIES: I am not aware of any opposition at  
5 this point. No, the responses would be more in the nature  
6 of perhaps expanding the scope of, for example, Witness  
7 Tekas' cross-examination from last time, or perhaps the  
8 creation, the writing of new material, actual updates to the  
9 factual situation.

10 I am not at this point aware of anything that we  
11 would actually oppose or, if you will, object to. I don't  
12 think that is likely, but it is probably not impossible  
13 either, that is just not where I am headed.

14 MS. DREIFUSS: The notion of -- well, certainly,  
15 the Postal Service has the right according to the Presiding  
16 Officer's earlier ruling to counter-designate, we are  
17 satisfied with that. And also we believe it would be an  
18 improvement to this record if the Postal Service did wish to  
19 update previous responses to make them consistent with this  
20 record. So, the procedure Mr. Hollies described sounds fine  
21 to us.

22 COMMISSIONER LeBLANC: Let me make sure that we  
23 are all on the same sheet of music here. Now, this is just  
24 for your Postal Service witnesses, this does not count or  
25 take into -- parties other than the Postal Service, if you

1 will, because that, those objections, counter-designations  
2 and so forth are due to be filed today. So are we talking  
3 -- make sure we are talking about the same thing here.

4 MR. HOLLIES: I am not talking about, if you will,  
5 wholesale rebuttal to the testimony offered by other parties  
6 in the previous round. No, I am talking about the material  
7 specific to our witnesses.

8 COMMISSIONER LeBLANC: Okay. If it just the  
9 Postal Service, I want to make sure that we had that clear  
10 for the record, though.

11 MR. HOLLIES: Yes, but I am making a formal motion  
12 for extension of time on --

13 COMMISSIONER LeBLANC: I understand that. I just  
14 wanted to clarify the record for, if no other purpose,  
15 myself here. So, in that case, I will --

16 MS. DREIFUSS: Mr. Presiding Officer, may I ask  
17 one more question, please? Would any new material come in  
18 the form of witness statements and testimony, as opposed to  
19 statements by counsel?

20 MR. HOLLIES: I don't know. I guess I was  
21 expecting -- I don't know, I haven't looked closely enough  
22 at the material. It seems possible that it could be from  
23 witnesses. If it were not from witnesses, then it would  
24 probably be in the nature of argument, unless it were  
25 institutional material, which is really much as if it were



1 from witnesses. And now that I have circled cleanly around  
2 that one, I think, yeah, we are looking at material -- if it  
3 is an update, it would be from a witness.

4 MS. DREIFUSS: In whatever form this takes,  
5 Commissioner LeBlanc, if there is new material, I guess OCA  
6 would like to reserve the right to file questions about it.  
7 I don't know whether that will be necessary. But it may  
8 certainly raise questions. I haven't seen it yet, so I  
9 would like to reserve that right.

10 COMMISSIONER LeBLANC: But, again, we are talking  
11 Postal Service witnesses here.

12 MS. DREIFUSS: I think that is what Mr. Hollies  
13 had said.

14 COMMISSIONER LeBLANC: I just want to make sure  
15 that everybody -- I don't want to make -- I don't want to  
16 put words in your mouth, but I want to make sure that we are  
17 understanding it to make sure the record is clear here. So  
18 we are talking Postal Service witnesses, and if it is just  
19 Postal Service witnesses, then I will grant the request for  
20 an additional week.

21 MR. HOLLIES: That would be wonderful.

22 COMMISSIONER LeBLANC: Okay. Now, having said  
23 that, do you want to go ahead and get Mr. Poellnitz in now,  
24 or do you want to wait till we finish the other procedural  
25 matters here?

1 MR. HOLLIES: Well, I do have one more procedural  
2 matter.

3 COMMISSIONER LeBLANC: Well, in that case, let me  
4 say something before you get to that, because parties other  
5 than the Postal Service have also designated evidence from  
6 previous dockets, and that is why I wanted to make sure that  
7 I understood your clarification, or your request, if you  
8 will, because objections and counter-designations are due to  
9 be filed today on those, other than the Postal Service. So  
10 I want to make sure we understand each other here. I do not  
11 foresee attempting to include any of this material that is  
12 due today in tomorrow's transcript. After I review any  
13 objections or counter-designations, I will issue a ruling  
14 indicating how these matters will be made part of our  
15 record. But I wanted to make sure that we are all on the  
16 same sheet of music here.

17 Ms. Dreifuss, is that all right with you?

18 MS. DREIFUSS: If you can give me just a moment,  
19 please?

20 COMMISSIONER LeBLANC: All right.

21 [Pause.]

22 COMMISSIONER LeBLANC: Mr. Hollies, while we are  
23 waiting on Ms. Dreifuss, let's just go ahead and wait until  
24 after all the procedural things are taken care of this  
25 morning, and then we will get to Mr. Poellnitz, if that's

1 all right with you and Mr. Poellnitz then.

2 MS. DREIFUSS: OCA doesn't oppose the week's  
3 extension.

4 COMMISSIONER LeBLANC: Okay, thank you very much.  
5 Then we will go ahead and grant that week extension for you,  
6 Mr. Hollies.

7 MR. HOLLIES: Thank you very much.

8 COMMISSIONER LeBLANC: You said you had one other  
9 matter you wanted to bring up?

10 MR. HOLLIES: Yes. I had previously indicated  
11 that the Postal Service would be filing a copy of the  
12 solicitation for the printers and we have not done that and  
13 I am, I expected that we would have been able to do so by  
14 now.

15 We are very close to being able to file the  
16 solicitation as it exists in the form for the New York print  
17 site and I hope to do that this week.

18 There's been a flu bug running around Washington  
19 and that has run rampant through my plans on that one.

20 COMMISSIONER LeBLANC: Okay. Thank you very much  
21 then.

22 The next issue that I want to pick up this morning  
23 relates to our future schedule in this case. At this point  
24 we do not know whether any participants will file direct  
25 testimony including rebuttal to the Postal Service. At the

1 close of tomorrow's hearing I will ask counsel to indicate  
2 whether they intend to file testimony and, if so, how much  
3 lead time they would like before filing their -- before the  
4 actual filing date, excuse me.

5 In estimating how much time will be needed, I  
6 remind counsel that occasionally reliable sources are  
7 indicating that the Postal Service will be filing an omnibus  
8 rate case later today. If possible, I would like to  
9 conclude hearings in this case well before hearings begin on  
10 the Postal Service's omnibus rate case.

11 Does any participant know today that they will be  
12 filing testimony in this particular case?

13 I don't see Pitney Bowes or MASA here, so Ms.  
14 Dreifuss?

15 MS. DREIFUSS: OCA does anticipate filing direct  
16 testimony in this case. We know that we will have one piece  
17 of testimony for sure and possibly a second piece.

18 COMMISSIONER LeBLANC: Thank you. Yesterday  
19 afternoon the Postal Service filed responses to  
20 interrogatories directed to Witness Lim by the Office of the  
21 Consumer Advocate. These answers are one business day late  
22 and the Postal Service filed a motion for late acceptance.

23 This morning I was informed by counsel for OCA  
24 that it would be unable to cross-examine Witness Lim on the  
25 contents of these late-filed answers.

1 Ms. Dreifuss, would you please comment on the  
2 matter for the record, please?

3 MS. DREIFUSS: Yes, sir. Last night at about 4:30  
4 the Postal Service filed Witness Lim's answers to 33 OCA  
5 interrogatories. I will readily concede that we did file  
6 them on the last day of discovery and therefore we were  
7 expecting them late. We weren't expecting them quite as  
8 late as yesterday though. If they had been filed a day  
9 earlier, when they were due, I believe we may have had the  
10 time to review them and prepare for oral cross examination.  
11 It just didn't seem possible to do so for today's hearing.

12 That is why we have asked that Witness Lim be  
13 rescheduled for tomorrow and I understand that the Postal  
14 Service has no objection to it.

15 Furthermore, I have contacted MASA's attorneys and  
16 they informed me that they were not intending to cross  
17 examine Witness Lim in any event, so therefore they wouldn't  
18 oppose the rescheduling.

19 I also attempted to contact Pitney Bowes' attorney  
20 and was unable to do so.

21 COMMISSIONER LeBLANC: Okay. Mr. Hollies, would  
22 you care to comment before we go on here?

23 MR. HOLLIES: Yes. Ms. Dreifuss has rendered the  
24 facts as I understand them. We are prepared to bring  
25 Witness Lim in here tomorrow rather than today, thereby

1 accommodating that request.

2 COMMISSIONER LeBLANC: Good. Then that being the  
3 case, I will accept the suggestion that we defer cross  
4 examination of Witness Lim until tomorrow. Any problems?

5 MS. DREIFUSS: I want to thank the Presiding  
6 Officer and the Postal Service for cooperating with OCA on  
7 this matter.

8 COMMISSIONER LeBLANC: Now Witness Lim I will ask  
9 to be our first witness tomorrow. Will that be any problem?

10 MR. HOLLIES: No, as long as we know what the  
11 order is. Thank you.

12 COMMISSIONER LeBLANC: Good. With that resolved,  
13 I will grant the Postal Service motion for late acceptance  
14 of Witness Lim's interrogatory responses as well.

15 There is another similar motion for acceptance of  
16 interrogatory responses currently pending. That motion  
17 concerns requests addressed by MASA to Witness Garvey. The  
18 answers and motion were filed January 10th.

19 Are there objections to that motion? Ms.  
20 Dreifuss?

21 MS. DREIFUSS: No, sir.

22 COMMISSIONER LeBLANC: Good. Hearing none then, I  
23 will grant the January 10 motion for late acceptance of  
24 interrogatory responses.

25 Does any participant have a procedural matter to

1 raise before we begin to swear in the witnesses and hear the  
2 evidence this morning?

3 [No response.]

4 COMMISSIONER LeBLANC: Fine. As I mentioned  
5 earlier, I think it is best to deal with the receipt into  
6 evidence of USPS-T-2 before we begin cross examination on  
7 USPS-T-1.

8 Now USPS-T-2 is the direct evidence of Joseph M.  
9 Poellnitz. I hope I am still saying that right.

10 MR. POELLNITZ: That's right, sir.

11 COMMISSIONER LeBLANC: All right. No participant  
12 requested cross examination of this witness. Since the  
13 witness is already here, does the Postal Service intend to  
14 enter the evidence in the record by motion or how? I will  
15 leave it in your capable hands, sir.

16 MR. RUBIN: If it is okay, why don't we actually  
17 call Witness Poellnitz to the stand.

18 COMMISSIONER LeBLANC: Since he is here then, if  
19 you will stand, Mr. Poellnitz, I will swear you in.  
20 Whereupon,

21 JOSEPH M. POELLNITZ,  
22 a witness, was called for examination by counsel for the  
23 U.S. Postal Service and, having been first duly sworn, was  
24 examined and testified as follows:

25 COMMISSIONER LeBLANC: Mr. Rubin, I believe -- or



1 is it Mr. Hollies?

2 MR. RUBIN: David Rubin for the Postal Service.

3 DIRECT EXAMINATION

4 BY MR. RUBIN:

5 Q Mr. Poellnitz, have you reviewed two copies of a  
6 document titled Direct Testimony of Joseph M. Poellnitz on  
7 Behalf of United States Postal Service and designated as  
8 USPS-T-2?

9 A Yes, I have.

10 Q And was this testimony prepared by you or under  
11 your supervision?

12 A Yes, it was.

13 Q And does it include errata that were filed  
14 yesterday with the Commission?

15 A Yes, it does.

16 Q And if you were to testify orally here today,  
17 would this be your testimony?

18 A Yes, it would.

19 MR. RUBIN: I have provided those two copies of  
20 the Direct Testimony of Joseph M. Poellnitz on behalf of  
21 United States Postal Service to the Reporter, and I ask that  
22 they be entered into the record in this proceeding.

23 COMMISSIONER LeBLANC: Are there any objections?

24 MS. DREIFUSS: No.

25 COMMISSIONER LeBLANC: Hearing none then, the

1 corrected version of USPS-T-2 is received into evidence as  
2 the Direct Testimony of Witness Poellnitz.

3 As is our practice, the testimony will not be  
4 transcribed and you have already made sure you have given  
5 the Reporter the two copies?

6 MR. RUBIN: Yes, that is correct.

7 COMMISSIONER LeBLANC: Thank you.

8 [Direct Testimony of Joseph M.  
9 Poellnitz, USPS-T-2, was received  
10 into evidence.]

11 COMMISSIONER LeBLANC: There is Designated Written  
12 Cross Examination relating to USPS-T-2. Mr. Poellnitz, a  
13 packet of designated written cross examination was made  
14 available in the hearing room this morning by the Commission  
15 staff.

16 If these questions were posed to you this morning  
17 orally, would your answers be the same as those previously  
18 provided in writing?

19 THE WITNESS: Yes, sir, they would.

20 COMMISSIONER LeBLANC: Good. Mr. Rubin, do you  
21 also have those copies, or have they also been handed to the  
22 Reporter?

23 MR. RUBIN: Yes, I have those copies and I will  
24 provide them to the Reporter.

25 COMMISSIONER LeBLANC: Please. Mr. Reporter, that

1 material is to be received into evidence and should be  
2 transcribed at this point, please.

3 [Designation of Written  
4 Cross-Examination of Joseph M.  
5 Poellnitz, was received into  
6 evidence and transcribed into the  
7 record.]  
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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Mailing Online Experiment

Docket No. MC2000-2

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS JOSEPH M. POELLNITZ  
(USPS-T-2)

Party

Office of the Consumer Advocate

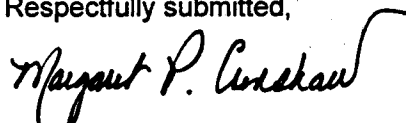
Interrogatories

MASA/USPS-T2-1-5

OCA/USPS-T2-1-3

POIR No. 1, Question 2

Respectfully submitted,



Margaret P. Crenshaw  
Secretary

INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS JOSEPH M. POELLNITZ (T-2)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:

MASA/USPS-T2-1

MASA/USPS-T2-2

MASA/USPS-T2-3

MASA/USPS-T2-4

MASA/USPS-T2-5

OCA/USPS-T2-1

OCA/USPS-T2-2

OCA/USPS-T2-3

Designating Parties:

OCA

OCA

OCA

OCA

OCA

OCA

OCA

OCA

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.

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

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.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS POELLNITZ  
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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TO INTERROGATORY OF THE MAIL ADVERTISING SERVICE ASSOCIATION  
MASA/USPS-T2-2, p.2 of 3

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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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).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS POELLNITZ  
TO INTERROGATORY OF THE MAIL ADVERTISING SERVICE ASSOCIATION**  
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,

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TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
OCA/USPS-T2-1, p.1 of 1

**OCA/USPS-T2-1.** Please refer to your testimony at pages 7 and 9, footnotes 11 and 18, and the testimony of witness Seckar (USPS-T-2) in Docket No. MC98-1.

- a. Please explain the significance of, and the rationale for, your decision to "make no assumptions about MOL volume allocation between sites."
- b. Does your decision produce superior results to that of witness Seckar in Docket No. MC98-1? Please explain.

**RESPONSE:**

- a. It is my understanding that witness Seckar assumed an even distribution of MOL volume, and therefore printers and inserters, across sites at the end of the experiment in order 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 was necessary, because the print site roll-out schedule had not been determined at the time of witness Seckar's testimony. I made no assumption about MOL volume distribution between sites, because no such assumption was necessary in light of my awareness of a planned roll-out schedule for the experiment. In addition, I would have no economic basis for applying such an assumption.
- b. As mentioned in "a" above, application of witness Seckar's methodology was not necessary in my testimony. My cost estimates simply reflect the latest available information and are therefore more appropriate for the MOL experiment being examined in this docket.



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TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
OCA/USPS-T2-2, p.1 of 1

**OCA/USPS-T2-2.** Please refer to your testimony and the testimony of witness Seckar (USPS-T-2) in Docket No. MC98-1. Please identify any assumptions or methodological approaches in your testimony that are different from the assumptions made or methodological approaches used by witness Seckar in Docket No. MC98-1 (other than the assumption identified in OCA/USPS-T2-1, above). Please explain the significance of, and your rationale for, any changes identified.

**RESPONSE:**

In general, the assumptions and methodological approaches in my testimony are consistent with those used by witness Seckar in Docket No. MC98-1. Most differences consist of updates to outdated data and incorporation of a print-site roll-out schedule and new print contractor requirements. Significant differences are explained in the relevant sections of my testimony. See, for example, page 13, footnote 31.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS POELLNITZ  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
OCA/USPS-T2-3, p.1 of 1**

**OCA/USPS-T2-3.** Please refer to your testimony at page 9, lines 1-7 and footnotes 15. Does this mean that no jobs other than black and white impressions on 11 X 17 paper will have finishing of any type? If no, please explain.

**RESPONSE:**

No. My statements indicate that the only print jobs requiring a Xerox in-line Signature Booklet Maker finisher are those printed on 11x17 paper. The Xerox Docutech 6180 and 92C printers assumed in my testimony have the capability of providing expected finishing requirements for jobs printed on 8.5x11 and 8.5x14 paper.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS POELLNITZ TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

**POIR No. 1, Question 2, p.1 of 1**

**QUESTION 2.** In USPS T-2, Table 6 on page 6, witness Poellnitz identifies the unit volume variable information technology cost as \$0.000638. Please confirm that \$0.000638 is the unit impression cost for Year 1 and that the average for the 3 year experiment period is \$0.000439.

**RESPONSE:**

Confirmed.

1 COMMISSIONER LeBLANC: Does any participant have  
2 additional written cross examination for Witness Poellnitz?

3 [No response.]

4 COMMISSIONER LeBLANC: Okay, moving right along.

5 Mr. Hollies, I believe we are now ready, sir.

6 Would you please call your first witness.

7 MR. HOLLIES: The Postal Service calls Witness  
8 Plunkett.

9 COMMISSIONER LeBLANC: I beg your pardon. Let me  
10 get rid of Mr. Poellnitz or as they say we will have two  
11 people on base at the same time, eh? That would like me  
12 trying to comb my hair on both sides.

13 [Laughter.]

14 COMMISSIONER LeBLANC: I don't like that laugh  
15 back there, ma'am. I am one out of five votes, now,  
16 remember -- you know, just kidding.

17 Mr. Poellnitz, thank you for your time. Thank you  
18 for your testimony and your evidence in this record, and you  
19 are now excused.

20 THE WITNESS: Thank you.

21 [Witness excused.]

22 COMMISSIONER LeBLANC: Since we can't get two  
23 people on base, when we get him off, then we can call Mr.  
24 Plunkett.

25 My first mistake for the year -- it may be my

1 last -- so moving right along.

2 MR. HOLLIES: Okay. The Postal Service calls  
3 Witness Plunkett to the stand. And I would note for the  
4 record that Witness Plunkett is appearing in his capacity  
5 today as the witness sponsoring the testimony offered as  
6 USPS-T-1 originally authored by Witness Garvey, and as we  
7 will shortly hear, Mr. Plunkett is adopting this as his own.

8 COMMISSIONER LeBLANC: Before you sit down, Mr.  
9 Plunkett, we'll have to swear you in. Are you all set up  
10 over there?

11 THE WITNESS: Yes, sir.

12 Whereupon,

13 MICHAEL K. PLUNKETT,  
14 a witness, was called for examination by counsel for the  
15 United States Postal Service and, having been first duly  
16 sworn, was examined and testified as follows:

17 COMMISSIONER LeBLANC: Okay, Mr. Hollies.

18 DIRECT EXAMINATION

19 BY MR. HOLLIES:

20 Q Mr. Plunkett, I showed you earlier two copies of  
21 what has been marked as USPS-T-1, and I ask did you have a  
22 chance to review that?

23 A Yes, I did.

24 Q And while we know it was not prepared by you, do  
25 you adopt its contents as your testimony?

1 A Yes, I do.

2 Q And were you to provide it orally today, would it  
3 be the same as it appears in those written copies?

4 A Yes, it would.

5 MR. HOLLIES: With that, the Postal Service moves  
6 for admission into the record of what has been marked as  
7 USPS-T-1, the direct testimony of Lee Garvey.

8 COMMISSIONER LeBLANC: And these will be provided  
9 to the reporter.

10 Mr. Rubin, are those the documents there?

11 Those are the documents there. Okay.

12 Hearing no objection, then, the corrected version  
13 of USPS-T-1 is received into evidence as the direct  
14 testimony of Witness Plunkett.

15 As is our practice, this testimony will not be  
16 transcribed, Mr. Reporter.

17 [Exhibit No. USPS-T-1 was marked  
18 for identification and received  
19 into evidence.]

20 COMMISSIONER LeBLANC: There is designated written  
21 cross-examination, Mr. Plunkett, relating to USPS-T-1. A  
22 packet of designated written cross-examination was made  
23 available in the hearing room this morning by our Commission  
24 staff. If these questions were posed to you this morning  
25 orally, would your answers be the same as those previously

1 provided in writing?

2 THE WITNESS: Yes, they would.

3 COMMISSIONER LeBLANC: And you've already given  
4 him the copies of the answers, so that material is received  
5 into evidence and should be transcribed at this point,  
6 please.

7 [The Designated Written  
8 Cross-Examination of Michael K.  
9 Plunkett was received into evidence  
10 and transcribed into the record.]  
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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Mailing Online Experiment

Docket No. MC2000-2

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS LEE GARVEY  
(USPS-T-1)

Party

Office of the Consumer Advocate

Interrogatories

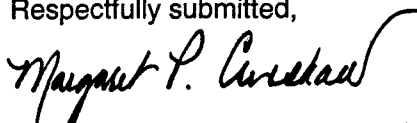
MASA/USPS-T1-1-16

MASA/USPS-T2-6-10 redirected to T1

OCA/USPS-T1-1-18

OCA/USPS-T2-4 redirected to T1

Respectfully submitted,



Margaret P. Crenshaw  
Secretary



INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS LEE GARVEY (T-1)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory:</u>	<u>Designating Parties:</u>
MASA/USPS-T1-1	OCA
MASA/USPS-T1-2	OCA
MASA/USPS-T1-3	OCA
MASA/USPS-T1-4	OCA
MASA/USPS-T1-5	OCA
MASA/USPS-T1-6	OCA
MASA/USPS-T1-7	OCA
MASA/USPS-T1-8	OCA
MASA/USPS-T1-9	OCA
MASA/USPS-T1-10	OCA
MASA/USPS-T1-11	OCA
MASA/USPS-T1-12	OCA
MASA/USPS-T1-13	OCA
MASA/USPS-T1-14	OCA
MASA/USPS-T1-15	OCA
MASA/USPS-T1-16	OCA
MASA/USPS-T2-6 redirected to T1	OCA
MASA/USPS-T2-7 redirected to T1	OCA
MASA/USPS-T2-8 redirected to T1	OCA
MASA/USPS-T2-9 redirected to T1	OCA
MASA/USPS-T2-10 redirected to T1	OCA
OCA/USPS-T1-1	OCA
OCA/USPS-T1-2	OCA
OCA/USPS-T1-3	OCA
OCA/USPS-T1-4	OCA
OCA/USPS-T1-5	OCA
OCA/USPS-T1-6	OCA

OCA/USPS-T1-7	OCA
OCA/USPS-T1-8	OCA
OCA/USPS-T1-9	OCA
OCA/USPS-T1-10	OCA
OCA/USPS-T1-11	OCA
OCA/USPS-T1-12	OCA
OCA/USPS-T1-13	OCA
OCA/USPS-T1-14	OCA
OCA/USPS-T1-15	OCA
OCA/USPS-T1-16	OCA
OCA/USPS-T1-17	OCA
OCA/USPS-T1-18	OCA
OCA/USPS-T2-4 redirected to T1	OCA

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  
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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.



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MASA/USPS-T1-14. Explain the basis for your testimony at page 10 lines 14 – 15 that "Many [users] were anxious to have more sophisticated features and options currently lacking in Mailing Online – such as full color printing." Include in your answer the number of users who expressed the desire to have more sophisticated features and options, the options and features in which each expressed an interest and the total number of users of MOL.

RESPONSE:

My understanding is based upon discussions with PostOffice Online help desk personnel and an analysis of customer comments logged by them, as well as on market research conducted during the market test. The customer help desk worked closely with market test customers, and created "tickets" reflecting customer requests and suggestions. Attached to this response is a brief compendium of help desk "tickets" logged. The market research was conducted to study Mailing Online customers' opinions about what they did and did not like about the market test offering. Filed contemporaneously with this response is USPS-LR-3/MC2000-2, the 42 page report detailing the customer feedback. A strong interest in full color printing has long been recognized by postal personnel, so customer requests for it were not a surprise. The customers' interest in more sophisticated options also reflects their increasing maturation in the range of mailing options that could be of use to them. While Mailing Online deliberately offers only a fairly simple set of options, customer interest in additional ones illustrates to me how and why they could eventually become more sophisticated mailers whose needs would more readily be met via existing service providers. This is the type of synergy which allows me to understand why some digital printers and lettershops are enthusiastic generally about

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**Mailing Online, and why they believe it could lead to a general expansion in the demand for their specialized services.**

<u>Y of REQUESTS</u>	<u>MOL CUSTOMER REQUESTS</u>	<u>RESOLUTION</u>
1	Accept Microsoft Outlook.	
1	Accept zipped documents.	
3	Accept Microsoft Publisher or Imagesetter files.	
1	Accept comma delimited data files.	
1	Accept plain-text (ASCII) letter.	
7	Accept PDF files.	
2	Automatic notification of completed mailing.	Email or Fax
3	Automatic and follow-up notifications if not completed.	
1	Automatic/immediate notification of orphaned mailings.(HD)	
3	Quicker response time to customer problem and more frequent status/updates.	
5	Include a business-reply envelope with mailing.	
3	Postcards and Two-sided, 6x8 postcard (1)	
1	11x17 -- 1 fold to form a 4 page booklet, then a three fold for the envelope.	
6	Purchase, create and mail a money order online.	
1	View mailing return address in the File Cabinet.	
16	Paper -- better quality.	
9	Paper -- color choices	
1	Paper -- ability to choose high or low end stock.	
1	Paper -- use customer's company logo.	
1	<b>Custom Mailing Pieces, more colors and graphics etc.</b>	
16	Envelope -- Redesign it. 3 users think it will be perceived as junk mail by their customers.	
4	Envelopes -- less USPS ads; bold return address.	
1	Envelopes -- use customer's company logo.	
1	Envelopes -- use plain white.	
2	Envelopes -- ability to choose high or low end stock.	
1	<b>Isolate mailing address from bar code &amp; presort ID.</b>	
	<b>Suggested to place at least one space between this information and the mailing address.</b>	
1	More understandable verbiage regarding processing and mailing. (Jim Blank)	
1	Refer to a mail merge document to be uploaded as "Main" document so customer does not confuse with resulting mail merge document.	
1	Include sample of printed mailing w/envelope in Starter Kit.	
12	More true-type font choices.	
5	Improved printing of graphics.	
1	Not clear that customer can begin at Step 4.	
5	Improve the "Refresh" feature with frequent status information.	
1	Show proof of mailings for court filings.	
2	"Name this Mailing for Future Reference" needs to be marked required.	
1	At the document upload browse button, change default from *.html to *.* or *.doc, xls, wpd extensions.	

2	Change step 4 to read "Assemble Mailing" or "Assemble and Name Mailing."	
1	Give the Help Desk the ability to get credit card authorizations over the phone from the credit card companies just like merchants do.	
1	Ability to use the document.doc name in Word to name the document in Mailing Online.	
1	When naming a document, limitations of the name should be clearly stated at this point, not in Help. (Example: The name should consist of < 30 char. etc)	
1	When naming a mailing list, limitations of the name should be clearly stated at this point, not in Help. (Example: The name should consist of < 30 char. etc)	
1	Use a graphic to show where address will appear on envelope.	
1	Let customer choose what order their address is in except for the bottom two lines.	
1	Ability to edit return address.	
1	Improved black ink density.	
1	Accept a Word cover document w/Lotus spreadsheet attachment.	
1	Merge Pagemaker document with Excel spreadsheet.	
1	Due to slowness of the system, verify the mailing addresses offline, email unverifiable ones to user and send out mailing with good addresses.	
2	Add International mailings.	
1	Supply cost schedule.	
1	Change "Orphan" terminology.	
2	Improve mail delivery time.	
1	Add Non-Profit mail service.	
20	Increase speed of use.	
1	Use a 'one-time' mailing address, i.e., define it online while preparing the mailing.	
3	Have automatic account or credit card debit instead of having to use a credit card each time. Corporate accts.	
1	Would like to be billed instead of using credit card.	
1	More system reliability and predictability.	
1	Increase time-out.	
1	Allow larger (meg.) file upload.	
1	Use a 9x12" size envelope for an 8 1/2" size document.	
1	Choice of using postage stamps instead of indicia.	
4	Allow system to create & apply First-Class postage.	
1	Choice of sending mailing via Express Mail or Priority Mail	
1	Support MAC	
2	Address change service. Customer would like to be notified when one of his customers moves.	
1	Customer suggests that we have an off-line software package (like AOL free service) which would allow faster services, preview of mailing demos, and gives the customer a choice to pay for the services if	

	interested.
2	Improve the demo.
2	Ability to upload and print forms.
1	Advance notification of system down time.
1	Have automatic notification on Home Page when system is down.
5	Wants credit card info stored in system.
4	Ability to use debit card also.
4	Browser settings too confining.
1	Have a "GO" button instead of having to click on "Mailing Online" or "Shipping Online"

Exhibit 1 to Response to MASA/USPS-T1-14, page 3

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MASA/USPS-T1-15. What are the four print sites at which MOL will be launched? Will each of these sites be ready to accept print jobs on the anticipated date that MOL will be offered to the public? If so, what is the stage of negotiations with each of the printers to enter into contractual arrangements? Explain the process by which jobs will be allocated among the four print sites. Please deposit all contracts as a library reference.

RESPONSE:

Currently, our plans call for the initial four print sites to be in the metropolitan areas of Boston, New York, Chicago and Los Angeles. Barring unforeseen problems, each of these sites will be ready to accept print jobs on the first day of the experiment. The Boston site vendor - already under contract - has been previously identified as Vestcom New England (see USPS-LR-11/MC98-1). The other three are currently in the purchasing solicitation process. Vendors have been prequalified (see my response to MASA/USPS-T1-7) and have (or shortly will have) received a solicitation and statement of work requesting a proposal. Proposals are expected to be received in January. See the response to interrogatory MASA/USPS-T1-7 for additional details on potential bidders and the contracting process.

Mailpieces (not jobs) will be batched into print site specific batches with allocation among the four print sites being performed primarily on the basis of geographic segmentation using ZIP Code ranges. Secondary determinants could be site-specific capacity and production capability limitations.

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MASA/USPS-T1-16. Explain where the remaining print sites will be located, the process that will be used to allocate jobs among them, the process that will be used to select the printers, and what has occurred thus far with respect to their selection. When do you expect the additional printers to be selected and ready to accept print jobs?

RESPONSE:

The only additional locations currently identified are: San Francisco, Dallas, Washington, DC; Atlanta, GA; Miami, FL; Seattle, WA; Minneapolis, MN; Denver, CO; and Indianapolis, IN.

Job allocation will be based primarily upon destination addresses of the mailpieces, with the avoidance of mail processing costs being a specific goal for Mailing Online. The current schedule for adding additional print sites is reflected in the direct testimony of witness Poellnitz, USPS-T-2, Table 12, Print Site Rollout.

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MASA/USPS-T2-6. State whether you adjusted the volume projections in the study that was the subject of witness Rothschild's testimony in MC98-1 to account for each of the following:

- a. The effect on volume of the anticipated availability during the experiment of additional features and capabilities, such as full color printing, first class single piece mailings where the address is different for each piece, nonprofit standard mail (A), priority mail, express mail and international rates;
- b. The effect on volume of the availability of some of the capabilities of MOL earlier during the experiment as a result of the delay in its implementation;
- c. Increasing public familiarity with and use of the internet since the date of the study, or since the termination of MC98-1;
- d. The effect on volume of the proposed increase of the duration of the experiment to three years; or
- e. The volume achieved during the market test.

With respect to each item, if you adjusted the volume projections to account for the item explain how you did so, and if you did not adjust the volume projections explain why not.

RESPONSE:

The Postal Service continues to rely upon volume projections presented in witness Rothschild's testimony since they are the best available estimates.

Subparts (a) and (c) are reasons why I believe those estimates actually understate expected volume.

As reflected in the fourth tab of the USPS-LR-29/MC98-1 (Version 3.0 mailing Online features), the currently proposed experiment will provide the same features originally envisioned for the previously requested experiment; thus subpart (b) should have no impact. Nor do I see subparts (d) or (e) having impact upon actual volume.



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**MASA/USPS-T2-7. Describe the advertising plan contemplated as part of MOL II. Include in your description the advertising media that will be used and the time period and geographical areas in which the advertising will run during the duration of the experiment.**

**RESPONSE:**

**An advertising plan does not yet exist for Mailing Online.**

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**MASA/USPS-T2-8. Identify any marketing study conducted to determine the extent of the advertising necessary to reach the volumes predicted in your testimony and the testimony of witness Plunkett filed in support of the Request. If a marketing study has not been performed in connection with the volume estimates, describe any other marketing study that has been performed. Include in your answer a summary of the results of the study.**

**RESPONSE:**

**No marketing study has been conducted to associate advertising with estimated Mailing Online volumes. My understanding of PostOffice Online advertising media effectiveness and implications for future Internet services advertising was previously reported in Docket MC98-1, Tr. 12/2928-34.**

**No Mailing Online marketing plan is currently available.**

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MASA/USPS-T2-9. Does the Postal Service intend to engage in advertising that would not be specific to MOL, but which it believes will serve to increase MOL usage?

RESPONSE:

Advertising specific to the products for which Mailing Online is an access channel – First-Class Mail, Standard Mail, Express Mail and Priority Mail – will continue and could also increase the usage of MOL. Additionally, the [www.USPS.com](http://www.USPS.com) URL will now appear more frequently in Postal Service lobbies and could result in increased traffic to that web site customers might find Mailing Online and become users, also increasing the usage of Mailing Online.

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MASA/USPS-T2-10. Does the Postal Service intend to engage in any Internet product advertising that is not MOL specific? If so, please describe the advertising.

RESPONSE:

Several Internet products are currently offered or under development by the Postal Service as part of an organization-wide focus on enhancing our corporate Web site – USPS.com. Although Internet product advertising plans have not been prepared, it would make sense for future Postal Service advertising to reflect a unified approach to services and information available through that channel. See also my response to interrogatory MASA/USPS-T2-9.

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**OCA/USPS-T1-1. Please refer to your testimony, Appendix A, the "Experimental Data Collection Plan." Does the Postal Service plan to collect and periodically report the advertising costs of Mailing Online during the experiment as part of the "Experimental Data Collection Plan?" Please explain.**

**RESPONSE:**

**Yes, during the experiment the Postal Service intends to collect and report advertising costs specific to Mailing Online.**

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**OCA/USPS-T1-2. Please refer to your testimony, Appendix A, the "Experimental Data Collection Plan."**

- a. Please confirm that the mailing statement, Form 3600, will be the primary source of documentation for Mailing Online pieces entered as First-Class Mail. If you do not confirm, please explain.
- b. Please confirm that the mailing statement, Form 3602, will be the primary source of documentation for Mailing Online pieces entered as Standard (A) Mail. If you do not confirm, please explain.
- c. Please confirm that the "USPS Qualification Reports" will be a primary source of documentation for Mailing Online pieces entered as First-Class or Standard (A) Mail. If you do not confirm, please explain.
- d. Please confirm that San Mateo prepares in electronic form the mailing statements and USPS Qualification Reports identified in parts a., b. and c. of this interrogatory. If you do not confirm, please explain.
- e. Please confirm that the Postal Service will be able to preserve and retrieve the mailing statements and USPS Qualification Reports prepared in electronic form identified in parts a., b. and c. of this interrogatory. If you do not confirm, please explain.
- f. Please confirm that the Postal Service will collect the printed mailing statements and USPS Qualification Reports identified in parts a., b. and c. of this interrogatory that accompany the Mailing Online pieces entered at specified mail processing facilities. If you do not confirm, please explain.
- g. Please explain how the Postal Service intends to use the electronic and printed mailing statements and USPS Qualification Reports identified in parts e. and f. of this interrogatory to provide the data identified in the "Experimental Data Collection Plan."

**RESPONSE:**

- a. Confirmed
- b. Confirmed
- c. Confirmed
- d. Confirmed that a component of the Mailing Online system, currently scheduled to reside in San Mateo data center, will prepare the referenced reports.
- e. Confirmed
- f. Confirmed

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- g. Unable to explain. The methodology for compiling and generating the data reports is still under development.

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OCA/USPS-T1-3. In Docket No. MC98-1, please refer to your response to OCA/USPS-T1-72.

- a. Please confirm that the Version 3 system software under development will include the "Mail.dat opportunity." If you do not confirm, please explain.
- b. Please confirm that the "Mail.dat opportunity" will permit the association of mailing statements with batch numbers. If you do not confirm, please explain.
- c. Please explain how the Postal Service intends to use the "Mail.dat opportunity" to provide the data identified in the "Experimental Data Collection Plan."

RESPONSE:

- a. Confirmed.
- b. Confirmed
- c. See my response to OCA/USPS-T1-2 g.



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**OCA/USPS-T1-4. Please refer to your response to OCA/USPS-T1-45(f) in Docket No. MC98-1.**

- a. On the first day of the experiment, in the case of First-Class Mail, please confirm that there are 62 job-types, and that the page-count can be equal to or less than 48 pages. If you do not confirm, please explain.
- b. On the first day of the experiment, in the case of Standard (A) Mail (Regular), please confirm that there are 62 job-types, and that the page-count can be equal to or less than 48 pages. If you do not confirm, please explain.
- c. On the first day of the experiment, please confirm that Standard (A) Mail (Nonprofit), and Priority Mail and Express Mail service will not be offered to customers. If you do not confirm, please explain.

**RESPONSE:**

- a. Confirmed as follows:

*Letter & legal*    2 possible plex options – simplex or duplex  
                          x 3 possible binding options – stapled, not stapled or tape binding  
                              6  
                          x 2 possible paper sizes – letter or legal  
                              12  
                          x 5 possible color options – black, red, green, blue, magenta  
                              60

*Newsletter*        1 possible plex option – duplex  
                          x 2 possible binding options – stapled or not stapled  
                              2  
                          x 1 possible paper size – newsletter (11"x17")  
                              2  
                          x 1 possible color option – black  
                              2

This is a total of 62 job-type batches. The page-count can be equal to or less than 48 for letter and legal size paper. Newsletter size - 11" x 17" - paper limit the page count to 24 pages.

- b. Confirmed as described in a. above.
- c. Confirmed that Priority Mail and Express Mail service will not be offered on the first day of the experiment. Unable to confirm that Standard (A)

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**Mail (Nonprofit) will not be offered on the first day of the experiment. At this time we are still attempting to integrate nonprofit registration and authentication in the software release being readied for the first day of the experiment.**

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**OCA/USPS-T1-5. Please refer to your testimony at page 2, lines 18-20, where it states, "The single piece First-Class Mail rate will be offered only as an option for mailpieces with addresses which cannot be standardized."**

- a. Will the Postal Service or customers exercise this option? If customers do so, will they be informed of the amount of single piece First-Class postage separate from the First-Class or Standard (A) automation basic postage charge for their other Mailing Online pieces? Please explain.**
- b. Please explain what is meant by the phrase "mailpieces with address that cannot be standardized."**

**RESPONSE:**

- a. Customers will exercise the option, and will subsequently be informed of the amount of single-piece First-Class Mail postage applied to those pieces.**
- b. Subsequent to the upload of an address/data list, a Mailing Online user is informed of the results of an automated address standardization process. Addresses not clearing this process of validation and address element standardization are flagged to indicate why they failed.**

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**OCA/USPS-T1-6.** Please refer to the response of OCA witness Callow to PB/OCA-T100-8 and PB/OCA-T100-9 in Docket No. MC98-1.

- a. In PB/OCA-T100-8, Attachment 1, please confirm that the First-Class Mail rates listed in Attachment 1 for Mailing Online letter-size, legal-size and newsletter-size pieces by job-type and page-count are correct. If you do not confirm, please explain and provide the correct First-Class Mail rates for letter-size, legal-size and newsletter-size pieces by job-type and page-count.
- b. In PB/OCA-T100-9, Attachment 1, please confirm that the Standard (A) Mail rates listed in Attachment 1 for Mailing Online letter-size, legal-size and newsletter-size pieces by job-type and page-count are correct for pieces weighing 3.2985 ounces or less. If you do not confirm, please explain and provide the correct Standard (A) Mail rates for letter-size, legal-size and newsletter-size pieces by job-type and page-count for pieces weighing 3.2985 ounces or less.
- c. In PB/OCA-T100-9, Attachment 2, please confirm that the Standard (A) Mail rates listed in Attachment 2 for Mailing Online letter-size, legal-size and newsletter-size pieces by job-type and page-count are correct for pieces weighing more than 3.2985 ounces. If you do not confirm, please explain and provide the correct Standard (A) Mail rates for letter-size, legal-size and newsletter-size pieces by job-type and page-count for pieces weighing more than 3.2985 ounces.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

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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.

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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



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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).

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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.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

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.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T1-12. Please refer to your response to OCA/USPS-T1-2(d).**

- a. Please identify and describe the "component of the Mailing Online system" referenced in your response.**
- b. Please explain what "component" (or components) of the Mailing Online system currently reside at the San Mateo data center. Please explain what "component" (or components) of the Mailing Online system (other than the component identified in part a. of this interrogatory) are currently scheduled to reside at the San Mateo data center.**

**RESPONSE:**

- a. The component referenced is the "Postal Soft Presort 5.6" software, detailed as Item 135 in Workpaper A, MOL System Development & Implementation, of Witness Lim's testimony, USPS-T-3.**
- b. Details for all MOL components can be found in Witness Lim's testimony, USPS-T-3.**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T1-13. Please refer to your response to OCA/USPS-T1-2(g). Please explain how the Postal Service used 1) the electronic mailing statements, Forms 3600 and 3602, and the USPS Qualification Reports, and 2) the printed mailing statements and USPS Qualification Reports to prepare the Accounting Period Reports and the Bi-weekly Reports during the Market Test.**

**RESPONSE:**

- 1) The Mailing Online Version 2 system used during the market test did not have the capability to store permanently electronic copies of the mailing statements, Forms 3600 and 3602, or the USPS Qualification Reports. As such, electronic copies were not used in preparing the Accounting Period and Bi-weekly Reports provided during the market test.**
- 2) Printed mailing statements, Forms 3600 and 3602, and USPS Qualification Reports were reviewed and manually corrected by the Business Mail Entry Unit upon submission of the physical mail into the mail stream. These documents were then sent to the Postal Service, which collected these and provided them as attachments to the Bi-weekly Reports. These documents serve as documentation of the level of sortation achieved by the batching process.**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-14. Please refer to your response to OCA/USPS-T1-4(a), and the testimony of witness Poellnitz (USPS-T-2) at page 9, lines 1-7.

- a. Are the terms "binding options," as used in your response to OCA/USPS-T1-4(a), and the term "finishing options," as used in the testimony of witness Poellnitz, synonymous? Please define (and distinguish each term, if necessary).
- b. Please refer to footnote 15 in the testimony of witness Poellnitz, where it states, "Finishers are required only for finishing 11x17 impressions." Your response to OCA/USPS-T1-4(a) states that there are "3 possible binding options - stapled, not stapled or tape binding" for letter and legal size pages. Please reconcile your response with the statement of witness Poellnitz in footnote 15 quoted above. Please coordinate your response with the response of witness Poellnitz to OCA/USPS-T2-3.

RESPONSE:

- a. As with any specialized nomenclature, printing terminology may carry different meanings when used out of context or by laypersons. In my understanding of the usage, the term "finishing options" refers to any of several optional actions performed on documents subsequent to their printing, *i.e.*, actions which complete or "finish" the document preparation process. I understand "binding" to refer to methods of combining several individual pages into a single unit, *e.g.*, a "bound" volume of a book. In addition to binding, finishing options include such actions as folding, tabbing and trimming.
- b. In this context, I believe "finisher" refers to an offline (standalone) device used for folding and stitching (stapling) 11"x17" paper as compared to an integrated component of the main printing device which accomplishes the stapling task on letter and legal size paper inline.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T1-15. Please refer to your response to OCA/USPS-T1-5. Will the single-piece First-Class Mail rate be paid on**

- a. First-Class mailpieces with addresses that cannot be standardized?**
- b. Standard (A) mailpieces with addresses that cannot be standardized?**
- c. Nonprofit mailpieces with addresses that cannot be standardized?**

**RESPONSE:**

- a-c. The only rate available to mailers choosing to send domestic mailpieces with addresses that cannot be standardized will be the First-Class Mail single piece rate.**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T1-16.** Please refer to your response to OCA/USPS-T1-6, and your response to OCA/USPS-T1-4(a), where it states, "Newsletter size - 11" x 17" - paper limit the page count to 24 pages."

- a. For First-Class Mail, please confirm that the total number of job-type/page-count batches equals 2,928 ((30 letter-size job types x 48 page count) + (30 legal-size job types x 48 page count) + (2 newsletter-size job types x 24 page count)). If you do not confirm, please explain.
- b. For Standard (A) Mail, please confirm that the total number of job-type/page-count batches equals 2,928 ((30 letter-size job types x 48 page count) + (30 legal-size job types x 48 page count) + (2 newsletter-size job types x 24 page count)). If you do not confirm, please explain.
- c. In PB/OCA-T100-8, Attachment 1, in Docket No. MC98-1, please refer to the columns headed "BI-BJ/1-48" and "Rates (cents)."
  - i. Please confirm that the heading for the column "BI-BJ/1-48" should be changed to "BI-BJ/1-24" and the last four cells of the column should be deleted. If you do not confirm, please explain.
  - ii. Please confirm that the last cell of column headed "Rates (cents)" should be deleted. If you do not confirm, please explain.
- d. In PB/OCA-T100-9, Attachment 2, in Docket No. MC98-1, please refer to the columns headed "BI-BJ/8-48," "Weight per Piece (oz.), Newsletter-size," and "Automation Flats, Rates (cents), Nsltr. Size" (footnote omitted).
  - i. Please confirm that the heading for the column "BI-BJ/8-48" should be changed to "BI-BJ/8-24" and the last 24 cells of the column should be deleted. If you do not confirm, please explain.
  - ii. Please confirm that the last 24 cells of column headed "Weight per Piece (oz.), Newsletter-size" should be deleted. If you do not confirm, please explain.
  - iii. Please confirm that the last 24 cells of column headed "Automation Flats, Rates (cents), Nsltr. Size" (footnote omitted) should be deleted. If you do not confirm, please explain.

**RESPONSE:**

a. - c. Confirmed.

- d.
  - i. Confirmed.
  - ii. Confirmed, with the notation that the column heading is "Weight per Page (oz.)", not "Weight per Piece (oz.)".
  - iii. Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-17. Please refer to your testimony at page 16, lines 1-4, and your rebuttal testimony (USPS-RT-1) at page 4, lines 15-18, in Docket No. MC98-1 concerning the OCA's proposal for Mailing Online. Also, please refer to Table I and the pricing formula (Equation 1) in section IV.B. of OCA witness Callow's testimony (OCA-T-100) in Docket No. MC98-1.

- a. Please identify all actions that would need to be taken by the Mailing Online system developer and the Postal Service to implement a production system of the pricing formula (Equation 1).
- b. Please provide the total estimated time necessary to implement a production system of the pricing formula (Equation 1).
- c. Please provide the total estimated time necessary to implement a production system if the pricing formula (Equation 1) were modified as follows:

$$D = x$$

- d. Please provide the total estimated time necessary to implement a production system if the pricing formula (Equation 1) were modified as shown in part c. of this interrogatory, and the total number of job-type/page-count "look-up" tables were reduced to 2,928 ((30 letter-size job types x 48 page count) + (30 legal-size job types x 48 page count) + (2 newsletter-size job types x 24 page count)) in First -Class Mail and Standard (A) Mail, respectively.
- e. Please provide the total estimated time necessary to implement a production system if the pricing formula (Equation 1) were modified as shown in part c. of this interrogatory, and the total number of job-type/page-count "look-up" tables were reduced to 1,008 ((10 letter-size job types x 48 page count) + (10 legal-size job types x 48 page count) + (2 newsletter-size job types x 24 page count)) in First -Class Mail and Standard (A) Mail, respectively.

Note: The 10 letter-size and 10 legal-size job-types assumes there will be no binding options for letter-size and legal-size documents, consistent with the testimony of witness Poellnitz. See USPS-T-2 at 9, footnote 15.

The number of letter and legal job-types is computed as follows:

Letter & legal	2 possible plex options - simplex or duplex
	<u>x 2</u> possible paper sizes - letter or legal
	4
	<u>x 5</u> possible color options - black, red, green, blue,

magenta

20

**RESPONSE:**

The Postal Service has neither planned nor calculated time estimates needed to implement any alternative production systems, let alone one that it does not currently support. Such an effort would likely require both payment to a

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

contractor and finalization of system requirements before it could be accomplished. The posited functional requirements only begin that latter process. These difficulties alone justify my opinion that there is virtually no realistic likelihood that Postal Service management would even consider asking the Governors to implement such a system during an experiment intended simply to determine whether Mailing Online constitutes a viable product.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T1-18.** Please refer to your testimony at pages 9-11, concerning customer volumes during the Market Test. Please provide the accumulated volumes by job-type by page-count by depth of sort from the USPS Qualification Reports during the Market Test.

**RESPONSE:**

**As stated in my response to OCA/USPS-T1-11:**

**"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 ha[ve] 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."**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS POELLNITZ**

**OCA/USPS-T2-4. Please supply the estimates of advertising expenditures provided by the Postal Service's Internet Business Group in as much detail as possible, and discuss in detail how the planned expenditures for advertising will achieve the volumes for MOL service projected by witness Rothschild.**

**RESPONSE:**

**The advertising budget provided to witness Poellnitz was and still is the best estimate available at the time. The Mailing online portion of the Internet Business Group's total advertising budget was simply derived from the previous PostOffice Online advertising budget. No analysis was performed regarding whether or not this amount would achieve any particular volumes.**

1 COMMISSIONER LeBLANC: Does any participant have  
2 any additional written cross-examination for Witness  
3 Plunkett?

4 MS. DREIFUSS: OCA does have two additional sets  
5 of written cross-examination, Commissioner LeBlanc.

6 COMMISSIONER LeBLANC: Please, Ms. Dreifuss,  
7 begin.

8 MS. DREIFUSS: Thank you.

9 CROSS EXAMINATION

10 BY MS. DREIFUSS:

11 Q Earlier this morning, Mr. Plunkett, your counsel  
12 had you review two sets of interrogatories that had been  
13 posed on the USPS-T-1 testimony. One set consists of  
14 interrogatories by OCA, OCA/USPS-T-1, Interrogatories 19  
15 through 22.

16 Do you recall reviewing those this morning?

17 A Yes, I do.

18 Q Were those answers prepared by you or under your  
19 direct supervision?

20 A I'm sorry, could you repeat the numbers again?

21 Q This is OCA/USPS-T-1-19 through 22, and just as a  
22 reminder, the heading on each page states: Response of  
23 United States Postal Service Witness -- I'm adding the word  
24 "witness" -- United States Postal Service Plunkett.

25 A That's correct. Yes, those were prepared by me.

1 Q Fine. In addition to that, your attorney asked  
2 you to review another set of interrogatories that had been  
3 posed by MASA on USPS-T-1. Those interrogatories are  
4 numbered MASA/USPS-T-1-17 through 20. You did review those  
5 earlier today, did you not?

6 A Yes, I did.

7 Q And if those questions were posed to you today,  
8 would your answers be the same?

9 A Yes, they would.

10 Q Furthermore, do you recall if these were prepared  
11 by you or under your direct supervision?

12 A Yes, they were.

13 Q Okay. Thank you.

14 MS. DREIFUSS: Mr. Presiding Officer, with your  
15 permission, I'll hand two copies of each set to the  
16 reporter.

17 COMMISSIONER LeBLANC: Please.

18 Mr. Hollies, are there any objections?

19 MR. HOLLIES: No objection.

20 COMMISSIONER LeBLANC: Then in that case they are  
21 to be received into evidence and will be transcribed into  
22 the record at this point.

23 [Additional Written

24 Cross-Examination of Michael K.

25 Plunkett was received into evidence

1 and transcribed into the record.]  
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**RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T[ ]1-19.** In Docket No. MC98-1, witness Rothschild responded to many interrogatories about her survey in a similar vein, e.g.:

OCA/USPS-T-4-12. When conducted, this research was not designed as support for a Commission filing. A specific level of reliability was neither requested nor recommended, and no precise level of statistical reliability was calculated.

OCA/USPS-T-4-13. a. When conducted, this research was not designed as support for a Commission filing, but as business planning research. Our goal was to determine if there was "enough" volume to warrant further development, not what the total volume of NetPost would be. . . b. Again, let me reiterate that for business planning purposes, the objective was to determine if there was enough volume among the most likely users to warrant further evaluation of NetPost, not to estimate total volume. (Emphasis supplied)

OCA/USPS-T-4-8. Did the sample design for the quantitative phase of the NetPost study produce a statistically significant sample?

Response: The initial (and primary) purpose for this research was to support business planning activities, not to be submitted as testimony before the Postal Rate Commission. Our goal, as stated in page w of the library reference, was to provide an indication of whether there was sufficient interest to justify further evaluation of NetPost. To that end, a probability sample was drawn, interviews conducted and standard errors produced to provide an estimate of the range of NetPost pieces that could be expected based upon the survey results.

Do these statements still reflect the intent and belief of the Postal Service with respect to Ms. Rothschild's survey and its resulting volume estimates? If not, please provide an update.

**Response.**

This question falsely implies that witness Rothschild's understanding of the reasons for which her research was conducted also constitute the Postal Service's intent and belief in relying upon her estimates for purposes of projecting market test and experimental Mailing Online volume.



RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

The Postal Service has not offered, and does not plan to offer, any revisions to the volume estimates provided witness Rothschild and relied upon by the Postal Service in Docket No. MC98-1. While a more rigorous volume projection would be appropriate in a request for a permanent service, her estimates are more than sufficient as a basis for authorizing the conduct of an experiment – which itself will provide information that permits determination of whether Mailing Online constitutes an appropriate permanent service offering.

The central assumptions upon which witness Rothschild's estimates are based; that use of the Internet by small businesses would increase, and that as designed Mailing Online constitutes a service that such businesses will find valuable, appear to have been borne out by actual experience.

In a recent Harris poll, for example, the number of Internet users has soared from 9% to 56% of U.S. adults since 1995. (This was reported online at <http://vr.harrispollonline.com/register/>.) Hence, my current belief is that witness Rothschild's projections actually understate the volume the experiment will generate. While I understand some may not agree, that is why the Postal Service is proposing to conduct the experiment.

The Postal Service's position remains the same: further study of potential demand can provide little additional insight into whether Mailing Online should be a permanent service, and would instead delay implementation of the experiment that the Postal Service believes should be conducted to assess the viability of Mailing Online.

RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT  
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**OCA/USPS-T[1-20.** Given the original purpose of the study as detailed in question OCA/USPS-T[1-19] above, the fact that her survey asked about a Next Day service when, in fact, MOL uses regular First-Class Mail service, and the experience gathered from the market test with respect to volumes of MOL, do you believe that Ms. Rothschild's volume estimates may be significantly overstated? If so, do you have any estimate of how overstated they may be? If not, please explain why you do not believe that the estimates are overstated.

**Response.**

As stated in my response to OCA/USPS-T1-19, I believe that witness Rothschild's estimates are appropriate for use in supporting the Request for authorization to conduct a Mailing Online experiment. Witness Rothschild's estimates are the best available, and that they constitute compelling evidence supporting the instant request for an experimental service.

Witness Rothschild's inquiry into next day service was a reasonable proxy for Mailing Online, since a mature printing network will involve entry of mail in First-Class Mail next day delivery areas.

**RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T**1-21. Please provide copies of any advertising materials that were developed and/or utilized during the MOL Market Test that are not already on file in Docket No. MC98-1.

**RESPONSE:**

Copies of three additional advertising sheets are attached.

Chicago  
NPF  
1999

NetPost-Mailing Online™  
Internet Services

## Fact Sheet

*Prepare  
mailings  
without  
leaving  
your  
desk.*

NetPost-Mailing Online™ is the quick and easy way to prepare your First-Class® Mail and Standard (A)™ Mail. It's like having a post office and a professional printing-and-mailing service inside your personal computer — and it's open 24 hours a day, 7 days a week. NetPost-Mailing Online is slated to appear on [www.usps.com](http://www.usps.com), the official website of the United States Postal Service® in early 2000.

### **NetPost-Mailing Online is efficient.**

Instead of spending hours addressing your First-Class Mail and Standard (A) Mail, printing each piece, stuffing envelopes, applying postage and doing the mailing, you'll be able to have someone else do it for you. Create your mail on Windows® 95 (or Windows NT® or Macintosh), using a variety of word processing and design programs, then send it electronically — along with your mailing list — to the U.S. Postal Service. We'll send it all to a USPS-approved printing-and-mailing service, which will take care of the rest of the work.

### **NetPost-Mailing Online is convenient.**

With NetPost-Mailing Online, you can prepare and send mail without leaving your desk.

- Create, print and send First-Class Mail and Standard (A) Mail via the World Wide Web
- Prepare your advertising mail, correspondence, even your invoices today, and have them in the mail tomorrow
- Personalize documents with mail merge capabilities
- Have your addresses standardized automatically for more effective delivery
- Navigate quickly and easily with point-and-click menus
- Store frequently used documents, mailing lists and return addresses
- Estimate mailing and production costs beforehand with a built-in calculator
- Accepts Novus™/Discover®, MasterCard®, VISA® or American Express®

### **NetPost-Mailing Online adds impact.**

NetPost-Mailing Online creates mail that makes an impression.

- Give your mail impact with highlight color and graphics
- Give your mail a professional touch with quality printing

NetPost-Mailing Online

**NetPost-Mailing Online™**  
Internet Services

**Fact Sheet**

**How does NetPost-Mailing Online™ automatically standardize my mailing lists for more efficient mailing?**

Each time you upload a mailing list through NetPost-Mailing Online, it's checked against the U.S. Postal Service's National Address Management System to standardize your addresses, including abbreviations, directionals and ZIP Codes®. Unverifiable addresses are extracted and returned for review and correction.

**How sophisticated can I get with my mailpiece designs?**

NetPost-Mailing Online accepts software packages that offer you a variety of mailpiece design options. Your choice of highlight color includes red, blue, green or magenta.

**What word processing or design software can I use?**

You can mail most documents created in Microsoft® Word 6.0 or later, WordPerfect® 6.0 or later, PageMaker® 6.5 or later, VENTURA™ 7.0, or QuarkXPress™ 4.0 or later.

**What mailing list (spreadsheet or database) software can I use?**

You can submit mailing lists created in Microsoft Word 6.0 or later, WordPerfect 6.0 or later, Microsoft Access® 95 or later, Excel® 5.0 or later, or in an ASCII Tab Delimited text file.

**Can I really send invoices too?**

NetPost-Mailing Online lets you use the Mail Merge feature of either Microsoft Word or WordPerfect. You can use the Mail Merge feature to personalize each mailpiece. Then simply send your document and data file to NetPost-Mailing Online. We will take care of the rest.

**NetPost-Mailing Online™**



ONE CLICK AND IT ALL STARTS TO CLICK.™

San Antonio  
NPF  
1999

Mailing Online™  
Internet Services

## Fact Sheet



*Prepare  
mailings  
without  
leaving  
your  
desk.*

Mailing Online™ is the quick and easy way to prepare your First-Class® Mail and Standard (A)™ Mail. Mailing Online is available at [www.postofficeonline.com](http://www.postofficeonline.com), our new Web site for small businesses. It's like having a post office and a professional printing-and-mailing service inside your personal computer — and it's open 24 hours a day, 7 days a week.

### **Mailing Online is efficient.**

Instead of spending hours addressing your First-Class Mail and Standard (A) Mail, printing each piece, stuffing envelopes, applying postage and doing the mailing, you'll be able to have someone else do it for you. Create your mail on Windows® 95 (or Windows NT®), using a variety of word processing and design programs, then send it electronically — along with your mailing list — to the U.S. Postal Service. We'll send it all to a USPS-approved printing-and-mailing service, which will take care of the rest of the work.

### **Mailing Online is convenient.**

With Mailing Online, you can prepare and send mail without leaving your desk.

- Create, print and send First-Class Mail and Standard (A) Mail via the World Wide Web
- Prepare your advertising mail, correspondence, even your invoices today, and have them in the mail tomorrow
- Personalize documents with mail merge capabilities
- Have your addresses standardized automatically for more effective delivery
- Navigate quickly and easily with point-and-click menus
- Store frequently used documents, mailing lists and return addresses
- Estimate mailing and production costs beforehand with a built-in calculator
- Accepts Novus™/Discover®, MasterCard® VISA® or American Express®

### **Mailing Online adds impact.**

Mailing Online creates mail that makes an impression.

- Give your mail impact with highlight color and graphics
- Give your mail a professional touch with quality printing

**Mailing Online™**

**Mailing Online™**  
Internet Services

## Fact Sheet

### **How does Mailing Online™ automatically standardize my mailing lists for more efficient mailing?**

Each time you upload a mailing list through Mailing Online, it's checked against the U.S. Postal Service's National Address Management System to standardize your addresses, including abbreviations, directionals and ZIP Codes®. Unverifiable addresses are extracted and returned for review and correction.

### **How sophisticated can I get with my mailpiece designs?**

Mailing Online accepts software packages that offer you a variety of mailpiece design options. Your choice of highlight color includes red, blue, green or magenta.

### **What word processing or design software can I use?**

You can mail most documents created in Microsoft® Word 6.0 or later, WordPerfect® 6.0 or later, PageMaker® 6.5 or later, VENTURA™ 7.0, or QuarkXPress™ 4.0 or later.

### **What mailing list (spreadsheet or database) software can I use?**

You can submit mailing lists created in Microsoft Word 6.0 or later, WordPerfect 6.0 or later, Microsoft Access® 95 or later, Excel® 5.0 or later, or in an ASCII Tab Delimited text file.

### **Can I really send invoices too?**

Mailing Online lets you use the Mail Merge feature of either Microsoft Word or WordPerfect. You can use the Mail Merge feature to personalize each mailpiece. Then simply send your document and mailing list to Mailing Online. We will take care of the rest.

# Mailing Online™



ONE CLICK AND IT ALL STARTS TO CLICK.™  
[www.postofficeonline.com](http://www.postofficeonline.com)

Xplor 1999

NetPost-Mailing Online™  
Internet Services

## Fact Sheet

*Business opportunities for both small-volume mailers and printing and mailing service providers.*

**NetPost-Mailing Online™ will be a state-of-the-art service for small businesses, available soon on our website—[www.usps.com](http://www.usps.com).**

Using virtually any of the leading word-processing or page-layout programs, small businesses will create documents on Windows 95 or NT (Mac compatibility is in the works). Then, they'll click on our website to create a job ticket and send it all electronically—including their mailing list—to the U.S. Postal Service. We'll route them to U.S. Postal Service-contracted printing and mailing services that will take care of the rest of the work.

**NetPost-Mailing Online will foster business opportunities for both small-volume mailers and printing and mailing service providers.**

Thanks to NetPost-Mailing Online and the Internet, mail preparation for low-volume mailers is undergoing a transformation that will make the process of initiating a small mailing faster and more convenient for everyone.

NetPost-Mailing Online will give small business owners what they desire—convenient, online access to the U.S. Postal Service, including integrated professional printing and mailing services. What's more, it will demonstrate the benefits of distributed-on-demand digital printing and mailing services.

The way it works is simple. Instead of spending their time printing, stuffing and addressing First-Class® and Standard (A)™ Mail, then applying postage, sorting the mailpieces and delivering them to the post office, mailers will be able to go online and have it all done for them. Even first-time mailers will find it to be quick, easy and effective.

**We're aiming to make the U.S. Postal Service more convenient and cost-effective for small businesses by integrating high-quality printing and mailing services into our Internet services.**

Your company could be a participant in this exciting new service, either as a registered user of NetPost-Mailing Online or as a printing and mailing service provider. The U.S. Postal Service expects a large number of customers for NetPost-Mailing Online when it launches nationwide and we will be seeking regional commercial printing and mailing services to participate in this service.

**For more information, contact:**

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**(202) 268-4399 - FAX**

# NetPost-Mailing Online™



**NetPost-Mailing Online™  
Internet Services**

**Fact Sheet**

**Is the U.S. Postal Service getting into the printing business?**

No. We are providing convenient links for small-volume customers to utilize postal services via the Internet, including access to the services of participating commercial printing and mailing companies nationwide.

**Who should participate?**

For small-volume mailers, it's an opportunity to reduce costs and streamline the business communications process. For printing and mailing service providers, it's a competitive opportunity to gain additional business.

**How are NetPost-Mailing Online™ jobs routed and distributed?**

Mailpieces are electronically routed to destination print facilities, based on their final geographic destination. We expect to have over two dozen regional vendors with similar capabilities providing the services.

**What are the basic requirements for participation as a vendor?**

NetPost-Mailing Online vendors must have digital printing, inserting and intelligent addressing capabilities. They must be able to prepare bulk mailings and operate in an electronic environment.

The U.S. Postal Service will provide the network interface needed for the NetPost-Mailing Online service.

**How can I participate as a vendor?**

Solicitations (RFPs) will be conducted independently for each geographic area. To be notified of the solicitation in your area, fax your company information to:

**NetPost-Mailing Online  
Solicitation  
(202) 268-4399**

The U.S. Postal Service encourages all qualified companies to apply. Smaller companies are encouraged to form partnerships and submit joint proposals.

**NetPost-Mailing Online™**



ONE CLICK AND IT ALL-STARTS TO CLICK.™

RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T[1-22.** Advertising expenditures are reported in Table(s) 1 of several of the A/P reports filed pursuant to the Market Test Data Collection and Reporting System. Please explain in detail the purpose of these expenditures.

**Response.**

Costs reported in the A/P reports up to Fiscal Year 1999 A/P 10 were incurred to support the PostOffice Online market test. The marketing campaign involved all five market test sites in two waves of advertising and several different media types. The first wave began upon commencement of the market test and ended in 1998. The second wave began in mid-January and was largely completed by mid-February.

The purpose of the campaign was twofold: first, to generate awareness amongst the target audience that a new service -PostOffice Online- was available; and second, to drive the target audience to visit the PostOffice Online web site. As such, the advertising was not designed specifically to increase registration or usage by visitors. All advertising was designed to promote the PostOffice Online web site rather than any particular component. This is consistent with the fact that the marketing campaign did not involve any live sales force.

Costs reported in Table 1 for A/Ps 11 and A/P 12 reflect development of NetPost-Mailing Online promotional materials. Most of these materials were distributed to interested persons who visited the Postal Service booth at the National Postal Forum in San Antonio.

Costs reported for A/P 13 represent PostOffice Online corporate relations account management costs and PostOffice Online corporate relations materials from the fourth quarter. Costs incurred during FY 2000 A/P 1 reflect development of PostOffice Online promotional materials for distribution to interested persons who

**RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

visited the Postal Service booth at the National Postal Forum in Chicago. Although NetPost-Mailing Online product specific promotional materials were distributed, the cost is reported as a shared cost because it includes materials for other Postal Service products. No breakdown for this cost is available.

Costs incurred during FY 2000 A/P 2 represent the costs incurred to develop PostOffice Online promotional materials for distribution at the Xplor trade show. Although NetPost-Mailing Online product specific promotional materials were distributed, the cost is reported as a shared cost because it includes materials for other Postal Service products. No breakdown for this cost is available. Copies of these materials are provided in response to interrogatory OCA/USPS-T1-21.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
PLUNKETT TO INTERROGATORIES OF MAIL ADVERTISING SERVICES  
ASSOCIATION INTERNATIONAL**

**MASA/USPS-T1-17.** Confirm that the USPS plans to accept credit card payments from MOL customers on which it will pay a service charge of not more than 3% of the amount charged.

**RESPONSE:**

Confirmed that Postal Service plans to accept credit card payments.

Confirmed also that all payment methods have costs. I understand that credit card payments are generally less costly than other payment methods employed by the Postal Service, but since I also understand that the costs of payment methods are not attributed to specific services, such costs have not been included in support of the Mailing Online Request.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
PLUNKETT TO INTERROGATORIES OF MAIL ADVERTISING SERVICES  
ASSOCIATION INTERNATIONAL**

**MASA/USPS-T1-18.** What forms of payment for MOL other than credit cards will be accepted by the Postal Service during the experimental period? What service charges or fees will be paid by the Postal Service in connection with each form of payment? What proportion of total payments during the experimental period will be made using each form of expected payment?

**RESPONSE:**

See the eighth bullet in section III of USPS-T-1. I do not know what, if any, service charges or fees would apply to use of prepaid accounts or other potential payment methods, although I understand such costs are generally not attributed to specific services. I know of no means by which the proportions of various payment methods might reasonably be projected.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
PLUNKETT TO INTERROGATORIES OF MAIL ADVERTISING SERVICES  
ASSOCIATION INTERNATIONAL**

**MASA/USPS-T1-19.** Confirm that the initial printer contract entered into during the market test provided for a guaranteed minimum payment of \$325,000.

- a. How much was paid to the printer in connection with MOL print jobs under the terms of this contract?
- b. Was any payment made by the Postal Service in satisfaction of the guaranteed minimum provision? If so, how much? If not, why not?
- c. Do the printer contracts that the Postal Service is putting out for bid during the experimental period contain a guaranteed minimum provision?

**RESPONSE:**

- a. I understand the payments reported in the market test data reports approximate \$25,000.
- b. Yes. \$251,867 has been paid.
- c. I believe they do; a final answer will be available when the printer contract is filed.

RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

**MASA/USPS-T1-20.** Referring to your answer to MASA/USPS-T2-9, redirected from witness Plunkett, identify all advertising of any sort that will refer to MOL.

**Response.**

There is not yet any advertising plan for Mailing Online, and therefore no advertising can be identified that refers to Mailing Online.

1 COMMISSIONER LeBLANC: The OCA filed a request for  
2 oral cross-examination concerning USPS-T-1. Does any other  
3 participant wish oral cross-examination at this point?

4 Ms. Dreifuss, then you can begin, please.

5 MS. DREIFUSS: Thank you very much, Commissioner  
6 LeBlanc.

7 BY MS DREIFUSS:

8 Q Good morning, Mr. Plunkett.

9 A Good morning.

10 Q I want to commend you on all the hard work you  
11 must have been performing recently to adopt a whole other  
12 piece of testimony --

13 A Yes, I must have.

14 Q I thought we might as well wrap up some old  
15 business first, so let's start with an answer that Mr.  
16 Garvey gave to an OCA interrogatory. It was  
17 OCA/USPS-T-1-10. You've adopted that set of responses, have  
18 you not?

19 A Yes, I have.

20 Q This interrogatory originally consisted of  
21 subparts a through g -- I'm sorry, a through h. Have you  
22 had a chance to look that over and see that that's the case?

23 A Yes, I have.

24 Q The interrogatory response that the Postal Service  
25 filed to OCA consists of the statements that subparts a



1 through d are being responded to. Have you had a chance to  
2 review that response?

3 A Yes, I have.

4 Q It would appear that we don't yet have a response  
5 to subparts e through h, and I was wondering if you could  
6 answer subparts e through h today.

7 A Well, that response as originally filed contains  
8 an error. That response should have read that that response  
9 referred to sections a through h and not solely a through d,  
10 so the response as it stands can be taken to be in reply to  
11 all of the sections of that interrogatory.

12 Q All right. Thank you.

13 The next order of old business to wrap up consists  
14 of OCA interrogatories to you, numbers 23 through 27. Those  
15 answers are due sometime later in the proceeding. But I had  
16 a conversation with Mr. Hollies, and he said that you would  
17 be prepared to answer those orally today. Is that the case?

18 A I will do my best.

19 Q Okay. Let's start with Interrogatory  
20 OCA/USPS-T1-23, and that refers to a response given to  
21 another OCA Interrogatory Number 7.

22 In the response given to Number 7 initially, there  
23 apparently was a distinction made between the type of  
24 mailing that OCA described as a hypothetical competitive  
25 hybrid mail mailing and a kind of mailing that would be

1 entered from MOL.

2 Now, in Interrogatory 23, we have essentially  
3 tried to establish the same conditions; that is, that the  
4 mailing by the competitive hybrid mailer would be the same,  
5 would be prepared in exactly the same way as an MOL mailing  
6 would be prepared, and I'm just trying to set this up so  
7 that everybody can understand what we will be talking about  
8 in the next few minutes.

9 We asked you in Part A to confirm that the only  
10 difference between the two mailings would be postage paid  
11 upon entry; that is, all of the Postal Service's Mailing  
12 Online mail pieces would be charged the automation basic  
13 rate while the mail pieces of the competitive hybrid mail  
14 service provider would be charged rates for which the mail  
15 pieces qualify, i.e., the single piece rate. If you do not  
16 confirm, please explain.

17 Are you able to confirm our statement in A?

18 A I'm able to confirm, but I would offer an  
19 additional explanation, which is that if one assumed an  
20 alternative hypothetical with the identical system preparing  
21 and mailing which was again identical to a similar mailing  
22 prepared through Mailing Online which instead consisted of  
23 perhaps several thousand pieces all destined for the same  
24 zip code, the mailing prepared by the alternative system  
25 would probably pay a much lower rate of postage, almost

1 certainly a five-digit rate, perhaps even an ECR rate,  
2 whereas the Mailing Online mailing would still be paying an  
3 automation basic rate.

4 So I'd offer that as further explanation.

5 Q The latter -- this latter observation that you  
6 just made, there are no guarantees that there will be MOL  
7 mailings of that size, are there?

8 A I believe during the market test we had mailings  
9 that exceeded a thousand pieces on numerous occasions. I  
10 have no reason to doubt we won't receive many such mailings  
11 in the future.

12 Q Has the Postal Service ever undertaken to review  
13 the presort profiles during the market test to see whether  
14 the basic automation rate turned out to be about the right  
15 rate for that array of mailings?

16 A The volumes generated during the market test were  
17 so low that an exercise of that kind was not deemed to be  
18 likely to be very fruitful. The experience was not what we  
19 expected because of -- primarily because of technical  
20 problems. So we did not feel that the results yielded in  
21 the market test were sufficient to perform that kind of  
22 analysis.

23 Q I do intend to raise the question of volume  
24 estimates at some point in my oral cross examination. I  
25 don't think I will take it up at this time. I'd prefer just

1 to proceed smoothly through the written interrogatories.  
2 But I will address that with you later.

3 Subpart B of Interrogatory 23, OCA said, please  
4 confirm that Mailing Online as proposed by the Postal  
5 Service in this proceeding is not based on or justified by  
6 any unit cost savings related to the automation  
7 compatibility presortation and destination entry, i.e., the  
8 Mailing Online server commingles respective customers' mail,  
9 checks and corrects address elements, generates automation  
10 compatible pieces, presorts to the greatest extent possible  
11 when truly large volumes are projected, and destination  
12 entry of Mailing Online pieces.

13 I believe we were quoting from the response given  
14 to Interrogatory 7 --

15 A Uh-huh.

16 Q -- at that point. And then we ask, or state, if  
17 you do not confirm, please explain and provide unit cost  
18 savings for Mailing Online mail pieces related to automation  
19 compatibility, presortation and destination entry.

20 How would you respond today?

21 A I guess, if I could, I would ask you to clarify  
22 what's meant by the term "based on." If you're asking for  
23 qualified estimates of what cost savings will be on average,  
24 those have not been provided.

25 To be honest, the empirical data that would be

1 necessary to prepare those is lacking and it may be possible  
2 that such data could be generated in the future, but  
3 certainly there's none in existence today.

4 I would point out once again that the reason for  
5 requesting an automation basic rate was not because we  
6 thought the discount for automation basic mail was the  
7 discount that Mailing Online pieces would on average attain.  
8 The Postal Service has contended all along that Mailing  
9 Online is at best an imperfect fit with the existing rate  
10 and classification schedule and that automation basic was  
11 chosen as a proxy to be used during an experiment while we  
12 collect information on what an appropriate rate or a set of  
13 rates for this kind of mail would be.

14 So I hesitate to deny completely that this request  
15 was, quote, "based on", unquote, cost savings, because  
16 though there is no quantification of what those savings  
17 would be, there is an implicit assumption that there was  
18 expected to be a savings, and that automation basic  
19 represents an appropriate approximation for use solely  
20 during experimental period.

21 Q You would agree, though, that there has not been  
22 any demonstration of savings nor any quantification of  
23 savings?

24 A We have not -- to my knowledge, we have not  
25 attempted to portray anything as a demonstration of savings.

1           Q     In Subpart C -- I'm sorry -- in Part C, we say,  
2     please confirm that when First Class and Standard A Mailing  
3     Online automation compatible pieces are presented at the  
4     specified Postal facilities where Mailing Online pieces will  
5     be entered, the requirements for acceptance will be the same  
6     as for other First Class and Standard A automation  
7     compatible mail pieces presented for entry by all other  
8     mailers. If you do not confirm, please explain.

9                     Can you confirm that?

10          A     Explain what you mean by requirements for entry,  
11     please?

12                     We have requested that Mailing Online pieces be  
13     granted a waiver of the volume minimums that would otherwise  
14     apply. Other than that, Mailing Online would -- Mailing  
15     Online pieces will be -- will qualify under all other  
16     conditions that apply to automation mailings.

17          Q     Do you know, if a mail -- let's hypothesize two  
18     Mailing Online mailings. One has 500 pieces and it is  
19     presorted and obviously automation compatible and so on.  
20     There's an identical MOL mailing of 499 pieces. Do you know  
21     whether, upon acceptance, it would be handled any  
22     differently with the 499-piece mailing prepared identically  
23     to the 500-piece mailing, would they be processed any  
24     differently?

25                     The reason I use -- let me add one more fact. I'm

1 talking about a First Class mailing, because I know that the  
2 threshold for basic automation rates in First Class is 500  
3 pieces; is that correct?

4 A I believe that's correct.

5 Q And that's why I used the figure 500.

6 A I will assume, you know, for the purposes of this  
7 question that -- for hypothetical purposes -- the waiver  
8 that we've requested to the minimum volume requirements has  
9 been granted, and in such a situation, I don't see any  
10 reason why those mailings would be handled differently at  
11 the point of acceptance assuming they were similar in all  
12 other respects other than the number of pieces in the  
13 different mailings.

14 Q What about a mailing of five pieces? Let's say on  
15 a given day, there was an MOL mailing of only five pieces.  
16 Do you think it would be handled any different than a  
17 mailing of 500 pieces, again First Class?

18 A Again, assuming the conditions I set forth in the  
19 previous question, I'm not -- I can't think of any reasons  
20 why those mailings would be handled any differently.

21 Q Do you think that the savings per piece would be  
22 as great with a mailing of five pieces as they would be with  
23 a mailing of 500 pieces?

24 A I'm not prepared to answer that. We have not  
25 conducted any studies of what the cost of handling pieces

1 will be subsequent to entry at the acceptance unit. So I  
2 have no -- I have no empirical data or cost studies that  
3 would support an answer to that question.

4 Q Let's turn to OCA Interrogatory 24, please.

5 A Okay.

6 COMMISSIONER LeBLANC: 24, Ms. Dreifuss?

7 MS. DREIFUSS: Yes, 24.

8 BY MS. DREIFUSS:

9 Q The essential part of this interrogatory is a  
10 table that we presented, and we are trying to determine, as  
11 we say across the top of the table, the batching capability  
12 of Version 3 system software during the Mailing Online  
13 experiment.

14 Ordinarily, it would be better to handle a table  
15 like this in writing; nevertheless, since Mr. Hollies and I  
16 agreed to proceed orally, I'll have to ask you if you can  
17 fill in the cells of this table for me, please.

18 A I don't have the table in front of me. I did not  
19 know that those would be designated. If I could, could I  
20 ask that it be brought up to the witness table?

21 Q Why don't we do this. We're going to get hold of  
22 another copy of the table and come back to this question in  
23 just a minute or two.

24 A That's fine.

25 Q Okay. OCA Interrogatory 25, which we will address



1 next, refers to a response to Interrogatory Number 13 from  
2 OCA to -- originally to Witness Garvey. And in part A of  
3 Interrogatory 25, we asked the Postal Service to confirm, or  
4 asked I guess in this case you to confirm, please confirm  
5 that on the first day of the experiment, the Mailing Online  
6 system will have the capability to store permanently  
7 electronic copies of the mailing statements, Forms 3600 and  
8 3602, and the USPS qualification reports.

9 Are you able to confirm that?

10 A I'd confirm with a couple of qualifications. The  
11 Mailing Online system will be creating a database that will  
12 store electronic records. I would be reluctant to say we'll  
13 store electronic copies of those forms because that will  
14 tend to imply sort of facsimile copies. What the system  
15 will store is all the necessary data elements to reconfigure  
16 Forms 3600 and 3602 so that all that necessary data exists  
17 in electronic form, but perhaps not in the precise form  
18 stipulated in that interrogatory question.

19 Q OCA had filed some discovery in the MC 98-1  
20 proceeding about this, and if I recall, and I apologize for  
21 not having the citation directly in front of me, but I will  
22 state my recollection; let's see if it matches yours.

23 As I recall, the Postal Service -- I think it was  
24 Witness Garvey -- said that the Postal Service was not  
25 storing permanently electronic copies of the mailing

1 statements. Apparently, they were -- I mean, I would infer  
2 from a statement like that that the Postal Service was  
3 disposing of them or erasing hard disks or something like  
4 that at some point.

5 Do you know what will happen during the course of  
6 the experiment?

7 A Well, as I said, I mean, the Postal Service will  
8 be maintaining a database that will store all of the mailing  
9 statement data for the duration of the experiment. I'm not  
10 sure to what Witness Garvey was referring to in the section  
11 that you refer to. He may have been referring to an earlier  
12 version of the software which did not have the same data  
13 storage capacity that Version 3.0 will have.

14 So without having that available, I have  
15 difficulty reconciling what I said with what Witness Garvey  
16 said in the previous docket, but as I said, the current  
17 version or the Version 3.0 will have the capability to store  
18 all of that data in database form.

19 Q I believe Mr. Garvey was referring to Version --  
20 it's Version 2, isn't it, that was used during the market  
21 test?

22 A Yes, that's right.

23 Q And I believe he was referring to whatever version  
24 -- it must be Version 2 -- that was used during the market  
25 test.

1 Do you know if that was a change made between  
2 Versions 2 and 3?

3 A I believe that was a change, an upgrade that was  
4 created for Version 3.

5 Maybe I can help a little bit with the question on  
6 the electronic storage of the Form 3600 and 3602.

7 The system will store all the necessary data  
8 elements, which will, as is my understanding, enable one to  
9 recreate all of the electronic mailing statements produced  
10 during the course of the experiment.

11 I did not want to leave the impression that they  
12 would be stored in that state, but the data will exist that  
13 will allow retrieval of the information necessary to  
14 complete such reports for the time period of the experiment.

15 Does that help at all to clarify that?

16 Q Yes, yes. We appreciate that clarification.

17 In Part B, we say please confirm that on the first  
18 day of the experiment, the Mailing Online system will, in  
19 fact, collect volume data in electronic form the mailing  
20 statements, Forms 3600 and 3602, and the USPS Qualification  
21 REports, and, quote, "store permanently," unquote, such data  
22 so as to permit the 1) association of the USPS Qualification  
23 Reports and the batch numbers of mailing on documents and,  
24 2) preparation of look-up tables -- look-up is in quotes --  
25 "look-up" tables for each job type and page count by presort

1 level.

2 Are you able to confirm that?

3 A Yes, I believe that to be the case.

4 Q Thank you.

5 MS. DREIFUSS: Commissioner LeBlanc, if I may  
6 approach the witness, I'd like to give him a copy of a table  
7 what was attached to OCA Interrogatory 24.

8 COMMISSIONER LeBLANC: Please. Do you have an  
9 extra copy, possibly, for the Bench, and/or Mr. Hollies?

10 MS. DREIFUSS: Yes, sir. One of the OCA staff  
11 members has made several copies for anyone who would care  
12 for one today, including Postal Service Counsel and  
13 Commissioners.

14 MR. HOLLIES: We do have a copy, Mr. Presiding  
15 Officer, and it might well be worth marking this as a  
16 cross-examination exhibit.

17 COMMISSIONER LeBLANC: We'd have to leave that in  
18 Ms. Dreifuss's hands.

19 MS. DREIFUSS: I think that is a prudent  
20 recommendation. I will mark two copies. Does the Reporter  
21 need two copies?

22 COMMISSIONER LeBLANC: Yes, we need two copies for

23 --

24 MS. DREIFUSS: We'll mark two copies in that way.

25 COMMISSIONER LeBLANC: Do you want this to be

1 marked in, to clarify the record, as a cross-examination  
2 exhibit?

3 MS. DREIFUSS: It will be a cross examination  
4 exhibit of the OCA, and we will label it OCA/USPS-T1-1.

5 COMMISSIONER LeBLANC: And how do you want this  
6 handled as far as the case is concerned?

7 MS. DREIFUSS: I believe it ought to be treated as  
8 evidence, since the witness is going to be stating whether  
9 such batching capabilities will exist.

10 COMMISSIONER LeBLANC: And you want it transcribed  
11 as well?

12 MS. DREIFUSS: I'd like it transcribed and entered  
13 into evidence.

14 COMMISSIONER LeBLANC: Mr. Hollies?

15 MR. HOLLIES: I object to its being entered into  
16 evidence at this point. I think it might be appropriate to  
17 transcribe it into the record and leave discussion of any  
18 motion regarding its evidentiary status until such time as  
19 the questions have been answered.

20 COMMISSIONER LeBLANC: Ms. Dreifuss, do you have  
21 any problem with that?

22 MS. DREIFUSS: No, I don't mind renewing my motion  
23 at the end of my discussion.

24 [Cross Examination Exhibit

25 OCA/USPS-T-1 Number 1 was marked

1 for identification.]

2 COMMISSIONER LeBLANC: That will be fine. Well,  
3 let's move on, then, thank you.

4 BY MS. DREIFUSS:

5 Q Have you had a chance to look over this table  
6 before today, Mr. Plunkett?

7 A Yes, I have.

8 Q This table is labeled Table Depicting Batching  
9 Capability of Version 3 System Software During the Mailing  
10 Online Experiment.

11 And there's a note that says the letters and  
12 numbers in parentheses in each cell refer to parts and  
13 subparts of OCA/USPS-T1-10.

14 And we have divided the table up into First Class  
15 Mail, on the one hand, Standard A Mail on the other hand;  
16 also divided it up by letter-shaped and flat-shaped mail.  
17 Do you see that?

18 A Yes, I do.

19 Q Within First Class, we have distinguished between  
20 merged mail and non-merged mail.

21 Do you recall how the Postal Service has defined  
22 merged mail in the past?

23 A Yes.

24 Q Are you willing to define it now?

25 A You'd like me to give that definition?

1 Q Yes, give me the definition of what merged mail  
2 is.

3 A Merged mail refers to mail pieces that -- wherein  
4 the document contains fields that contain recipient-specific  
5 information.

6 That may be a greeting, invoice number, but  
7 something that ties -- that creates, in effect, a unique  
8 document for each recipient on an address list for a  
9 particular document.

10 Q Would non-merged mail then be copies that are  
11 identical to one another, and not unique?

12 A That's right, non-merged would contain no  
13 recipient-specific information in the contents of the  
14 document.

15 Q And we begin by asking -- I don't know whether we  
16 need to go through this table cell-by-cell, or if you're  
17 able to possibly just state generally, the answer to a group  
18 of cells would be yes; to another group would be no?

19 Or would you prefer that we go through this  
20 cell-by-cell?

21 A I don't think it's necessary to go through  
22 cell-by-cell, unless -- I mean, I reserve the right to maybe  
23 change that opinion as we proceed. But, for now, I think we  
24 can go in groups of cells.

25 Q Okay, so for First Class Mail, let's just look at

1 that sector of the table. We'll look at First Class Mail,  
2 letter-shaped.

3 You can see that there is a double line about  
4 halfway down through the letter-shaped First Class Mail  
5 section of the table; can you see that double line?

6 A Yes, I see that.

7 Q Let's say, for the merged mail, and non-merged  
8 mail cells above that double line in First Class,  
9 letter-shaped, have we filled in the table correctly, or do  
10 you need to change any of those from yes to no or no to yes?

11 A I'd like to point out something that needs to be  
12 clarified for people who would be looking at this table.

13 This table is portrayed as the batching capability  
14 of Version 3, which is somewhat imprecise.

15 My understanding is that this reflects the  
16 batching capabilities of Version 3.0.

17 Now, during the course of the experiment, there  
18 will be multiple iterations that may be called Version 3,  
19 for example, Versions 3.1, Version 3.2, and so on.

20 Subsequent versions beyond Version 3.0 will  
21 contain enhanced batching capabilities that are not  
22 reflected in this table.

23 For example, subsequent versions, I believe and  
24 understand, will allow batching or -- batching of jobs with  
25 different page counts, whereas this table would indicate



1 otherwise.

2 So, if anything, this table needs to be corrected  
3 to show that this refers solely to Version 3.0.

4 Q Well, you've stated that qualification. We're  
5 actually encouraged to hear that there will be increasing  
6 and improving ability to batch, and we certainly accept that  
7 qualification of your answers for each cell of the table.

8 A Okay.

9 Q Given that qualification -- let me just point one  
10 more thing out: We were simply trying to find out what  
11 would be happening on -- at the beginning of the experiment,  
12 and also with the understanding and even hope that  
13 subsequent versions would batch even more than we see on  
14 this table.

15 A That's understood. But I needed to clarify  
16 because if one looks solely at this table, it says  
17 capability of Version 3 software during the Mailing Online  
18 Experiment, and does not specify that it's on day one.

19 Q I see.

20 A I wanted to clarify for the purposes of the  
21 record, that these are not the capabilities that will  
22 persist throughout the course of the experiment.

23 Q Right. Actually, OCA -- you're right, the table  
24 does not include an additional qualification or condition  
25 that we stated in the textual portion of the interrogatory.

1           That is, we said that please confirm that the  
2 table correctly depicts the batching capability of the  
3 Version 3 system software on the first day of the  
4 experiment, so that's what we had in mind.

5           A     Understood.

6           Q     Getting back to the table, have we filled it out  
7 correctly? If we look at first class mail, letter-shaped,  
8 merge mail/non-merge mail, those cells above the double  
9 line, are those filled in correctly?

10          A     That appears to be correct, yes.

11          Q     Okay. Why don't we move over to the right,  
12 Standard (A) mail, letter-shaped, merge mail and non-merge  
13 mail, those cells above the double lines, have we filled  
14 those in correctly?

15          A     Okay. Subject to the qualifications stated  
16 previously, those appear to be correct.

17          Q     Okay. Now, let's move back to First Class mail,  
18 letter-shaped, there are four rows below the double line.  
19 Have those been filled in correctly?

20          A     Yes, they appear to be.

21          Q     Let's move over to the right again. Standard (A)  
22 mail, letter-shaped, four rows below the double line, have  
23 those been filled in correctly?

24          A     Those appear to be correct as well.

25          Q     Okay. Now, we are going to move down to the

1 section of the table that addresses flat-shaped mail. Let's  
2 first look at First Class mail, flat-shaped, the cells above  
3 the double line, have those been filled in correctly?

4 A Yes, it appears that they have.

5 Q Okay. And let's move over to the right. We will  
6 be looking at Standard (A) mail, flat-shaped, those cells  
7 above the double line. Have those been filled in correctly?

8 A They appear to be correct, yes.

9 Q We will go back to First Class mail, flat-shaped.  
10 There are four rows below the double lines, have those been  
11 filled in correctly?

12 A Those appear to be correct as well.

13 Q Okay. And, finally, we will go back to Standard  
14 (A) mail, flat-shaped, there are four rows below the double  
15 lines, have those been filled in correctly?

16 A Those appear to be correct, yes.

17 Q Your answer to our questions was that -- I asked  
18 you, in the way that we filled in the table, whether they --  
19 we stated correctly a yes or a no, and you said that our  
20 answers appeared to be correct. Do you have any  
21 reservations about the way OCA has filled in this table,  
22 apart from the reservation you stated earlier that this  
23 simply reflects the batching capability of Version 3.0?

24 A No. I mean I have no internal requirement  
25 document with which to compare this, but based on the extent

1 of my knowledge and my conversations with the people doing  
2 the system development, I understand this table to be filled  
3 out appropriately.

4 Q Okay. You had stated earlier that you expect that  
5 subsequent versions to 3.0 will have increased batching  
6 capability. Can you offer any comment on the batching  
7 capability of these different job types, page counts, et  
8 cetera, when subsequent versions will be brought online and  
9 how the batching capability will increase?

10 A I can maybe answer part of that. I mean the  
11 Mailing Online is set up right now to have approximately a  
12 two month development cycle, which will enable the creation  
13 of subsequent versions of the system on a two month cycle.  
14 Now, having said that, the requirements for subsequent  
15 cycles are not set up, so I cannot say which cycle one or  
16 more of these different capabilities will be included in  
17 subsequent versions of the software. And I cannot say with  
18 any degree of certainty how these will be prioritized along  
19 with other potential enhancements to the system for  
20 inclusion in subsequent versions of the software.

21 Q Did I understand correctly that you stated that  
22 every two months there would be some upgrade to the Mailing  
23 Online software?

24 A I did not mean to imply that. The system is set  
25 up and configured to allow for development on a two month

1 cycle. Now, there may be no apparent need for an upgrade in  
2 a given two month period so that a subsequent version may  
3 wait, but it allows for upgrades on a two month cycle if  
4 need and other conditions warrant.

5 Q Do you know yet of any concrete plans to rewrite  
6 the software so as to improve its ability to batch on a date  
7 definite or a period of time definite?

8 A No, I mean at this point our efforts have  
9 concentrated almost entirely on preparing Version 3.0 in  
10 time for the launch of the nationwide system, for Version  
11 3.0. There are some plans sort of up in the air, but there  
12 is nothing concrete to describe yet.

13 Q Who is customizing the software for MOL, is that  
14 Marconi who is doing that?

15 A The company was identified as Marconi I believe in  
16 earlier filings. They have been acquired and their new name  
17 is BAE Systems, but it is the same contractor that has been  
18 working on the Mailing Online project up until this point.

19 Q Do you recall if their statement of work specifies  
20 particular levels of batching capability for the system  
21 software?

22 A Deliverables for subsequent versions you mean?

23 Q Yes.

24 A I don't believe those are specified.

25 MS. DREIFUSS: Commissioner LeBlanc, I believe it

1 would be appropriate at this time for OCA to move to enter  
2 -- the exhibit has been transcribed and we ask that it be  
3 entered into evidence.

4 COMMISSIONER LeBLANC: Mr. Hollies.

5 MR. HOLLIES: In the formal sense, I object, but  
6 that is simply because, as the witness has testified, it is  
7 not -- the exhibit is not quite accurate. If, however, we  
8 were to annotate it to make it accurate, then I would have  
9 no objection. So, for example, looking just at the title,  
10 if it were changed to read, in the first line, "Version 3.0"  
11 and if in the second line the word "during" were replaced  
12 with "at the outset of" or "on the first day of the Mailing  
13 Online experiment," then I would have no objection. I  
14 believe those changes could be accomplished in a matter of  
15 seconds by some adroit artist.

16 COMMISSIONER LeBLANC: Ms. Dreifuss.

17 MS. DREIFUSS: I am willing to mark the exhibit in  
18 that way. I will have to take it back from the reporter to  
19 do so.

20 COMMISSIONER LeBLANC: Well, just for  
21 clarification then, it should read, "Table depicting  
22 batching capability of Version 3.0 system software on the  
23 first day of the Mailing Online experiment."

24 MS. DREIFUSS: I believe that is what Mr. Hollies  
25 just asked us to do.

1 COMMISSIONER LeBLANC: And you have no objection  
2 to that?

3 MS. DREIFUSS: I have no objection to that.

4 COMMISSIONER LeBLANC: And if and when that is  
5 done, it will be transcribed, as well as --

6 MS. DREIFUSS: And we are asking that it be  
7 entered into the record as evidence.

8 COMMISSIONER LeBLANC: Okay. That is what I want  
9 to make sure. You do want it put into evidence then.

10 MS. DREIFUSS: I do.

11 COMMISSIONER LeBLANC: And there is no objection  
12 your part, Mr. Hollies?

13 MR. HOLLIES: I have no objection. I wonder if  
14 procedurally, with respect to the reporter, it might not be  
15 simpler just to annotate one now, mark it in a way that is  
16 distinct from the previous one, and make sure that this is  
17 the one we are entering into the -- accepting as record  
18 evidence.

19 COMMISSIONER LeBLANC: You are reading my mind  
20 now. Ms. Dreifuss, maybe Mr. Callow or someone there could  
21 go ahead and do that, and we could get two copies to the  
22 reporter, please. And we will have them transcribed.

23 MS. DREIFUSS: We would be happy to take care of  
24 that right now. And if it is all right with you, I can  
25 proceed with questioning while Mr. Callow marks up the

1 exhibit.

2 COMMISSIONER LeBLANC: That will be fine. It will  
3 be transcribed, Mr. Reporter and made part of the record.

4 [OCA/USPS-T-1, Number 1, as  
5 amended, was received into evidence  
6 and transcribed into the record.]  
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OCA/USPS-T1-XE #1

*Amended*Attachment to OCA/USPS-T1-24  
Docket No. MC2000-2

TABLE DEPICTING BATCHING CAPABILITY OF VERSION 3.0  
SYSTEM SOFTWARE ~~DURING~~ THE MAILING ONLINE EXPERIMENT  
**ON THE FIRST DAY OF**

(Note: The letters and numbers in parenthesis in each cell refer to the parts and subparts of OCA/USPS-T1-10.)

	Job-Type	Page-Count	FIRST-CLASS MAIL		STANDARD (A) MAIL	
			Merge Mail	Non-Merge Mail	Merge Mail	Non-Merge Mail
LETTER-SHAPED	Same	Same	10(a)(1) Yes	10(a)(2) Yes	10(a)(1) Yes	10(a)(2) Yes
	Same	Different	10(b)(1) No	10(b)(2) No	10(b)(1) No	10(b)(2) No
	Different	Same	10(c)(1) No	10(c)(2) No	10(c)(1) No	10(c)(2) No
	Different	Different	No	No	No	No
	Same	Same	Yes		Yes	
	Same	Different	No		No	
	Different	Same	No		No	
	Different	Different	No		No	
FLAT-SHAPED	Same	Same	10(d)(1) Yes	10(d)(2) Yes	10(d)(1) Yes	10(d)(2) Yes
	Same	Different	10(e)(1) Yes	10(e)(2) Yes	10(e)(1) Yes	10(e)(2) Yes
	Different	Same	10(f)(1) No	10(f)(2) No	10(f)(1) No	10(f)(2) No
	Different	Different	No	No	No	No
	Same	Same	Yes		Yes	
	Same	Different	Yes		Yes	
	Different	Same	No		No	
	Different	Different	No		No	

1 MR. HOLLIES: Mr. Presiding Officer, just to bring  
2 some additional clarity to the record, perhaps would could  
3 note on the record what the appropriate label of the copy  
4 that is in the record, that is in evidence, is. So, for  
5 example, is it going to be OCA/USPS-CX -- or T-1-CX or  
6 something like that?

7 COMMISSIONER LeBLANC: It was my understanding  
8 that Ms. Dreifuss said OCA-USPS-T-1, Number 1.

9 MR. HOLLIES: I appreciate that, but I am pointing  
10 out that there is a distinction between the one that was put  
11 in as a cross-examination exhibit.

12 COMMISSIONER LeBLANC: I understand. What I was  
13 going to do at this point, Ms. Dreifuss, if you don't mind,  
14 if go ahead and let you finish your cross-examination prior  
15 to entering it into the record and transcribing. We will  
16 give Mr. Hollies and you a chance to take a look at it, make  
17 sure that everything is clear as far as what is being  
18 presented, transcribed into the evidence and what was used  
19 as your first cross-examination piece of evidence there. So  
20 there will be basically two separate documents that you will  
21 be looking at, one will be transcribed and put into the  
22 record. Is that clarified enough then, Mr. Hollies?

23 MR. HOLLIES: I think that will work just fine.

24 COMMISSIONER LeBLANC: Ms. Dreifuss, do you have  
25 any problem with that?

1 MS. DREIFUSS: I don't have a problem with it. I  
2 wouldn't -- to be it seems more sensible just to withdraw  
3 what had been transcribed earlier and simply have the one  
4 cross-examination exhibit which will stand as evidence.

5 COMMISSIONER LeBLANC: That would be probably a  
6 cleaner way of doing it. I would have no problems with that  
7 if Mr. Hollies does not.

8 THE REPORTER: You did not say for it to be  
9 transcribed so it was not.

10 COMMISSIONER LeBLANC: That is what I was getting  
11 to ask you. We transcribed it before, did we not?

12 Okay. So if it has not been transcribed, then, in  
13 effect, we have done that already.

14 MS. DREIFUSS: Right. We are only talking about  
15 one exhibit at one point in the transcript.

16 COMMISSIONER LeBLANC: That is correct.

17 MS. DREIFUSS: And I think that is the most  
18 sensible way to proceed.

19 COMMISSIONER LeBLANC: That will be fine. If you  
20 can go ahead and finish your cross, and Mr. Callow or some  
21 of your other people could go ahead and do that, so I would  
22 like to get that done before we leave today if we can,  
23 please.

24 MS. DREIFUSS: Yes, sir. We are going to take  
25 care of it right now.

1 COMMISSIONER LeBLANC: Thank you.

2 MS. DREIFUSS: And Mr. Callow will show Mr.  
3 Hollies how we have marked the exhibit and I don't think he  
4 is going to object to that. And we should be able to  
5 transcribe it and enter it into the record.

6 COMMISSIONER LeBLANC: Thank you very much.

7 BY MS. DREIFUSS:

8 Q Let's turn to Interrogatory 26, please. This also  
9 referred to an earlier response to Interrogatory Number 17.

10 We quote from Number 17 that "The Postal Service  
11 has neither planned nor calculated time estimates needed to  
12 implement any alternative production systems."

13 However, at page 4, lines 19 through 22, of the  
14 rebuttal testimony, USPS-RT-1 in Docket Number MC 98-1 it  
15 was stated, "Incorporation of a system using thousands of  
16 look-up tables into the Mailing Online system is simply not  
17 feasible given our current timetable and would likely result  
18 in a delay of the service until some time later than March,  
19 2000."

20 At the time of the statement March, 2000 was  
21 approximately one year after the filing of the rebuttal  
22 testimony, RT-1 on March 22nd, 1999, and we ask is the  
23 timetable in the statement still correct? That is,  
24 implementing a production system of the pricing formula,  
25 Equation 1, found in Section 4-B of OCA Witness Callow's

1 testimony, and Docket Number MC 98-1, would delay  
2 implementation of the Mailing Online service for  
3 approximately one year. We say please explain your answer.

4 How would you answer that question orally?

5 A I would -- and my knowledge of this or my  
6 recollection of this may be imperfect, but I don't believe  
7 that the original estimate of a March 2000 date was based on  
8 a study of how much time it would take to accomplish the  
9 task.

10 I think what that was referring to was a  
11 constraint that was operating at the time involving Postal  
12 Service attempts to deal with concerns over Y2K compliance  
13 such that no development of any kind could be undertaken  
14 during a period of about six months between when those --  
15 when that question was posed and the end of 1999.

16 So I don't think anyone undertook to estimate the  
17 time required to complete the task, but it was known at the  
18 time that nothing could be done for an extended period of  
19 time so that however long it would take to do, nothing could  
20 have been done until March of this year.

21 Q Do you know if it would be feasible for the Postal  
22 Service to incorporate such a change in the system software  
23 as that proposed by OCA's Witness Callow in the previous  
24 docket?

25 A Could you explain your use of the term "feasible"?

1           Q     If the Commission were to recommend to the Postal  
2 Service that pricing formulas such as OCA's Witness Callow  
3 proposed in the last case be incorporated into the system  
4 software, and that were part of the recommended decision,  
5 instead of using the word "feasible" I'll say would you  
6 have -- well, let me use the word "feasible" -- do you know  
7 whether it would be possible for the Postal Service or its  
8 contractor to create such a change in the system software?

9           A     I will ask a clarifying question, if I may. By  
10 "feasible" do you mean technically possible to create a set  
11 of algorithms which would accomplish what Witness Callow's  
12 testimony advocates?

13          Q     Let's start with that. Would it be technically  
14 possible?

15          A     I believe that would be technically possible.

16          Q     Do you know whether the contractor that you are  
17 using, BAE, would have the expertise to make such a rewrite  
18 of the system software?

19          A     Again, we have not discussed their doing such a  
20 task, but I don't have any reason to doubt that they would  
21 be technically capable of producing such a change.

22          Q     Do you personally have any idea how long such a  
23 change might take to accomplish?

24          A     No, I don't.

25          Q     Have you ever had occasion to discuss it with

1 anyone from BAE to see how long that might take?

2 A No. As I mentioned earlier, I mean our  
3 discussions at this point are concentrated almost solely on  
4 preparing Version 3.0 and there really haven't been any  
5 discussions of additional requirements other than those that  
6 have already been put forth in earlier discussions, so  
7 nothing of that kind has been discussed.

8 Q Have you had occasion to discuss this with any  
9 Postal Service personnel to see if they have an estimate of  
10 how long it might take to rewrite the system software to  
11 reflect such a change?

12 A Discussions of that kind, no, because again the  
13 discussions of that kind would have to be held with the  
14 contractor. They are the ones performing the work and  
15 opinions about Postal Service personnel and how long that  
16 would take wouldn't be of much use.

17 Q Earlier today you stated that the basic automation  
18 presort rate that the Postal Service has proposed using in  
19 this case is about as close a fit as the Postal Service can  
20 make to anticipated volumes and ability to batch and ability  
21 to enter MOL mailings downstream, is that correct?

22 You said something more or less like that?

23 A If I said "as close a fit as possible" I should  
24 probably clarify. I think, and I guess I am speaking as the  
25 pricing witness for a moment, we chose the automation basic

1 rate because we thought it was a useful proxy and a useful  
2 substitute for what we hope to understand when we complete  
3 the experiment, one that would allow us to measure if not  
4 perfectly at least approximately how customers would respond  
5 to the kind of system we hope to have in place for a  
6 permanent service.

7 Implicit in that is I guess an assumption that  
8 automation basic rates are not too far off, but I wouldn't  
9 want to go so far as to say they are anything such as --  
10 they are about as good a fit as you could get. I don't know  
11 that and I don't think anyone could today produce any  
12 reliable estimates that would allow you to make that kind of  
13 conclusion.

14 Q Are you somewhat familiar with Mr. Callow's  
15 testimony from the MC 98-1 docket?

16 A Yes.

17 Q Is it your impression that Mr. Callow's pricing  
18 formulas would actually reflect the volumes, the batching  
19 capabilities, the level of presortation and so on that the  
20 Postal Service would actually be achieving in MOL during the  
21 course of the experiment?

22 A Well, with -- they would certainly incorporate  
23 empirical data to an extent not contemplated by what we have  
24 proposed. However, it should also be pointed out that there  
25 is a lag inherent in the collection of that data and



1 development of the appropriate tables for incorporating that  
2 empirical data into the pricing formula.

3 The use of such tables is further called into  
4 question by the fact that this is during, for lack of a  
5 better term, a ramp-up period for Mailing Online where we  
6 are constantly we hope adding new users and have not reached  
7 a mature stage in the product development so that while  
8 development of the pricing formula lags collection of  
9 empirical data, it also trails behind our experience with  
10 the product, so I don't -- I will accept that it uses  
11 empirical data to a much greater extent than we would have,  
12 however I would not want to suggest that it for that reason  
13 is a better method for pricing the product during the  
14 experimental period.

15 Q You stated that there would be some lag in  
16 reflecting the empirical data, and I guess in the prices  
17 that Mailing Online customers would actually pay. Did you  
18 not say that a moment ago?

19 A Yes.

20 Q We don't know how long the lag would be, however,  
21 do we?

22 A No, we don't.

23 Q It might be a short period of time.

24 A I don't know that.

25 Q You don't know one way or the other?

1 A No, I don't.

2 Q It is possible that the Postal Service could  
3 devote time and resources to shortening that lag period as  
4 much as is economically and technically feasible, isn't that  
5 correct?

6 A Well, this -- I mean this is somewhat unrelated to  
7 the technical feasibility but it should be pointed out that  
8 we have not unlimited resources to devote to technical  
9 improvements to the Mailing Online system.

10 To the extent that we are required to devote  
11 technical resources to the maintenance and development of a  
12 more complicated pricing system that must be updated on a  
13 continuous basis, that diverts technical resources that  
14 would otherwise be employed in developing enhancements to  
15 the system and responding to customer concerns and otherwise  
16 improving Mailing Online and making it a more stable and  
17 complete product.

18 So while in theory it is possible we could shorten  
19 that lag, to do so means compromising the system in ways  
20 that I would not want to imply that we want to pursue.

21 Q Do you know -- if the system software could be  
22 written in such a way that it was working well and  
23 incorporated these pricing formulas and then needed to be  
24 updated from time to time to reflect new empirical  
25 information, would you agree that by far, the most difficult

1 part of the job would be to establish the algorithms in the  
2 first place, and that supplementing the data files would be  
3 a much less formidable task?

4 A I don't know the answer to that. I mean,  
5 intuitively, that seems a correct statement; however, that  
6 presumes some level of knowledge about the types and amounts  
7 of volume that we are getting on a daily, weekly, or a  
8 monthly basis and how easy it is to perform the necessary  
9 analysis to update those tables, and I'm not prepared to  
10 answer that today.

11 Q Let me just wrap up the exchange we've had here  
12 and see if we at least agree on this. Witness Callow's  
13 pricing proposal -- that includes the pricing formulas --  
14 does more closely reflect empirical data than the basic  
15 automation rates do. Can you agree to that?

16 A Yes. I mean, the basic automation rates are based  
17 on no empirical data whatsoever.

18 Q Okay. Let's move on to Question Number 27,  
19 please. Again, we referred back to a response to  
20 Interrogatory Number 17, and we quoted -- I guess we're  
21 quoting Witness Garvey at that point.

22 Quote: "These difficulties alone justify my  
23 opinion that there is virtually no realistic likelihood that  
24 Postal Service management would even consider asking the  
25 Governors to implement such a system as proposed in OCA-T100

1 in Docket Number MC98-1 during an experiment intended simply  
2 to determine whether Mailing Online constitutes a viable  
3 product." End quote.

4 And then we posit a somewhat different -- a  
5 somewhat different set of pricing formulas and a somewhat  
6 different approach. We say that the first bullet item  
7 listed on the following page to the material that I just  
8 read -- offering postage charges consisting of automation  
9 basic for First Class or automation basic for Standard A  
10 mail for all Mailing Online pieces as proposed by the Postal  
11 Service during the first 18 months of the experiment.  
12 That's the first thing we state. Now, I suppose the Postal  
13 Service wouldn't have any objection to that? That is, going  
14 along with the Postal Service's proposal to charge basic  
15 automation rates both for First Class and Standard A mail  
16 during the first 18 months.

17 A Well, that's what we've proposed.

18 Q Right.

19 A I mean, if we got a decision that was consistent  
20 with what we proposed, I know of no reason why we would  
21 change our opinion on that.

22 Q Right. I think that's irrefutable logic.

23 The second bullet item is, the collection of  
24 volume data on the actual level of presortation achieved for  
25 each job type and page count during the first 18 months of

1 the experiment. Let's look at that one for a moment.

2 I believe -- I don't know if I have asked you this  
3 yet, but perhaps you can answer a question now. The Postal  
4 Service is intending to collect such volume data during the  
5 course of the experiment, is it not?

6 A I believe our data collection plan specifies that  
7 we intend to collect that information and report it on a  
8 semi-annual basis.

9 Q Okay. And then our third bullet item: At the end  
10 of the first 18 months of the experiment, the calculation of  
11 an experience based weighted average rate for each job type  
12 and page count based upon the actual presorting experience  
13 of the Postal Service during the first 18 months of the  
14 experiment.

15 I believe we may be running into trouble here, but  
16 how does the Postal Service react to that item?

17 A Could you repeat that, please?

18 Q Yes. Let me slow down a little bit. I'm reading  
19 something already written down. It is hard to follow. I'm  
20 going to slow down.

21 Another change to Witness Callow's proposal from  
22 the MC98-1 proceeding is this: At the end of the first 18  
23 months of the experiment, the calculation of an experience  
24 based weighted average rate for each job type and page count  
25 based upon the actual presorting experience of the Postal

1 Service during the first 18 months of the experiment.

2 Would the Postal Service oppose such an approach?

3 A I can't say conclusively what the Postal Service  
4 would do if presented with a recommended decision by the  
5 Commission without knowing all the elements of that  
6 decision. I can offer an opinion on how we would perceive  
7 that particular element.

8 I mean, I stated earlier this morning that we view  
9 the automation basic rates as a useful proxy to help us  
10 develop an understanding of how customers will perceive this  
11 product during an experimental period in anticipation of a  
12 permanent classification request down the road.

13 Now, implicit in that are a number of things. One  
14 is that we want to be able to evaluate our experience with  
15 customers with as stable a product as possible, which means  
16 holding some of the variables that customers perceive when  
17 they use the product as constant as we can make them. To,  
18 halfway through the experiment or approximately halfway  
19 through, suddenly change the pricing structure, we would  
20 have to take a pretty close look at what we think that would  
21 do to the volume and other information we would be  
22 collecting during the course of the experiment, and that's  
23 not something we would take lightly. I don't know what our  
24 response to that would be, but it's something we would have  
25 to think about.

1 Another is, as I mentioned just a little while  
2 ago, is we would have to look at, you know, the technical  
3 and strategic implications of what that would do to our  
4 development plans. It would mean diverting resources away  
5 from other planned activities. The extent of that diversion  
6 and the costs or other compromises we would have to make  
7 because of that are unknown at this time. But if faced with  
8 a recommended decision that included that element, we would  
9 undertake, given the time constraints operating then, a more  
10 rigorous analysis of what those things would be and I don't  
11 know what -- I don't know what our decisions would be based  
12 on that analysis. So I can't give you a definitive answer,  
13 but I wanted to express those concerns because they are some  
14 of the things that, having read that proposal, we initially  
15 thought of and said, well, these are the things we would  
16 wonder about and have to look at more closely before we  
17 could make a recommendation to the Governors.

18 COMMISSIONER LeBLANC: Excuse me, Ms. Dreifuss.  
19 How are we doing on time? I'm just trying to get a feel  
20 here for --

21 MS. DREIFUSS: I believe I was probably overly  
22 optimistic in estimating. I think I told the folks who  
23 asked me that I anticipated about an hour to an hour and a  
24 half. I think I've gone about an hour so far, maybe 45  
25 minutes. I have a great deal more to do. I would imagine

1 I'm about maybe just a quarter or half -- well, maybe not  
2 half -- a quarter to a third of the way through.

3 COMMISSIONER LeBLANC: I'll tell you what we'll  
4 do, then. We're going to go ahead and take a short lunch  
5 break, and it's almost a quarter to one by the clock on the  
6 wall, so we'll go by the clock it ne wall up there, if you  
7 will. Let's return back here at 1:30, and we'll pick up  
8 there at 1:30 after lunch.

9 Take a recess, Mr. Reporter. We'll be off the  
10 record. Thank you.

11 [Whereupon, the hearing was recessed for lunch, to  
12 reconvene this same day at 1:30 p.m.]



## A F T E R N O O N   S E S S I O N

[1:30 p.m.]

COMMISSIONER LEBLANC: Mr. Reporter, we'll go back on the record, please.

Ms. Dreifuss, you may begin this afternoon with cross again.

MS. DREIFUSS: I certainly will. Thank you, Commissioner LeBlanc. Whereupon,

MICHAEL K. PLUNKETT, the witness on the stand at the time of the recess, having been previously duly sworn, was further examined and testified as follows:

## CROSS EXAMINATION [resuming]

BY MS. DREIFUSS:

Q I believe we have pretty thoroughly discussed Interrogatory Number 27. There are a few items left that we didn't specifically address, but I think in our earlier discussion, we've covered it. So I'm going to leave that at this point and move on to other cross examination.

I would like to discuss with you the operation of Mailing Online during the market test, review just how closely the market test conformed to what everybody thought would be happening prior to the Commission's recommendation of the market test.

1           It's probably useful on this record anyway just to  
2 go over basic functions of Mailing Online. That's what I'm  
3 going to do now.

4           A     All right.

5           Q     In Mailing Online, a customer creates a file using  
6 certain applications. What are some of the applications now  
7 that a customer may be able to use with MOL?

8           A     Mailing Online supports documents created in  
9 Microsoft Word, WordPerfect, Ventura, Cuark and Pagemaker,  
10 and will support PDF documents as well.

11          Q     An essential part of what a customer has to enter  
12 into the system also is address information; is that  
13 correct?

14          A     That's correct.

15          Q     That information then travels over certain  
16 telecommunications line to the Postal Service servers in San  
17 Mateo; is that correct?

18          A     I believe that's correct, yes.

19          Q     Would you happen to know the size of those  
20 telecommunications line?

21          A     Not offhand, I do not.

22          Q     Once the information gets to San Mateo, what would  
23 be the first step that the server would perform on such  
24 files? Would -- and let me ask you a specific question.  
25 Would a decision first be made that certain addresses need

1 to be routed to certain printers? Would that be the first  
2 step?

3 A Well, we're talking about the market test now.

4 Q Yes.

5 A Well, there's only one printer operating during  
6 the market test, so all documents and all address lists  
7 would be routed to that one printer.

8 Q I'm glad you corrected my statement.

9 Let's then compare it to the experiment. During  
10 the experiment, at the beginning, there will be four print  
11 sites, will there not?

12 A I believe that's correct, yes.

13 Q So will the first step during the experiment,  
14 then, be to direct various addresses to various print sites?

15 A No. My understanding is that the documents -- the  
16 documents would precede the addresses.

17 Q What would happen, then, to the documents at  
18 first?

19 A Well, they are transmitted to the print sites to  
20 which -- the documents will be transmitted to the print  
21 sites that will be printing those documents.

22 Q Right. So I assume that the server in San Mateo,  
23 then, would go through some kind of decisionmaking process.  
24 The software would take -- would go through a decisionmaking  
25 process about which print sites should receive which files.

1           A     Based on the address in the attached list, that's  
2 correct.

3           Q     And the files are I believe transformed in some  
4 way by the San Mateo server, are they not? They don't go  
5 directly to the print site as a Word file, for example?

6           A     No, they don't. I believe they are converted to  
7 PDF in transmission to the print site.

8           Q     Is there a cutoff time by which a Mailing Online  
9 customer must upload files to the server and still get it  
10 into the batching and sorting process for the next day's  
11 mail entry?

12          A     I believe that's 2 p.m. Eastern Time.

13          Q     That was true during the market test, wasn't it?

14          A     Yes. And I believe that to be operating during  
15 the experiment as well.

16          Q     Okay. And what happens if a job is entered after  
17 2 p.m.?

18          A     It would be considered part of the next day's job  
19 stream.

20          Q     So at San Mateo, when the allocation or the  
21 distribution is made to certain print sites, very likely  
22 that would take place the next day along with other such  
23 mail? Or perhaps not.

24          A     You mean for documents submitted to the Mailing  
25 Online site after 2 p.m.?

1 Q After 2 p.m.

2 A Yes, that would be right.

3 Q Okay. During the market test, did the Postal  
4 Service make customers aware of the 2 p.m. cutoff time?

5 A I believe that was a feature on the page viewed by  
6 the customer when they authorized transmission of their  
7 documents.

8 Q And it would still be the Postal Service's  
9 intention to make customers aware of that during --

10 A Yes, it is.

11 Q -- the experiment? The San Mateo server, I  
12 believe, will go through some sort of a batching process;  
13 will it not?

14 A Of addresses, yes.

15 Q Of addresses. What about the commingling of  
16 various jobs into batches?

17 A What the server does, as I mentioned, the server  
18 routes the document to the appropriate printers, sort of in  
19 the order in which they are received.

20 At the end of the day, the server will compile all  
21 of the address lists associated with those documents, and  
22 will perform the necessary functions for optimizing those  
23 mailings, and then distributing those to the appropriate  
24 print sites where those address lists will then be  
25 re-associated with the appropriate documents prior to

1 printing at the appropriate printing facilities.

2 Q So, the servers have -- the printer servers have  
3 already received the PDF files and the addresses, and then  
4 at a later time, more information will be sent about the  
5 need or the ability to batch some of those pieces together  
6 with other pieces?

7 A I'm not sure I would characterize it as the need,  
8 and/or ability. That implies that the printer then has to  
9 perform some kind of -- to me, that would imply that the  
10 printer then has to do something with the address list and  
11 the documents to prepare them for printing.

12 What the server does is, it sends, in essence, a  
13 set of instructions to the server at the print site, that  
14 allows the printer to then print the appropriate documents  
15 in the appropriate batches for subsequent entry into the  
16 mail stream.

17 But that work is performed by the server in San  
18 Mateo, and does not require intervention by the printer,  
19 once those electronic files have been transmitted to the  
20 server at the print site.

21 Q Okay. Is there a cutoff time for this -- I guess,  
22 this batching information to be sent to the print sites;  
23 does it have to be there by a certain time the next day?

24 A Well, that is done -- the cutoff time for  
25 customers to submit documents is 2:00 p.m., Eastern Time.

1           After that cutoff time, the server in San Mateo  
2 will compile all the necessary information and perform the  
3 distribution to the print sites, immediately thereafter.

4           Q     I see. Okay, it should be coming out as one large  
5 burst of information to each print site when the tasks are  
6 completed?

7           A     I don't know that I'd characterize it as a burst.  
8 I mean, it sort of depends on the amount of information, but  
9 it is -- the system is designed to send that information  
10 immediately when the compilation of address lists and the  
11 batching of documents has been completed.

12                   It's set up to be transmitted directly to the  
13 print sites immediately.

14           Q     Do you have any idea how long that process took  
15 during the market test?

16           A     Offhand, no, I don't.

17           Q     Do you think it will take a great deal longer  
18 during the experiment, if you have much higher volumes?

19           A     At least initially, I don't expect the -- I don't  
20 expect the transmission capacity of the lines to be a  
21 binding constraint, if that's what you're implying.

22                   Now, if what we experience far exceeds our  
23 expectations vis a vis the volume that we're receiving on a  
24 daily basis, then it's conceivable we might have to add  
25 capacity.

1 But I -- if you're asking, do we anticipate a  
2 difficulty in transmitting the jobs in time to the printers  
3 in time for printing the subsequent day, I don't think  
4 that's a realistic probability.

5 Q Okay. There was an answer to an OCA  
6 interrogatory. I believe it was our Interrogatory Number 7  
7 -- I'm sorry, not Number 7.

8 I think maybe it was our Number 1, where the  
9 Postal Service informed us of the commercial software  
10 package for presorting volumes.

11 A This is OCA-T1-1?

12 Q I think it's Interrogatory Number 1.

13 MR. HOLLIES: That interrogatory pertains to  
14 advertising costs and the collection of that information.

15 MS. DREIFUSS: I'm sorry, it's Number 3. No, not  
16 Number 3, either.

17 BY MS. DREIFUSS:

18 Q Well, the type of software isn't important. I  
19 think the question was, we asked you about -- there was a  
20 component of the server, but it doesn't matter right now,  
21 which one, I don't think.

22 The software residing in San Mateo will sort all  
23 of the print files and addresses that will eventually be  
24 used to print the jobs at the print site; is that correct?

25 A Yes, that is done in San Mateo.



1 Q And an effort will be made to batch as many like  
2 print jobs as possible; is that correct?

3 A I would not describe it in that way. I mean,  
4 there is an algorithm built into the Version 3.0 software.

5 That algorithm sets the limits for batching for  
6 all jobs during the period that Version 3.0 is used for  
7 Mailing Online.

8 Jobs that -- and that represents what we went  
9 through with that table this morning. Jobs that are  
10 consistent with those requirements will be batched.

11 I mean, the algorithm does not allow intervention  
12 to either deviate from that or to allow batching of other  
13 kinds of documents. I mean, the algorithm determines what  
14 can be batched and what will be batched on a daily basis.

15 Q But to what extent that batching can take place,  
16 the algorithm is written to achieve that, --

17 A Yes, it is.

18 Q -- that batching?

19 A That's right.

20 Q There has been some confusion on the part of OCA  
21 about the terms merge and batch, and I guess the confusion  
22 arises from the fact that merge can be used in connection  
23 with the term mail merge, and --

24 A Right.

25 Q -- it also is sometimes used in connection with

1 batching, and I wonder if you could just clear that up for  
2 us.

3 A I will attempt to, and this reflects my belief  
4 more than a perfect explanation, but I believe early on in  
5 the proceeding in the previous docket, the word merge was  
6 used where perhaps the word batch should have been used.

7 Batching for purposes of Mailing Online refers to  
8 the process of comingling different documents to form single  
9 mailings at a given print site. Merging has a technical  
10 meaning which is what we discussed this morning which is  
11 integration of recipient-specific data into a document to  
12 allow personalization of that document despite the fact that  
13 there may be multiple copies in a file.

14 But I believe that at various points during these  
15 proceedings, merging was used to describe the process by  
16 which different customer documents are comingled to form a  
17 single job or a stream of jobs.

18 Q In effect, combining that statement with what you  
19 told me just a few minutes ago, first a decision is made to  
20 transmit certain address -- certain addresses to particular  
21 print sites.

22 A Uh-huh.

23 Q And then given that choice, within this large --  
24 within this group of addresses that will be transmitted to  
25 the print site, there will be batching taking place if the

1 jobs are like enough to be batched.

2 A That's right. Jobs with similar characteristics  
3 will be batched.

4 Q Okay. And the process of bringining various jobs  
5 together in that way would be called -- could we use the  
6 term merge for that?

7 A No. I would use the term batching to describe  
8 that process.

9 Q Sometimes the word commingling is used. Would  
10 that be an apt term?

11 A As I would use the term commingling, that is  
12 comparable to batching.

13 I don't know if this has helped or added to the  
14 confusion.

15 Q When the jobs are printed, a batched job I believe  
16 would result in the following kind of printing process.  
17 Let's say the San Mateo software had determined that Job 1  
18 and Job 2 for a certain print site could be batched. Then  
19 the copies would start to be printed and stuffed into  
20 envelopes in presort order, and you would not necessarily  
21 keep like jobs together at that point. There would be a  
22 kind of intermingling or commingling in the printing  
23 process; is that correct?

24 A If I may, is what you are suggesting that when a  
25 printer is producing this set of documents, it is possible

1 that you will have a document from, let's call it a -- a  
2 piece from document 1 followed by a piece from document 2,  
3 perhaps then followed by another piece from document 1 and  
4 so on, such that not all of the pieces from document 1 are  
5 printed consecutively thereafter to be followed by all of  
6 the pieces from document 2.

7 Is that what you are suggesting?

8 Q That is what I was asking, and you stated it  
9 better than I did.

10 A That is correct.

11 Q Okay. Thank you.

12 Do you know what the sorting instructions are for  
13 batch jobs? You've sensed that -- let me -- that's a little  
14 general. Let me be more specific.

15 MR. HOLLIES: Excuse me, Mr. Presiding Officer.  
16 There has been a fair amount of discussion about terms such  
17 as merge and batch, and I would like to point out that there  
18 was an interrogatory exactly on point. It's OCA/USPS-T-1  
19 Number 9. And perhaps if we collectively restricted our  
20 references to the terms as defined in that response, a good  
21 deal of additional clarity might be added to this exchange.

22 MS. DREIFUSS: I was aware that we had asked that  
23 previously and gotten an answer, but there was still some  
24 confusion among OCA staff even after reading that answer,  
25 and so I thought I would go ahead and ask the question

1 today.

2 BY MS. DREIFUSS:

3 Q I was starting to give you a more concrete  
4 question to answer about sorting. It seems to me that the  
5 deepest type of presortation that could be accomplished  
6 would probably be walk sequencing. Would that also be your  
7 understanding?

8 A I don't see how we could achieve anything greater  
9 than that given the current state of our pricing structure,  
10 that would be the deepest that I'm aware of.

11 Q Do you know if the software in San Mateo is  
12 written in such a way that mail is walk-sequenced?

13 A I believe the system in San Mateo will make use of  
14 commercially available software and it will allow  
15 presortation to the maximum depth that any other mailer  
16 could attain using the same kind of commercial software.  
17 And if that means we have sufficient volumes and sufficient  
18 density to attain walk sequencing, the software will produce  
19 that kind of a mailing.

20 Q Do you know whether -- do you know whether the  
21 software is written in such a way that it will ignore that  
22 step if it's clear that a batch will have fewer than let's  
23 say 500 pieces if it's First Class mail?

24 A Are you asking have we modified the software in  
25 any way to reflect -- are you asking whether or not we have

1 modified the commercial presortation software to reflect  
2 unique characteristics of Mailing Online?

3 Q No, I'm not asking that. I'm trying to understand  
4 the operation of the software as it is written.

5 A Then I don't know the answer to that question.

6 Q At page 6 of USPS-T-1 --

7 A Yes, I have that.

8 Q The first full sentence begins and reads, each  
9 batch address file is then presorted to the maximum depth of  
10 sort with a prepared manifest and mailing statement for  
11 transmission along with the print files.

12 And I'm trying to understand what the maximum  
13 depth of sort is.

14 A Well, that will depend on the number and types of  
15 addresses in a given batch.

16 For some batches, that maximum depth may be walk-  
17 sequencing. For others, that maximum depth may be three-  
18 digit, but it depends on the number and types of addresses  
19 in that batch.

20 Q You would agree that as long as there is more than  
21 one piece per carrier route, then those two pieces, let's  
22 say, starting out with two pieces, those two pieces could be  
23 walk-sequenced?

24 A Well, they could be placed in a sequence that was  
25 consistent with what would otherwise be called walk-

1 sequencing for mailings having sufficient number of pieces  
2 to qualify for those rates, meaning, in accordance with the  
3 carrier's line of travel for that particular delivery route.

4 Q Right. And I'm trying to find out if that happens  
5 automatically with this software package that the Postal  
6 Service is using.

7 A I don't know the answer to that question.

8 MS. DREIFUSS: Commissioner LeBlanc, I was  
9 wondering if the Postal Service could give us an explanation  
10 of the type of presortation and the depth of presortation  
11 that results from the software that -- I guess, really, it's  
12 a twofold question; that they did use during the market  
13 test, and that they are planning to use during the  
14 experiment.

15 And some of the things that we're curious about,  
16 for example, as I just established with Mr. Plunkett a  
17 moment ago, we believe that the most that you can do with  
18 more than two pieces of mail is to walk-sequence them.

19 They can be presorted to five digits, they can be  
20 presorted to carrier route, to three digits. Perhaps they  
21 can be presorted to area distribution centers, and we're  
22 just trying to understand the type of sortations that  
23 automatically result from using that software.

24 And I wanted to ask you if you could direct the  
25 Postal Service to provide that to us at a later time in

1 writing.

2 COMMISSIONER LeBLANC: Mr. Hollies?

3 MR. HOLLIES: I would submit that that is not part  
4 of our case. The requirements imposed on commercially  
5 available, presortation software are whatever they may be.

6 They are discernable by anybody who sits down, I  
7 think, on the Internet, and tries to figure that out.

8 And we are relying upon commercially available  
9 software as a means of, if you will, maintaining a level  
10 playing field and being fair to all of our various types of  
11 customers.

12 Mr. Plunkett here has just given the answer to  
13 counsel's question, that being, if you have two pieces going  
14 to a single route, can they be walk-sequenced? And he said,  
15 well, they can be put in an order that is consistent with  
16 walk-sequence.

17 But seeing as how walk-sequence requires a great  
18 density of pieces on a given route in order to be useful, be  
19 used for the appropriate rate category, the fact that it is  
20 in the right order may actually help out with our DPS  
21 software, which we are trying to implement otherwise in the  
22 Postal Service, but that's not part of our case-in-chief.

23 The basic requirements for presort software are  
24 highly complex, very detailed, and not germane, I don't  
25 think, to this particular proceeding.



1           If counsel is looking for us to provide a way for  
2 the OCA to inquire further into the amazingly intricate  
3 details of all of the presort categories available via the  
4 Postal Service, we can do so.

5           But I don't believe that we're going to be able  
6 ever to provide an answer to the questions that she's posing  
7 on what is and is not possible beyond the scope of what has  
8 just been provided by Mr. Plunkett.

9           COMMISSIONER LeBLANC: Would you care to respond,  
10 Ms. Dreifuss, before I rule on that?

11          MS. DREIFUSS: I would, Commissioner LeBlanc.  
12 I've got a couple things to say:

13          One is, I think Mr. Plunkett stated a few minutes  
14 ago that he really didn't have personal knowledge of the way  
15 that software package operates.

16          I think when he said the mail could be walk-  
17 sequenced, I think he was acknowledging that that was a  
18 possibility, but I don't believe he was able to state with  
19 certainty that that's what was happening. That's the first  
20 part of my response.

21          The second part is, I think the Postal Service has  
22 really raised this as an issue in the answer given to OCA  
23 Interrogatory Number 7.

24          In Interrogatory Number 7, OCA was trying to make  
25 the comparison between below-minimum volume mailings entered

1 by a competitive hybrid mail service, or it could possibly  
2 be any mail.

3 Mailers may want to enter mail below the 500-  
4 piece minimum in First Class. And we tried to get the  
5 Postal Service to agree that what would result is that the  
6 Mailing Online mailing would pay the automation basic rate,  
7 but other mailings not entered by the Postal Service as MOL,  
8 would have to pay single-piece rates.

9 And the Postal Service seemed to defend the basic  
10 automation rates for Mailing Online by saying -- and I'm  
11 going to start to quote near the bottom of the page, the  
12 first page of that answer:

13 "The reason for this lies in the design of Mailing  
14 Online, which takes advantage of various methods for driving  
15 down a variety of mail processing costs. The fact that the  
16 Mailing Online server commingles respective customers'  
17 mail..." and I'll skip a couple of things "... and further  
18 into this list, and presorts to the greatest extent possible  
19 when truly large volumes are projected," is given as a  
20 justification for using automation basic rates.

21 And so I would like to know, and I think it's  
22 certainly fair for us to be told, what does presortation to  
23 the greatest extent possible mean?

24 And I also established with Mr. Plunkett that it's  
25 the software that will make -- that will accomplish this

1 presortation.

2 COMMISSIONER LeBLANC: Since my computer is down,  
3 we're having a little trouble with it here. I can't  
4 actually re-read that. But is it your understanding that  
5 you can presort to the finest, but you don't have any idea  
6 what that is, based on the software package, as Mr. Hollies  
7 says, or is it going to be refined further for the Postal  
8 Service?

9 THE WITNESS: Let me try a slightly different  
10 response.

11 We're using a commercially available software  
12 package that, to the extent that I understand it, is  
13 designed to conform to the Postal Service's existing  
14 requirements when that software was designed.

15 To use walk-sequence rates as an example, the  
16 Postal Service's current requirements specify how much mail  
17 is needed and in what density to qualify for those rates.

18 Now, I don't know if the people writing the code  
19 for the commercially available software write it or develop  
20 it such that it only attempts to walk-sequence pieces when a  
21 threshold volume is met, or whether or not that is a default  
22 function of the software.

23 What I do know is that in relying on that  
24 software, Mailing Online pieces will achieve walk-sequencing  
25 when a batch would qualify for such a rate, which means that

1 if a batch has the density necessary to achieve those rates,  
2 then that mail would be prepared in walk-sequence order,  
3 consistent with the Postal Service's existing requirements.

4 Now, that leaves open the possibility that if a  
5 batch does not have the density -- and this is where my  
6 knowledge of how presortation software collapses, as it were  
7 -- I don't know that presortation software then defaults to  
8 the next higher -- next deepest -- the next optimal depth of  
9 sortation possible, which I presume would be carrier route.

10 So, the answer would then be that there is  
11 probably a series of steps that is followed, and I don't  
12 know that -- I don't know that what the presortation  
13 software looks for first is quantity or just the sequence of  
14 addresses.

15 To the extent that Mailing Online pieces would  
16 qualify for specific rates, the software that we will use  
17 will achieve the greatest level of presortation for which a  
18 batch would qualify.

19 I do not know that we would otherwise be able to  
20 prepare the mail in a way that is consistent with levels of  
21 presortation for which a batch would not qualify because it  
22 lacks the appropriate density to qualify for that depth of  
23 sortation.

24 I don't know if that helped you or not.

25 Ms. Dreifuss, I believe that is a pretty good

1 explanation as to what you want. I am not making -- or not  
2 making your case for you, but that seems to be a fairly  
3 clear answer as far as this witness is concerned. Do you  
4 need further data than that?

5 MS. DREIFUSS: I think we do because there may be  
6 a basic unfairness. If the Postal Service enters 499 MOL  
7 pieces, or a batch containing 499 pieces, and they are not  
8 presorted in any way at all, because the software doesn't do  
9 it, it doesn't seem that the Postal Service will be  
10 achieving those cost savings that it is trying to attain.  
11 If there were 500 pieces, it would be presorted to the  
12 maximum extent possible. If there are 499 pieces, perhaps  
13 nothing is happening to it. It may look like any other  
14 mailing of 499 pieces.

15 And it strikes OCA that there is a basic  
16 unfairness in allowing the Postal Service to obtain  
17 automation basic rates for such a mailing and deny them to  
18 others. That is why I think it is important to get an  
19 answer to this question.

20 COMMISSIONER LeBLANC: Mr. Plunkett, you look like  
21 you want to comment before I rule here.

22 THE WITNESS: I would point out that if we take  
23 the example of a 499 piece mailing, it would be unfair to  
24 say that the Mailing Online piece is otherwise identical to  
25 mailings that would pay, otherwise pay a single piece rate.

1 The Mailing Online mailing, irrespective of what type of  
2 presortation it is given, will be automation compatible in  
3 all other respects, it will be pre-barcoded. Its size and  
4 shape will be consistent with automation requirements. And  
5 to that extent, it has achieved a form of cost savings not  
6 required of customers who would be paying a single piece  
7 rate.

8 COMMISSIONER LeBLANC: That's very interesting.

9 THE WITNESS: And to that extent, Mailing Online  
10 has undertaken cost avoidance steps that other mailers  
11 simply don't have to undertake to pay a single piece rate,  
12 for which there really are no such requirements.

13 COMMISSIONER LeBLANC: Ms. Dreifuss, unless you  
14 have got a major comment further, I think that (1) that is a  
15 good point, and (2) it does answer the question to my  
16 satisfaction at this point. If you have really got a major  
17 problem with that and want to follow it up further, I would  
18 be more than happy to entertain anything that you want to  
19 put in writing. But at this point I think the witness has  
20 answered that to the best of his ability, so let's move on,  
21 please.

22 BY MS. DREIFUSS:

23 Q Assuming that a batch is going to be entered at a  
24 postal facility and has been presorted to the maximum  
25 possible extent, are those sortations preserved by the

1 printer who enters the mailing?

2 A Doe you mean do we retain a record of the manifest  
3 for that particular mailing on that particular day?

4 Q No. No, what I meant by that is would any  
5 separations within a tray be preserved when the mail is  
6 entered to earn --

7 A Do you mean --

8 Q To earn any discounts that would otherwise be  
9 appropriate?

10 A Well, I will have to ask a clarifying question.  
11 Do you mean do the printers perform any preparation of the  
12 mail beyond that that is specified in the mailing statements  
13 generated by the Mailing Online server?

14 The Mailing Online server generates tray labels  
15 and other preparation materials for use by the printers  
16 before they bring the mail to the entry facility. The  
17 printers are required by contract to prepare the mailings in  
18 the way specified by the Mailing Online server and are not  
19 required to, expected to or in any way deviate from that  
20 requirement.

21 Q Do the server requirements mirror the kinds of  
22 preparations that other mailers would have to make to enter  
23 mailings that qualify for discounts?

24 A Yes, they do.

25 Q If a non-MOL mailer enters a 499 piece mailing at

1 a given postal facility, that is automation capability, are  
2 there any more cost savings associated with a mailing --  
3 with an identical Mailing Online mailing entered at the same  
4 facility? That is we are talking in each case about 499  
5 pieces entered at the same facility and, in each case,  
6 automation compatible. Can MOL achieve any more savings  
7 than that?

8 A I am having trouble understanding the question.  
9 Are you asking whether or not the cost of handling those  
10 mailings is different subsequent to entry?

11 Q I can ask, first of all, are they accepted  
12 differently? We have 499 pieces from Mailer A, automation  
13 compatible, we also have a printer entering 499 pieces of  
14 MOL at the same print site. Are they accepted any  
15 differently?

16 A Do you mean are the -- well, I mean we have  
17 requested that Mailing Online mailings not be subject to the  
18 volume minimum that otherwise pertains to mail that would  
19 otherwise qualify for automation basic rates. So that would  
20 be the one relevant difference. But as a practical matter,  
21 I mean I would hope our acceptance people would tell that  
22 mailer, you know, if you add one more piece, you will get a  
23 much lower rate and it is worthwhile your doing so.

24 So I am not sure that that is a meaningful  
25 distinction. The only difference I can see on the face of



1 it is that we have requested a waiver from the existing  
2 volume minimum, and, you know, for other mailer, that would  
3 be a qualification criteria that they would be unable to  
4 meet.

5 Q So then, in my example of 499 pieces, the only  
6 difference in the way they would be accepted is that 499  
7 pieces from Mailer A, each one of them would pay the single  
8 piece rate, but 499 pieces of MOL would pay the automation  
9 basic rate?

10 A Yes, but as I mentioned earlier, I mean if Mailer  
11 B has 5,000 pieces all going to the same carrier route, that  
12 mailer is going to pay a walk sequence rate. And if Mailing  
13 Online has a 5,000 piece mailing going to that carrier  
14 route, a Mailing Online customer is going to pay -- the  
15 Mailing Online customers whose documents comprise that  
16 mailing are going to pay an automation basic rate.

17 Q Right. There may be some mailers who mail as many  
18 as 5,000 pieces, but there also may be some who never mail  
19 that many, isn't that true?

20 A Certainly.

21 Q You said the 499 piece example was a little  
22 unrealistic because one more piece pushes it past the  
23 minimum volume. Let's make a more realistic example. Let's  
24 try 350 pieces. 350 pieces of automation compatible mail  
25 entered at the same facility as 350 pieces of MOL mail

1 should cause the Postal Service to incur the same acceptance  
2 and processing costs as an MOL mailing would, would it not?

3 A Subsequent to entry you mean?

4 Q Yes, subsequent to entry.

5 A I mean I know of no reason why they would have  
6 different cost characteristics subsequent to entry.

7 Q Could you turn your attention to MASA  
8 Interrogatory MASA/USPS-T-1-4, please.

9 A I have that.

10 Q In this interrogatory MASA apparently asked  
11 Witness Garvey about the batching capabilities of MOL. Have  
12 you had a chance to review that response?

13 A Yes, I have.

14 Q When we reviewed this, we were under the  
15 impression that there was another factor involved in  
16 batching that had been left out of the response, and I  
17 wanted to ask you about that. Does the fact that some  
18 pieces may be simplex and others may be duplex affect their  
19 ability to be batched?

20 A Oh, I believe that it does; yes.

21 Q So if you take a moment to review this response,  
22 do you see that the plex characteristic has been addressed  
23 there?

24 A No, I don't.

25 Q So for the sake of completion, to completely

1 define a batch, we should add the simplex documents need to  
2 be batched with simplex documents, and duplex documents need  
3 to be batched with duplex documents. Is that correct?

4 A Well, subject to check.

5 MR. HOLLIES: Mr. Presiding Officer, given that  
6 last clause, subject to check, could we affirmatively  
7 provide a response on that?

8 COMMISSIONER LeBLANC: By all means.

9 MR. HOLLIES: We'll do so.

10 COMMISSIONER LeBLANC: Do you have -- I mean, you  
11 feel comfortable with what the question was asking as far as  
12 a response?

13 MR. HOLLIES: Yes, I think it's pretty  
14 straightforward.

15 COMMISSIONER LeBLANC: I do too, but I want to  
16 make sure that we're --

17 MR. HOLLIES: I'd just like to make sure we get  
18 that one right.

19 COMMISSIONER LeBLANC: Thank you.

20 BY MS. DREIFUSS:

21 Q In OCA Interrogatory No. 22, you answered that  
22 one, I believe. It was entered into the record today. In  
23 the third paragraph you make mention of Netpost Mailing  
24 Online. I wanted to find out what Netpost Mailing Online  
25 is.

1           A     Well, that's kind of a complicated answer. Back  
2     in the early stages of the development of what is now  
3     Mailing Online it was known as Netpost. There was some  
4     dispute over our ownership of the trade name Netpost, and so  
5     Mailing Online came to be used to describe this product  
6     while we tried to resolve that issue, and Mailing Online has  
7     been retained as the name for this product that we're  
8     litigating today.

9           Netpost is now a name that we have trademark  
10    rights to in the United States and some other countries, and  
11    it is sort of more of an umbrella name describing Mailing  
12    Online and any other related messaging services that the  
13    Postal Service may develop over time. So -- and these are  
14    not very far along, at this point anyway, and some not even  
15    at the conception stage, but it is conceivable that there  
16    will be future products that would come under the Netpost  
17    umbrella in the way that Mailing Online now exists in that  
18    state.

19          Q     Is Mailing Online -- I'm sorry, Netpost Mailing  
20    Online then the first in this possible family of Netpost  
21    services?

22          A     Yes.

23          Q     And Netpost Mailing Online is Mailing Online as  
24    we've come to know it --

25          A     That's right.

1 Q In Docket No. MC-98-1.

2 A That's right. There's no --

3 Q And in this -- and in the present docket.

4 A That's correct.

5 Q In response to OCA Interrogatory 21, you provided  
6 copies of advertising materials that were I guess developed  
7 and utilized during the MOL market tests, is that correct?

8 A Yes.

9 Q And these are net post Mailing Online advertising  
10 materials?

11 A That's right.

12 Q When I review these materials they appear to me to  
13 simply be describing net post Mailing Online and there was  
14 little or no space devoted to any other kind of service. Is  
15 that also your impression?

16 A To be honest, I have not reviewed them very  
17 recently so I would be reluctant to offer my conclusion on  
18 that subject right now.

19 Q Do you have the attachment to your answer to 21  
20 with you today?

21 A I don't have the copies in front of me.

22 MS. DREIFUSS: Commissioner LeBlanc, if I am  
23 approach the witness, I would like to give him a moment to  
24 review the attachment to his answer.

25 COMMISSIONER LeBLANC: That's to his answer,

1 right?

2 MS. DREIFUSS: Yes, it is.

3 COMMISSIONER LeBLANC: Please.

4 BY MS. DREIFUSS:

5 Q It is your answer, is it not, Mr. Plunkett?

6 A Yes, it is.

7 MR. HOLLIES: I would note that the document has  
8 been admitted into evidence and is in the record and it  
9 therefore can speak for itself.

10 MS. DREIFUSS: Well, I don't think we are going to  
11 be able to hear the answers unless Mr. Plunkett provides  
12 them to us.

13 THE WITNESS: These materials are just some  
14 promotional materials presented at different trade shows and  
15 they refer primarily to Mailing Online.

16 BY MS. DREIFUSS:

17 Q Would you consider these materials a shared cost  
18 of advertising Mailing Online with other services?

19 A I'd have to point out that what we have here is  
20 material that refers specifically to Mailing Online that has  
21 been removed from other contextual material that might have  
22 been attached to it, so I would be reluctant to answer that  
23 and I think Witness Tekas probably would be better equipped  
24 to answer questions of that kind.

25 Again, what we are looking at I don't think, I

1 don't believe is an entire document, sort of a subset of a  
2 document or a set of materials that was presented at some  
3 trade shows where Mailing Online was on display in  
4 conjunction with a number of other products which we then  
5 associated with PostOffice Online.

6 Q Witness Garvey answered OCA's Interrogatory Number  
7 1. We asked, "Does the Postal Service plan to collect and  
8 periodically report the advertising costs of Mailing Online  
9 during the experiment as part of the experimental data  
10 collection plan?"

11 The answer given was, "Yes. During the  
12 experiment, the Postal Service intends to collect and report  
13 advertising costs specific to Mailing Online."

14 You recall that answer, don't you?

15 A Yes.

16 Q And you adopt that answer, I believe?

17 A Absolutely.

18 Q Now would the attachment to Interrogatory, to your  
19 response to Interrogatory 21 be an example of an advertising  
20 cost -- there are certainly costs associated with what we  
21 see there -- would that be the kind of costs that would be  
22 reported as specific to MOL or would not be reported because  
23 it is considered shared with other services?

24 A I have to give sort of a hypothetical response. I  
25 guess I'd again qualify my response by stating that I am not

1 an expert on Postal Service costing. My assumption is that  
2 if we prepared a similar set of materials to be used during  
3 the experiment we would review the available data and we  
4 would discuss that matter with a costing expert who would --  
5 whose opinion would be used to guide how we would deal with  
6 such costs.

7 That is strictly hypothetical. We have no  
8 materials currently under development and I have no way to  
9 know whether there will be anything analogous to that that  
10 would be used during the experiment or not. My assumption  
11 though is that the appropriate treatment of such cost data  
12 would be subject to the advice of experts in that field.

13 Q What kind of experts would you consult to get an  
14 answer?

15 A Again, and this is hypothetical, it would depend  
16 on when these types of expenses were incurred. The expert  
17 that we are employing in this case is Witness Tekas, but it  
18 would be someone with a background or credentials similar to  
19 his as regards the appropriate costing of -- the appropriate  
20 treatment of Postal Service costs.

21 Q So there are going to be experts in the Postal  
22 Service who are going to inject a hefty measure of judgment  
23 on whether materials such as this are specific to Mailing  
24 Online or shared with other services; is that correct?

25 A I think that goes a little too far. I didn't



1 suggest that there would be materials like this, and I think  
2 it's important to point out that at the time these materials  
3 were prepared, Mailing Online was an integral part of the  
4 Postal Service Online, and so there was a need to share  
5 materials because it was important to create in the minds of  
6 customers an association between the two.

7 It's not apparent that there is a similar need  
8 existing right now because the Postal Service Online no  
9 longer exists.

10 Now Mailing Online is part of USPS.com. I don't  
11 know what plans are for advertising USPS.com -- I imagine  
12 that I will be consulted, but I don't know to what extent.  
13 And it is conceivable that some such materials may contain  
14 references to Mailing Online and I would not be in a  
15 position to determine the appropriate treatment of cost of  
16 such materials to the extent that I became aware of them.

17 To the extent that we prepare any materials  
18 specifically for Mailing Online, I expect such costs to be  
19 reported to the Commission.

20 Q Would you be willing to categorize these seven  
21 pages as advertising materials devoted solely to Mailing  
22 Online?

23 A I'd be reluctant to characterize them as  
24 advertising materials. To me, advertising has -- I would  
25 characterize these more as promotional materials given the

1 environment in which these were presented to the recipients  
2 and the kind of forum in which the recipients were becoming  
3 aware of Mailing Online. So I would not characterize them  
4 as advertising materials in general.

5 Q So in response to Number 1, when there is a  
6 statement of intention to collect and report advertising  
7 costs specific to MOL, it would include promotional  
8 materials like this?

9 A Yes, it would.

10 Q It would include promotional materials?

11 A Yes, it would.

12 Q So we can understand that statement to be intends  
13 to collect and report advertising and promotional costs of  
14 MOL?

15 A I guess in the way it's used there, then a more  
16 generic use of the word advertising is appropriate. Our  
17 intention is to collect and report any costs associated with  
18 preparing advertising or promotional materials associated  
19 with Mailing Online.

20 Q Do the participants and the Commission run the  
21 risk, though, that if -- even if another service is briefly  
22 mentioned in, you know, a seven-page promotional document,  
23 there's a brief mention of another service, that that won't  
24 be considered specific to Mailing Online and therefore won't  
25 be reported?

1           A     That's not our intention, but I also have to, you  
2 know, reiterate, I mean, to the extent that we prepare any  
3 materials for use during the experiment for Mailing Online,  
4 our intention is to report the costs of preparing those  
5 materials.

6           Those materials undoubtedly will contain  
7 references to USPS.com because that is the URL through which  
8 customers are expected to get access to Mailing Online. Are  
9 we intending to use the presence of those references as a  
10 way to avoid this requirement? Absolutely not.

11           On the other hand, USPS.com is a service unto  
12 itself, and likewise, I would not be surprised to find that  
13 advertising developed for USPS.com make contain references  
14 to Mailing Online.

15           Does that mean that we will know about every  
16 single instance in which that takes place? I would like to  
17 say that it's a foolproof method for identifying those, but  
18 it's conceivable that some of those things will be done  
19 without our knowledge, and to the extent that we can  
20 identify them and they appear to be appropriate for our  
21 reporting, we will do so, but --

22           Q     There were some costs associated with developing  
23 and circulating this promotional set of materials, were  
24 there not?

25           A     Presumably, yes.

1 Q Do you know in the market test reports whether  
2 these were reported as Mailing Online specific?

3 A I do not know the answer to that.

4 Q Do you think that they should have been reported  
5 as Mailing Online specific?

6 A Again, without viewing the materials alongside,  
7 you know, the other materials with which they were developed  
8 and presented, it's difficult for me to answer that  
9 question.

10 And again, I would point out that, I mean, the  
11 treatment of such costs is the subject of Witness Tekas'  
12 testimony.

13 Q You stated in a response to an OCA interrogatory  
14 that you have a great deal of confidence in Witness  
15 Rothschild's volume estimates; is that correct?

16 A I probably said something to that effect, or more  
17 likely that I thought those were the best available  
18 estimates of volumes for the experimental period.

19 Q Have you had a chance to review Library Reference  
20 2 from Docket Number MC98-1? That was a library reference  
21 sponsored by Witness Rothschild.

22 A Not recently.

23 THE WITNESS: I wonder if I could ask for about  
24 five minutes to go to the restroom?

25 COMMISSIONER LeBLANC: Sure.

1 THE WITNESS: Thanks.

2 COMMISSIONER LeBLANC: It would be a good time to  
3 take a break, then. We'll take a 15-minute break, we'll be  
4 back at a quarter till.

5 [Recess.]

6 COMMISSIONER LeBLANC: Okay, Mr. Reporter, we'll  
7 go back on the record, please.

8 Ms. Dreifuss?

9 BY MS. DREIFUSS:

10 Q Mr. Plunkett, I was starting to ask you if you  
11 were somewhat familiar with Library Reference 2 from MC98-1.

12 A Yes, I am.

13 Q You may not remember these exact statements, but  
14 let me see if you recall generally the tenor of some  
15 statements that Witness Rothschild -- or that were made in  
16 Library Reference 2.

17 She addressed the issue of awareness in generating  
18 the Mailing Online volume estimates, and she says about  
19 awareness that in the questionnaire, we presented  
20 Respondents with a description of Netpost before asking them  
21 if they would use it, and this approach essentially produces  
22 a 100 percent awareness for Netpost. In reality, not  
23 everyone would be aware of Netpost's existence or features  
24 even with advertising and other promotions.

25 To adjust for this over-awareness, the Postal

1 Service provided us with an estimate of the percentage of  
2 the eligible universe whom they believe would be aware of  
3 Netpost after each of its first five years in the  
4 marketplace given the marketing plans that they envision for  
5 the product.

6 Are you generally familiar with that approach and  
7 the volume estimation process?

8 A Yes, I am.

9 Q And then she presents a table that she titles The  
10 Awareness Adjustment Factor. And I'll just give you the  
11 figures that she provides there. They're easy enough to  
12 understand. In year 1, there will be a 25 percent  
13 awareness; in year 2, 32 percent; in year 3, 35 percent; in  
14 year 4, 39 percent; and finally in year 5, there will be 41  
15 percent awareness.

16 What methods will the Postal Service use to  
17 achieve those levels of awareness during the experiment?

18 A Well, could you be a little more specific what you  
19 mean by methods?

20 Q Well, let me ask you first. Do you think that the  
21 Postal Service will be able to achieve the levels of  
22 awareness -- let me back up for just a second.

23 She looked at awareness over a five-year period,  
24 but the Postal Service is proposing a three-year experiment.  
25 That is --

1 A Correct.

2 Q -- correct, isn't it?

3 And even though there may be some awareness of  
4 Mailing Online due to the market test, since the Postal  
5 Service had a fairly small volume response, it's probably  
6 pretty fair to say that year 1 of the awareness level will  
7 be year 1 of the experiment. Does that sound right to you?

8 A That seems not unfair.

9 Q And if we just look at three years, then we're  
10 probably talking about the awareness levels for years 1  
11 through 3. Does that sound fair also?

12 A Certainly.

13 Q Do you think the Postal Service will be able to  
14 achieve 25 percent awareness -- she used the term "in the  
15 marketplace" -- 25 percent awareness in the marketplace of  
16 Mailing Online?

17 A Well, I'd have to sort of give a somewhat  
18 qualified response. I mean, Witness Rothschild's research  
19 contains a number of assumptions. One of them is awareness.  
20 Now, on the whole, I believe that Witness Rothschild's  
21 assumptions are -- I don't want to characterize them as  
22 conservative; I think they're appropriate and I think that  
23 they give a -- given how new the Internet is in general and  
24 how new services such as Mailing Online are specifically, I  
25 think they give a good overall projection of where Mailing

1 Online volumes will end up during the experiment.

2 That does not mean that I would be willing to go  
3 so far as to say that one of those specific assumptions is  
4 accurate or that we'll attain a specified number. I mean, I  
5 think if you take all of those assumptions as a whole, they  
6 provide a good approximation. I would not want to be held  
7 to hitting a specific target, though, for any one particular  
8 assumption. I expect us to attain a pretty high level of  
9 awareness in a reasonably short period of time.

10 Yes, I mean, the level of awareness created  
11 through the market test is probably somewhat limited, but, I  
12 mean, the Postal Service as a whole enjoys an extremely high  
13 level of awareness among the general public and among small  
14 business users. I think that, you know, allows us to  
15 generate levels of awareness pretty easily for products when  
16 they are announced and when they are developed.

17 I don't think Witness Rothschild's assumption is  
18 unreasonable. Will we hit 25 percent precisely? I can't  
19 say.

20 Q Well, the actual volume estimate that she  
21 generates is in part dependent on this awareness adjustment,  
22 isn't it?

23 A Uh-huh.

24 Q If awareness were to be 50 percent in year 1  
25 instead of 25 percent, presumably you'd get significantly



1 higher volumes than she estimated, wouldn't you say?

2 A If all the other variables were held constant.  
3 And that's sort of what I was trying to get at before, is, I  
4 mean, Witness Rothschild's research employs a number of  
5 assumptions, and if you hold one -- if you hold all constant  
6 except for one and vary that one, you can produce different  
7 results.

8 I guess the answer I was trying to give is that  
9 because there are so many different variables at work,  
10 whether or not we attain one specific variable or one  
11 threshold for a specific variable is not necessarily an  
12 indication of whether or not the overall estimates are  
13 appropriate because there are too many variables operating.

14 Q Let me tell you what I infer from that statement,  
15 and you can correct me if I'm wrong. It seems to me that  
16 what you're saying is that when there are a number of  
17 questionable assumptions, some may cause the volume  
18 estimates to be higher, some may cause them to be lower.  
19 Overall, it's a prudent choice to depend on such estimates.  
20 Is that what you're saying?

21 A No. I guess I'm being asked about a specific  
22 variable, in this case awareness among target users, and I  
23 have nothing better than Witness Rothschild's estimate to  
24 use.

25 Now, one of the other assumptions Witness

1 Rothschild makes in her work is an assumption about the  
2 proliferation and extent of Internet use among likely users  
3 of Mailing Online.

4 Now, we need to keep in mind that today, Witness  
5 Rothschild's work is more than two years old and assumptions  
6 used at that time about the level of Internet awareness and  
7 use by potential customers would greatly understate likely  
8 adoption of Mailing Online by that target group because in  
9 the last two years, the use of personal computers and the  
10 Internet by, you know, households and business users among  
11 the group of likely adopters of Mailing Online -- I don't  
12 have precise numbers, but I think everyone would agree that  
13 that number is substantially greater than it was when  
14 Witness Rothschild conducted her research.

15 So it may not be absolutely necessary that we  
16 attain 15 percent awareness to attain the volume estimates  
17 that Witness Rothschild came up with because of changes in  
18 some of the other variables.

19 That's what I'm trying to get at, not that it  
20 helps to obfuscate by having a multivariate analysis, but  
21 just that you cannot isolate a specific variable and assume  
22 that because a target is met or not met for this variable,  
23 that you have therefore validated or invalidated the overall  
24 volume assumptions that arise from that research.

25 Q You mentioned her assumption about Internet usage

1 a moment ago, and you believe that whatever assumption she  
2 made, the true Internet usage today is likely to generate  
3 higher volume estimates than she estimated; is that correct?

4 A I don't think I said that. I think we're now I  
5 believe about two years, you know -- we're now at what would  
6 have been year 2 for Witness Rothschild given when she  
7 conducted the research, and she made assumptions about  
8 Internet usage by expected customers at the time she did her  
9 research.

10 I think most people would agree that the level of  
11 awareness and use of the Internet by customers in that group  
12 today is much higher than it was two years ago.

13 As a result, if Witness Rothschild had known then  
14 and had revised her assumptions about Internet use at that  
15 time to reflect what exists today, the volume estimates she  
16 would have produced would have been substantially higher, or  
17 one would not have needed to use a 25 percent awareness in  
18 year 1 to have produced a similar set of volume estimates  
19 because the presumed rate of Internet awareness and use by  
20 expected customers would have been much greater.

21 Q The part of the Library Reference that I am  
22 looking at doesn't seem to be addressing Internet awareness.  
23 It seems to be addressing awareness -- they call it Net post  
24 in the Library Reference, but awareness of Mailing Online  
25 per se. What is her specific assumption about Internet

1 awareness?

2 A I am relying solely on my memory but I believe  
3 that Witness Rothschild's research identified potential  
4 Mailing Online customers and one of the ways, one of the  
5 assumptions that Witness Rothschild made to identify  
6 potential users of Mailing Online was that customers needed  
7 to have use of a personal computer and Internet access.

8 That implies that if you have a much higher number  
9 of customers with a personal computer and Internet access,  
10 then the potential universe of Mailing Online customers is  
11 that much greater.

12 Q What specific calculation did she make based on  
13 that?

14 A I believe that is contained in her Library  
15 Reference. I don't have that in front of me.

16 Q Do you know the specific assumptions she made  
17 about Internet awareness and how it flows through to  
18 generate the volume estimate?

19 A No, except insofar as I just replied, that in  
20 defining what was the potential universe of Mailing Online  
21 customers, one of the, you know, defining characteristics  
22 was access to the Internet and a personal computer, because  
23 the product was designed such that if a customer did not  
24 have access to the Internet they could not use the service,  
25 so a customer that did not meet that basic requirement would

1 have been excluded from the potential universe of Mailing  
2 Online customers.

3 What I am saying is that two years now from that  
4 point in time, the potential universe of Mailing Online  
5 customers is much greater than it was when Witness  
6 Rothschild undertook this research.

7 Q Let's get back to awareness of Net post or Mailing  
8 Online. The fact is that she had awareness adjustment  
9 factors that she specifically used to generate the volume  
10 estimates, isn't that correct?

11 A Yes.

12 Q The awareness in the marketplace of Mailing Online  
13 will generally result from Postal Service efforts to  
14 acquaint the public with the Mailing Online service, is that  
15 correct?

16 A Along with other methods as well, but I mean the  
17 Postal Service will certainly undertake to create awareness  
18 and to foster awareness among potential users, there's no  
19 question.

20 Q If the Postal Service failed to make any efforts  
21 at all, do you think the public would become aware of  
22 Mailing Online at the levels that she was using to generate  
23 the volume estimates?

24 A If the Postal Service undertook no efforts?

25 Q Right -- if the Postal Service said we are not

1 going to do anything.

2 A I think it would take longer. I think given the  
3 nature of the service and the medium through which it is  
4 offered, there are ways in which awareness can proliferate  
5 with some rapidity even in the absence, in the complete  
6 absence of Postal Service efforts, but I think it would be  
7 naive to assume that you could, you would see that happen  
8 without any effort whatsoever.

9 Q So you think the Postal Service will have to  
10 make -- take steps to acquaint the public and make them  
11 aware that there is a Mailing Online service?

12 A Well, we will take steps. There's not -- I don't  
13 think that's being disputed at all.

14 Q Do you agree that the level of awareness to a  
15 large extent reflects the amount of effort the Postal  
16 Service will make to acquaint the public with Mailing  
17 Online?

18 A Could you repeat that?

19 Q Yes. Do you think that the level of awareness of  
20 Mailing Online in the marketplace will reflect the amount of  
21 effort that the Postal Service makes to acquaint the public  
22 with Mailing Online?

23 A I would say that the amount and the quantity and  
24 quality of effort the Postal Service puts forth to acquaint  
25 the public with Mailing Online will affect how quickly the

1 awareness levels are attained.

2 I think the overall awareness will be a function  
3 of a number of factors of which that is only a part and I  
4 think our efforts will serve to accelerate awareness but not  
5 necessarily to increase the overall level.

6 Q Do you think that advertising in all of the major  
7 metropolitan areas in the U.S. would generate greater  
8 awareness than if you, if the Postal Service advertised in  
9 half of the major markets in the U.S., for example?

10 A Oh, I think it would make it happen more quickly,  
11 I would hope, but I mean that is a difficult question to  
12 answer.

13 It depends on how effective the advertising is.  
14 It is difficult to answer that.

15 Q Let's hold that factor equal. Let's assume that  
16 the kind of advertising we are talking about is effective.  
17 Let's make that a basic premise and we are saying the Postal  
18 Service, on the one hand, can choose to advertise in all of  
19 the major metropolitan areas in the U.S. or, on the other  
20 hand, it may choose to advertise in half of them.

21 Do you think that advertising in half of them will  
22 create the same level of awareness in the marketplace that  
23 advertising in all of them would?

24 A I would hope not. I mean the word "awareness" by  
25 definition implies that customers have a way to find out

1 about whatever it is that you are offering.

2 Advertising is a way for customers to become aware  
3 of something, so one would presume that if you put  
4 advertising in two places you create more opportunities to  
5 develop that awareness than if you advertise in only one  
6 place.

7 Q Are you aware of advertising expenditure that the  
8 Postal Service made during the market test?

9 A Do you mean the total expense?

10 Q Yes, the total advertising expense?

11 A Not offhand, I'm not, no.

12 Q I'm looking at a Mailing Online AP report for AP-  
13 8. And the reason I chose that one is that reported a  
14 figure which was almost all of the advertising and marketing  
15 costs reported, in total, by the end of the experiment.

16 Subsequent AP reports did report \$10,000 here and  
17 there, but anyway, in AP-8, the Postal Service reported that  
18 it had spent a little under \$4.5 million to advertise.

19 I believe these are -- actually, it's hard to read  
20 this table. I think there's something left out of it.

21 But I think these are going to be shared  
22 advertising costs. Do you know whether the advertising  
23 costs reported were shared?

24 A I believe that those costs were shared, the  
25 advertising costs.



1           Q     But included among the advertising costs and  
2 materials were advertising for Mailing Online; were they  
3 not?

4           A     Well, again, I mean, I don't know that that  
5 included advertising that was solely for Mailing Online.  
6 Those, I believe, were shared advertising costs for  
7 advertising that referred to the family of products that was  
8 being offered under Post Office Online at that time.

9           Q     Do you think some of the advertising described MOL  
10 specifically?

11          A     Well, I want to clarify. Do you mean that there  
12 were specific portions of that advertising devoted strictly  
13 to Mailing Online, or that advertising copy would have  
14 included specific references to Mailing Online.

15          Q     Either?

16          A     I think I would -- I don't have the materials with  
17 me, but I would presume that they did include specific  
18 references to Mailing Online as a distinct product, but I do  
19 not believe that there were advertising media devoted  
20 strictly to Mailing Online.

21          Q     That \$4.5 million expenditure represented Postal  
22 Service efforts, at least in part, to make the public aware  
23 of MOL and get the public to use MOL; is that correct?

24          A     In conjunction with the rest of the products in  
25 POL, that's correct.

1           Q     But certainly one of the Postal Service's goals in  
2     expending those millions of dollars and advertising both  
3     Post Office Online and MOL was at least, in part, to  
4     generate MOL usage; isn't that correct?

5           A     Well, that's -- I think that statement ignores  
6     some intermediate steps between advertising and usage.

7                     We had a new product. And in this case, my use of  
8     the term, product, refers to the Post Office Online.

9                     Our assumption was that customer knowledge of it  
10    was limited, and in the absence of advertising, would remain  
11    limited, and we needed, for the purposes of conducting a  
12    test, to attain a level of usage, 5,000 users, relatively  
13    quickly.

14                    So it was necessary to quickly attract 5,000  
15    willing users of the Post Office Online.

16                    Now, the assumption was, for the purposes of the  
17    market test, the expectation was that a number of those  
18    visitors or users of the Post Office Online would then  
19    generate Mailing Online volume.

20                    But one of the purposes of the tests was to, you  
21    know, estimate what that response was.

22                    So I'd be uncomfortable just saying, you know,  
23    there was a direct -- such a direct, one-to-one relationship  
24    between the level of advertising expense and the amount of  
25    Mailing Online volume that we were hoping to produce from

1 that advertising expense.

2 We anticipated that Mailing Online volume would  
3 result as a consequence of signing up Post Office Online  
4 users. The intent of the advertising was to create  
5 sufficient awareness to attract the users to the Post Office  
6 Online in order for us to be able to successfully conduct  
7 the market test.

8 Q Was the Postal Service indifferent then to how  
9 much Mailing Online usage would result from its efforts to  
10 advertise both Post Office Online and Mailing Online  
11 throughout the market test?

12 A Indifferent, no; indifferent, not at all. But we  
13 didn't -- really, it was a test, and the fact that we were  
14 not indifferent should not be interpreted to mean that we  
15 anticipated or expected a precise correlation between the  
16 amount of advertising expenditure and the amount of volume  
17 that it generated.

18 That's one of the reasons you conduct a test, is  
19 to find out what happens when you do certain things. We  
20 found out, I think, a little bit about, you know, what  
21 happens when you attract people to your website and how  
22 effective, I guess, the advertising was in getting people to  
23 sign up for the service.

24 Drawing conclusions about how effective that  
25 advertising was in generating a given amount of Mailing

1 Online volume, I think would be risky, at best.

2 Q If the Postal Service were to expend that sum of  
3 money over the experiment and get the same volume response,  
4 would it feel that it had successfully advertised MOL and  
5 made the public aware enough of MOL, or would the conclusion  
6 be reached that that was a disappointing volume result?

7 A Well, that's a difficult question to answer. I  
8 mean, I would hope that prior to expending any amount on  
9 advertising for a new product, we have first developed  
10 realistic expectations about what the possible outcomes from  
11 such an expenditure would be.

12 I would also hope that we've learned something  
13 from what we did in the market test. And I think what we  
14 learned during the market test was that certain very  
15 expensive types of advertising were of little utility in  
16 generating interest in and awareness of Mailing Online,  
17 specifically television and radio advertising, which, while  
18 they tend to be relatively costly, do not appear to do a  
19 very good job of reaching the expected users of the product.

20 If we learned nothing from that and then undertook  
21 a similar campaign, then we would, I suppose, deserve to  
22 fail miserably.

23 Now, having said that, I would again -- I would  
24 hope to create what I would term reasonable expectations for  
25 the outcome of advertising, and especially with a new

1 product where we're not entirely sure what customer response  
2 will be.

3 To presume that you can spend a given sum of  
4 dollars and based on that expenditure, produce some value  
5 for Mailing Online volume in a predictable fashion, is not a  
6 realistic expectation.

7 I mean, I would expect we would develop a set of  
8 expectations revolving around producing awareness among our  
9 target customer population, and then attempting to measure  
10 how that awareness was reflected in volumes, but not  
11 necessarily to try to infer too much from the volume, the  
12 direct relationship between the expenditure and volume.

13 Q The Postal Service will spend advertising dollars  
14 to make the public aware that there is such a thing as MOL  
15 and point out its advantageous features, and, ultimately,  
16 want to obtain healthy volumes as a result of the public  
17 awareness, will it not?

18 A Certainly.

19 Q And healthy volumes are basically those volumes  
20 that Witness Rothschild estimated, are they not?

21 A Yes, they are, but I don't think that means that  
22 such volumes can only arise as a result of advertising.

23 Q What other methods can be used to make the public  
24 aware that there is such a thing as MOL?

25 A Well, I mean there are a number. I mean with any

1 new product, any company or any organization will attempt to  
2 publicize the introduction of that product through whatever  
3 means available, whether that is press releases, other  
4 communications media which may not necessarily be -- fall  
5 under the heading of advertising.

6           Moreover, the Postal Service has a web site,  
7 usps.com, through which Mailing Online will be offered.  
8 That site I believe currently attracts thousands of users a  
9 day even without Mailing Online being available through it.  
10 Without doing anything other than putting a link to Mailing  
11 Online on that web site, we will immediately have thousands  
12 of potential customers becoming "aware" of Mailing Online on  
13 a given day. I mean that is independent of any advertising  
14 that we undertake whatsoever.

15           What I hope we will do is to examine, to the  
16 extent that we can, whether or not advertising helps us  
17 create awareness over and above what we would be creating in  
18 its absence, and that may help to inform future decisions  
19 about appropriate advertising levels. But I don't think  
20 that implies that, in the absence of advertising, you have  
21 no volume or that advertising is the best way of creating  
22 awareness or even among the best. That is one of the things  
23 we will hope to determine as we introduce this product and  
24 develop some experience with it.

25           Q     Did the Postal Service attempt any free ways or

1 free methods of making the public aware of MOL during the  
2 market test?

3 A I believe there was some limited coverage. Again,  
4 this was in three isolated areas. At the time, Mailing  
5 Online was not integrated into the Postal Service corporate  
6 web site, usps.com, so that avenue that I just described was  
7 not available.

8 Q Do you think those free methods of making the  
9 public aware of Mailing Online, aside from any link to  
10 usps.com, do you think that those were effective in  
11 generating Mailing Online volumes during the market test?

12 A I am not aware of any analysis that has been  
13 conducted to determine how effective they were.

14 Q Well, I am wondering if the free methods were  
15 effective, why the Postal Service spent \$4-1/2 million on  
16 advertising. It should have just used all the free methods  
17 that were available to make the public aware of Mailing  
18 Online, isn't that correct?

19 A Well, you are asking me to, I think, divine the  
20 motives of the people that made those decisions at that  
21 time, and I am reluctant to do that. As we talked about a  
22 little while ago, you would hope and expect that awareness  
23 is greater in the presence of advertising than it is in its  
24 absence. And given the goals at the time, which were to  
25 very quickly attain 5,000 registered users of a system, I

1 don't think it was unreasonable to undertake advertising in  
2 order to advance that goal.

3 Q The fact is that Witness Rothschild's volume  
4 estimates are the volume estimates that are used in this  
5 proceeding, that is correct, isn't it?

6 A Yes, that is.

7 Q And her volume estimates are, in part, a function  
8 of the awareness levels that she reports in Library  
9 Reference 2, is that also correct?

10 A And of other variables as well, but, yes, that is  
11 correct.

12 Q Do you know how much volume was generated during  
13 the market test by Mailing Online?

14 A Not offhand, I don't.

15 Q Do you have a ballpark number?

16 A I don't remember exactly.

17 Q I will give you one. This is a ballpark number  
18 that I created myself, and the reason I didn't count every  
19 last page is that it was a little difficult with these -- I  
20 guess these were the weekly reports, because it looks like  
21 the Postal Service reported variously 13 weeks, 14 weeks.  
22 It would have been a very time-consuming effort to try to  
23 add up the volume for every single week. So what I did was  
24 this.

25 MR. HOLLIES: Excuse me. Excuse me, Mr. Presiding



1 Officer, do I understand that counsel is proposing to  
2 testify here today?

3 MS. DREIFUSS: No, I was going to suggest a  
4 ballpark volume estimate. And I am about to explain how I  
5 arrived at it. If the Postal Service wants to check it or  
6 question it, they are free to do so, but I am not finished  
7 setting up this question.

8 COMMISSIONER LeBLANC: Thank you. You are setting  
9 up the question, though, for him to respond to with that  
10 figure?

11 MS. DREIFUSS: I am explaining why I did what I  
12 did instead of attempting to add up every last piece.

13 COMMISSIONER LeBLANC: Thank you.

14 BY MS. DREIFUSS:

15 Q What I did was I looked at a quarterly figure that  
16 was reported at the AP2, Week 3, Mailing Online weekly  
17 report. And that was accompanied by a letter from Mr.  
18 Reiter of the Postal Service that this was the final weekly  
19 report. So I decided to use the last quarter of the  
20 marketplace. And I found that the total pages generated by  
21 Mailing Online for the last quarter of the market test was a  
22 little over 121,600-some, so I rounded that up to 122,000.  
23 And then I annualized it by multiplying by four to account  
24 for all quarters. Does that sound like a ballpark  
25 approximation of the Mailing Online volume during the market

1 test?

2 A As far as it goes, I suppose so.

3 Q Okay. So my annualized market test volume figure  
4 was 488,000. And then I compared that to the Mailing Online  
5 volumes that you report in Exhibit A of USPS-T-5. Those are  
6 the Rothschild volume estimates, are they not?

7 A I believe so; yes.

8 Q And in Exhibit A you provide an average figure of  
9 2.2 billion pieces of Mailing Online that would be expected  
10 over the course of the three-year experiment. Does that  
11 figure sound familiar?

12 A Subject to check I think that sounds right.

13 Q Now let me add further that the Postal Service  
14 anticipates spending I believe \$725,000 per year on  
15 advertising for Mailing Online. That's reported in Table 7  
16 of Witness Poellnitz' testimony. Are you familiar with that  
17 figure?

18 A Yes.

19 Q And I wanted to see if you could explain to me why  
20 it's reasonable to assume that 2.2 billion pieces a year  
21 will result from an expenditure of \$725,000 per year when  
22 only 488,000 pieces annualized per year resulted from an  
23 expenditure of a little over \$4-1/2 million during the  
24 market test.

25 A I'll try to give a couple of possible responses to

1 that. As I've already mentioned I think for the experiment  
2 we'll attempt to make use of other ways of creating  
3 awareness that were not available or perhaps not fully  
4 exploited during the market test, for example, the Postal  
5 Service's existing Web presence, USPS.com, and as I  
6 mentioned, that is a site that has been established for a  
7 long time and receives thousands of visits a day. And I  
8 want to qualify my next statements by, you know, saying that  
9 this is my third day in this position, so I don't hold  
10 myself out on any expert on how advertising works in general  
11 or how it will work specifically for Mailing Online. But  
12 I'll just relate one thing that I know. My understanding of  
13 the advertising conducted in the market test was that it was  
14 not very well targeted. Again, I mean, this was a new  
15 market test for a product that was -- or a set of products  
16 that was not even ready for a national introduction, and the  
17 goal was to create a universe of users, 5,000 for the market  
18 test, and the only real criterion that was established was  
19 that these users be small businesses, and that somewhat  
20 vague definition, but that's my understanding of what was  
21 intended.

22 One of the things we did find out from the market  
23 test was that Mailing Online seems, you know, well suited,  
24 you know, to certain kinds of customers compared with  
25 others. Now I don't mean to imply that we have developed a

1 thorough marketing plan by any means, but, for example, one  
2 of the things we found out that was -- Mailing Online seems  
3 to be potentially very attractive to insurance agents.  
4 Well, if you know that and what you want to do is receive or  
5 attain a very high-level awareness among that group of  
6 customers, you could do it in a number of ways, and a very  
7 inefficient way might be the way you tried to do it in the  
8 market test, which is broadcast advertising aimed at no  
9 particular group whatever, and just as a byproduct hope to  
10 reach some number of insurance agents. And that would be  
11 expensive way of doing that. On the other hand, you may  
12 through a much more targeted type of advertising be able to  
13 create awareness in a very small number of very large  
14 insurance carriers who could then, you know, promote the use  
15 of Mailing Online to their associated agents. So it is  
16 conceivable that you can create much higher levels of  
17 awareness with, you know, far lower advertising expenditures  
18 if it's done in the correct way, and consistent with what  
19 you know about who expected customers are and what they want  
20 out of your service and the right way to reach them. That  
21 kind of effort was not undertaken for the market test  
22 because the goals were different. So I think your  
23 implication, which is that, you know, if it costs you \$4 to  
24 produce one document in the market test, that you can  
25 extrapolate from that and assume that you will have to spend

1 some level of advertising to attain Witness Rothschild's  
2 volume estimates is just wrong. Advertising does not work  
3 that way, and if we were so incompetent as to attempt to do  
4 nothing but repeat what we did in the market test for the  
5 experiment, you won't have to worry about asking me this  
6 question three years from now, because somebody else will be  
7 sitting here. It just -- it will not happen in that way,  
8 and does that mean that I can say that, you know, that  
9 projected level of advertising expense is perfect for what  
10 we hope to attain? I don't think we're saying that. I  
11 think we have a budgeted advertising expense. It's the best  
12 available estimate we have right now. And given that and  
13 the other resources at our disposal, we will attempt to  
14 create the maximum level of awareness possible among the now  
15 much more better understood potential universe of Mailing  
16 Online customers. And so I have no difficulty saying that I  
17 think that the relationship between advertising and volume  
18 observable during the market test is in no way indicative of  
19 or does not in any way allow you to make assumptions about a  
20 similar relationship between the \$725,000 that exists in the  
21 budget and what we're projecting for the experiment.

22 Q You say that the advertising budget of \$725,000 a  
23 year is the best estimate available. Does that make it a  
24 good estimate?

25 A Yes, and it's what is in my budget. I guess in

1 theory I could arbitrarily decide to spend ten times that  
2 amount, but I can tell you that if I did that, I would  
3 taking a considerable risk, so I don't anticipate doing  
4 anything but what's planned.

5 Q Would you concede the possibility that if the  
6 Postal Service truly limits itself to an expenditure of  
7 \$725,000 a year for Mailing Online, that it will not achieve  
8 the level of public awareness that Witness Rothschild  
9 assumed in her volume estimates?

10 A Are you saying that an advertising expense of  
11 \$745,000 for a year during the Mailing Online experiment  
12 eliminates the possibility of achieving Witness Rothschild's  
13 volume estimates?

14 Q No. I wouldn't go so far as that. I'm asking you  
15 to concede the possibility that a \$725,000-a-year  
16 advertising budget will not achieve the volumes established  
17 by Witness Rothschild.

18 MR. HOLLIES: The Postal Service is willing to  
19 stipulate, Mr. Presiding Officer, that anything is possible.

20 COMMISSIONER LeBLANC: Ms. Dreifuss, I believe  
21 he's answered the question as best he can. Let's move on if  
22 you will, please.

23 BY MS. DREIFUSS:

24 Q In answer to MASA Interrogatory Number 7 to  
25 Witness Garvey, he talks about the process of prequalifying

1 printers for use in the market test. I think you mentioned  
2 earlier that the solicitations are going to be put out for  
3 bids shortly, is that correct?

4 A I think Mr. Hollies indicated that he had almost  
5 all the materials necessary to file that and expected to do  
6 so quickly.

7 I think actually there are some documents passing  
8 back and forth today that will probably allow us to do that.  
9 We just -- we are not there to collect them and process  
10 that. Is that what you are asking about?

11 Q Yes. About when do you think you will be putting  
12 out that solicitation for bids?

13 MR. HOLLIES: Seeing as how counsel has gazed at  
14 me when she finished that question, I will presume to answer  
15 it.

16 As I stated earlier, I hope and expect to be able  
17 to file the solicitation applicable to the New York print  
18 site by the end of this week.

19 THE WITNESS: This is a somewhat technical matter,  
20 but the solicitation is not handled in Washington. It is  
21 handled by a field site in Hoboken, New Jersey so to  
22 definitively answer that, we would have to be in  
23 consultation with them. I mean I think that's correct. It  
24 is expected to be very quickly but the people who are needed  
25 to give a concrete answer to that are not here.

1 BY MS. DREIFUSS:

2 Q Is it correct that the Postal Service will have  
3 completed contracts with four printers by the time the  
4 experiment is undertaken?

5 A That is my expectation, yes.

6 Q Do you know if the Postal Service intends to file  
7 copies of those contracts with the Commission perhaps as  
8 Library References whenever they are completed?

9 I don't know if that is a question for you or for  
10 Mr. Hollies.

11 A I thought we had already committed to file  
12 something of that kind but I am not sure what that was.

13 COMMISSIONER LeBLANC: Ms. Dreifuss, it is my  
14 understanding, because I asked that question from the bench  
15 on the opening day, it is my understanding that when the  
16 contracts are finalized that we will receive copies of the  
17 contract, and if I am wrong, Mr. Hollies, please correct me  
18 and then we will get it straightened out, but that is my  
19 understanding.

20 MR. HOLLIES: I believe you were pretty explicit  
21 about that.

22 COMMISSIONER LeBLANC: I thought I was too. I  
23 want to make sure that we got that one right.

24 MS. DREIFUSS: Okay. We are satisfied. That is  
25 what we wanted.



1 COMMISSIONER LeBLANC: Thank you.

2 BY MS. DREIFUSS:

3 Q I wanted to discuss with you the experimental data  
4 collection plan that is set out as Appendix A to USPS-T-1.

5 A Yes.

6 Q It looks like the Postal Service is proposing to  
7 file reports every six months during the experiment, is that  
8 correct?

9 A Yes, that is correct.

10 Q If the Postal Service were to move forward with a  
11 request for permanent Mailing Online service, about when do  
12 you think it would file such a request?

13 A That depends on subsequent events that I can't  
14 adequately predict. I mean I think we responded to a  
15 question earlier which notes that there is a possibility  
16 that an omnibus filing could be expected on or around that  
17 time and it may be deemed appropriate to include a permanent  
18 request with an omnibus filing and that could have an effect  
19 on our decision.

20 I mean we use three years as an approximation with  
21 the understanding that that could be overtaken by certain  
22 events. If volume far exceeds what we expect in theory then  
23 we could maybe proceed sooner but given what we know today I  
24 have no reason to change that three year estimate.

25 Q So you would think then that the Postal Service

1 would file the request for a permanent classification at the  
2 completion of the three year period or some time before the  
3 completion?

4 A Oh, before. Our expectation would be to file in  
5 time to be able to implement a permanent classification at  
6 the end of the three year period, so that filing would have  
7 to be some, you know -- we would have to include the lead  
8 time necessary for that to take place.

9 Q If you file the reports at the rate of every six  
10 months, it's possible that at the time you file the  
11 permanent request, if indeed you do, there might only be  
12 perhaps three reports available at the time of a filing for  
13 permanent request. Does that sound about right?

14 A I think there would have to be at least four. I  
15 mean I don't anticipate -- if we use three years as the  
16 probable date, then I don't see why we would file a request  
17 before two years had expired so we would presumably have at  
18 least four of those semiannual reports.

19 Q At the very end of Appendix A, on page 3, there's  
20 a discussion of reporting. It says, "The Postal Service  
21 anticipates that collection of the data and preparation of  
22 each report will take between six and eight weeks. Does  
23 that sound then like there is about a six or eight week lag  
24 time following the collection of six months' worth of data  
25 and reporting it to the Commission?

1 A Yes.

2 Q So if you were to file a permanent request let's  
3 say at the end of two years, we might actually have only  
4 three reports at that time if we are thinking about an eight  
5 month cycle instead of a six month cycle?

6 A I guess that is conceivable.

7 Q Would the Postal Service be willing to commit to  
8 filing these reports more frequently at the time that if and  
9 when it files a permanent classification request so we can  
10 have more data and more recent data available for  
11 consideration at such a time?

12 A I don't understand your question. Are you asking  
13 if we file for a permanent classification request, would we  
14 append a data collection plan that would set forth more  
15 frequent reporting requirements?

16 Q Right, or I guess what OCA envisions is let's say  
17 filing these reports every six months for the first two  
18 years, but then stepping up the frequency in the last year,  
19 maybe filing them quarterly or even every AP in the last  
20 year of the experiment with the expectation that the Postal  
21 Service might very well be requesting a permanent  
22 classification and it might be under consideration during  
23 that period of time.

24 MR. HOLLIES: Objection. The question calls for a  
25 variety of legal conclusions that the witness is not

1 prepared to respond to.

2 The Postal Service will certainly file reports on  
3 the schedule ordained by any Commission opinion and  
4 recommended decision that is acted upon favorably by the  
5 Governors. On the other hand, if we get to the point of  
6 filing a request for a permanent classification, in theory  
7 the further activity during the market test could be moot  
8 because we will have had in the context of that request for  
9 a permanent service to quantify more rigorously than we have  
10 in this proceeding our costs, our volumes and our revenues.

11 As such, further activity in the market test might  
12 well be moot -- excuse me, in the experiment might well be  
13 moot, but it might not technically be irrelevant.

14 If, on the other hand, OCA files testimony that  
15 manages to convince us that that would be an appropriate  
16 thing to do, we will certainly consider it.

17 MS. DREIFUSS: I'll withdraw the question,  
18 Commissioner LeBlanc.

19 BY MS. DREIFUSS:

20 Q There is a listing at pages 2 and 3 of the data  
21 collection plan of the types of data that will be provided  
22 in these reports. Do you know, Mr. Plunkett, whether it was  
23 the Postal Service's intention basically in making this  
24 listing to be committing to filing reports in a similar  
25 format and in similar detail to those filed throughout the

1 market test?

2 A I wouldn't characterize it that way. I mean I  
3 think the attempt was made to anticipate what kinds of  
4 information would prove useful in evaluating the results  
5 from the experiment with an eye toward what the system would  
6 allow us to create in an expeditious fashion and the plan  
7 was developed with those things in mind more than what we  
8 did in the market test.

9 I mean the system we will have in place during the  
10 experiment is much more -- I don't like to use this work --  
11 robust, but it allows us to create much more data in a much  
12 more usable format and allows for greater reporting  
13 flexibility than existed in the market test.

14 Does that suggest that you might even be able to  
15 report in greater detail than we saw during the market test?

16 I think, if I am not mistaken I think what we have  
17 here anticipates a greater level of detail than in the  
18 market test.

19 Q So the Postal Service anticipates filing at least  
20 as much detail as was provided during the market test and  
21 perhaps more?

22 A I don't have a plan -- I mean I don't have a copy  
23 of the original plan by which to make a comparison but my  
24 understanding is that this data collection plan implies a  
25 greater level of detail than was currently available,

1 certainly a greater -- a greater accessibility to the data  
2 than was possible in the market test, given the automation  
3 of the collection and processing of that data because of the  
4 new version of Mailing Online software.

5 Q Right, and following on that greater  
6 accessibility, do you think there is also a willingness to  
7 report that kind of information, whatever additional  
8 information you may be able to obtain during the experiment,  
9 would you be willing to report it?

10 A I guess it depends on what people are looking for.  
11 I mean there may be -- I don't know what is desired relative  
12 to what is being offered so it is hard for me to say whether  
13 we would commit to that or not, without knowing what that  
14 is.

15 MS. DREIFUSS: Well, if you are looking for a  
16 statement I can at least state for OCA that OCA was well  
17 satisfied with the data collection and reporting during the  
18 market test, and we would like to see, and that is really  
19 the reason for raising this with Witness Plunkett. We would  
20 like to see similar detail, and if more is available, of  
21 course that is all to the good.

22 I have no further questions.

23 COMMISSIONER LeBLANC: Thank you, Ms. Dreifuss.

24 I think we have a couple questions from the bench.  
25 I know I have got some.

1 Commissioner Covington?

2 COMMISSIONER COVINGTON: Thank you, Mr. Presiding  
3 Officer. First of all, Mr. Plunkett, I understand that this  
4 entire process can be somewhat tedious and I want to thank  
5 you for having presented the Commission with pricing  
6 testimony in the original Mailing Online case last fall.

7 I had a couple of questions I was basically trying  
8 to seek some clarification on in the event that you are in a  
9 position to elaborate on them.

10 With regard to the current case, MC 2000-2, I am  
11 wondering if you could tell the Commission what type of  
12 markup would be used in determining fees for marketing  
13 online this time, because I think previously the fees were  
14 set at 1.25 times the sum of the initial printer's document  
15 production cost with a zero point one cent charge per  
16 impression I think that you all used to cover information  
17 technology costs. Is that correct?

18 THE WITNESS: Yes, that is correct.

19 COMMISSIONER COVINGTON: Are we looking at pretty  
20 much the same type of figures?

21 THE WITNESS: This time we have proposed a markup  
22 of 1.3.

23 COMMISSIONER COVINGTON: Would that be, I think,  
24 somewhere in your testimony I looked at where USPS was --  
25 that that equated to a 130 percent proposal?

1 THE WITNESS: That's correct.

2 COMMISSIONER COVINGTON: That's correct? Okay.

3 As far as contracts at the different locations, being the  
4 "new kid on the block" the last time in questioning from the  
5 bench, I noticed that you all on occasions had trouble  
6 obtaining information from Price, Waterhouse and Coopers,  
7 but as far as when you get up and running and as far as your  
8 contracts are concerned at these different locations, when  
9 and how do you expect to be able to analyze costs?

10 THE WITNESS: You mean costs at the print sites?

11 COMMISSIONER COVINGTON: During the experimental  
12 test market period.

13 THE WITNESS: Printers who seek to become  
14 contractors of Mailing Online are required to submit a  
15 proposal that specifies what their per unit costs are, so at  
16 the time that any contract is filed with the Commission it  
17 will specify for that location what the unit cost for each  
18 element is, so that will be known before we begin production  
19 at a given facility.

20 COMMISSIONER COVINGTON: Okay. And I guess we  
21 could probably bank on that at the present time.

22 Another question I had was in regard and after  
23 looking at your testimony specifically with some of the  
24 numbers that you had contained in Exhibit D, I noticed that  
25 there were some projected revenues during this three-year



1 experiment, and what I'd like to know is not concretely, and  
2 I'm not going to hold you to this, but can or could the U.S.  
3 Postal Service realistically expect this endeavor to  
4 contribute to its institutional costs?

5 THE WITNESS: Absolutely. I don't have the  
6 exhibit in front of me, but we fully expect this to  
7 contribute to covering institutional costs.

8 COMMISSIONER COVINGTON: Okay, well --

9 THE WITNESS: We tried to set the markup  
10 accordingly. Again, I don't have that exhibit in front of  
11 me. I didn't bring my T-5 testimony today, only my T-1  
12 testimony.

13 COMMISSIONER COVINGTON: Okay. That's what I was  
14 alluding to. Your answer is satisfactory. I think the  
15 bottom-line figure that you all were using speculatively was  
16 about \$74,600,000 give or take a few pennies, and --

17 THE WITNESS: Sounds about right.

18 COMMISSIONER COVINGTON: And the last concern that  
19 I had is you had a contention somewhere off in your  
20 testimony that this Mailing Online experiment possibly will  
21 not require fee changes if there are no changes in your  
22 contract costs. Now what I need you to do for me is to  
23 explain to me how you arrive at that decision.

24 THE WITNESS: Well, the way the contracts are  
25 structured, the proposals have to specify that the

1 contractor commits to using a set of unit prices for the  
2 duration of the contract.

3 Now the contract is a five-year contract, but it's  
4 a series of one-year contracts with, you know, options that  
5 make it renewable at the conclusion of each year. Now those  
6 contracts -- and they're not finalized yet -- but they  
7 contain clauses that allow us to renegotiate the unit prices  
8 if certain conditions are met. We don't want -- for  
9 example, if one of our contractors experiences a sharp  
10 increase in their paper prices such that their costs exceed  
11 what we're paying them on a per-unit basis, the contracts  
12 allow that during the option years some of those features of  
13 the contract can be renegotiated, so that it's conceivable  
14 that the fees could change if the underlying costs that  
15 affect our suppliers change.

16 COMMISSIONER COVINGTON: Okay. So I guess those  
17 variables would have to be in place to have any significant  
18 effect.

19 THE WITNESS: It's difficult to project what those  
20 might be. I mean, what we know about projected inflation  
21 over the next five years is that it's expected to be  
22 relatively low, and so as a beginning assumption it might be  
23 appropriate to assume that the costs won't fluctuate very  
24 much. But of course sometimes those events are difficult to  
25 foresee.

1 COMMISSIONER COVINGTON: Okay. Thank you, Mr.  
2 Plunkett. Thank you, Mr. Presiding Officer. That's all I  
3 have.

4 COMMISSIONER LeBLANC: Commissioner Goldway.

5 COMMISSIONER GOLDWAY: Yes. I just have a brief  
6 question. A conversation about Netpost stimulated my  
7 curiosity. Does Netpost include the Post ECS Service that  
8 is the subject of a complaint currently in front of the  
9 Postal Rate Commission?

10 THE WITNESS: I don't know the answer to that. I  
11 don't believe that it does. But I have to expose my  
12 ignorance for the moment. I'm not -- I don't think that it  
13 does, but I could certainly be wrong about that.

14 MR. HOLLIES: Excuse me, Commissioner. I can  
15 validate his belief. To my understanding it is not.

16 COMMISSIONER GOLDWAY: Not part of --

17 MR. HOLLIES: Post ECS is not part of Netpost.

18 COMMISSIONER GOLDWAY: Netpost. Thank you.

19 COMMISSIONER LeBLANC: Mr. Plunkett, I've got  
20 about a few, a couple, two or three questions here, but  
21 you've touched on a number of different things today.  
22 Witness Poellnitz states in his response to Interrogatory  
23 MASA/USPS-2-T-2 that the Mailing Online system can  
24 distribute print jobs to back up print sites or other print  
25 sites if necessary.

1           Now Commissioner Covington kind of touched on what  
2 I'm getting ready to ask you, but I want to get to it a  
3 little bit deeper if I can. Can you describe how the  
4 distribution of MOL pieces to alternate print sites will  
5 work in terms of -- as an example, who makes the decision to  
6 move it? When is that decision made? How is a customer  
7 informed of any of these switches? And how is the pricing  
8 handled when the switch occurs? As an example, if one is  
9 less than another or if one is more than another, and then  
10 how is that distributed within your system?

11           THE WITNESS: Well, I'll answer that to the best  
12 that I can. The way the software is designed currently, the  
13 document is actually sent to three different printing  
14 locations.

15           I mean, for now, let's talk about a specific mail  
16 piece. A mail piece is sent to three different locations.

17           The first is the primary location, which is where  
18 that mail piece will be printed and entered on a normal  
19 basis.

20           It's sent to the other two for backup purposes.  
21 If for some reason, we have a shutdown at a print location,  
22 we want to make sure that the customer's job will be printed  
23 at the next optimal location, and to have fail-over  
24 capability in the event that something goes wrong.

25           Now, the algorithms that the system uses for

1 routing jobs to backup sites were developed by our  
2 contractor who worked closely with headquarters operations  
3 personnel to identify the appropriate backup facilities on  
4 the basis of proximity.

5 So, if you're -- if we have print sites in Boston  
6 and New York and Philadelphia, you're sending a mail piece  
7 to suburban Boston, we have a disaster at that print site,  
8 then the line system will route those jobs, for the sake of  
9 argument, to New York.

10 Those pieces will be printed on the day they were  
11 supposed to be, at a different location, and entered into  
12 the mail stream at New York.

13 Now, I don't know offhand, the answer about how  
14 the prices -- how the algorithm works to set the prices.  
15 And I'd have to check on that to provide an accurate answer.

16 But that's how it works to identify backup  
17 facilities. And those decisions -- I hesitate to call them  
18 decisions. It's sort of built-in functionality of the  
19 system that happens independent of intervention by one of  
20 our personnel.

21 The system is designed to route them to specific  
22 locations, but to default to other locations if something  
23 goes wrong in those and the designed location cannot process  
24 those pieces.

25 COMMISSIONER LeBLANC: So let me put it another

1 way: It's a pre-decision, if you will, that is made?

2 THE WITNESS: Right. It's an algorithm that's  
3 built into the software that if we find out that the New  
4 York plant is shut down, we don't have to scramble to decide  
5 where we're going to send those documents.

6 That capability is built into the system and it  
7 happens automatically.

8 COMMISSIONER LeBLANC: Can you get me then how  
9 that pricing is handled, if that switch occurs?

10 MR. HOLLIES: Mr. Presiding Officer, I believe we  
11 can hit that on redirect.

12 COMMISSIONER LeBLANC: Fine, good. I'll wait to  
13 see what you come up with then. I can't hardly wait.

14 Mr. Plunkett, in MC98-1, there was a response to  
15 Question 3 of the NOIR Number 1 where Witness Garvey  
16 identified geographic batching.

17 Now, you kind of touched on this in your answer to  
18 my first question, but I think it's a little bit different  
19 here, so let me change up just a tad with you.

20 He identified geographic batching and the  
21 distribution of mail pieces prior to printing, and mailing  
22 as a criteria for being what he called functionally  
23 equivalent to MOL.

24 Now, for your information and just to make sure  
25 the record is clear here, it's transcript Volume VI, page

1 1630, and it's Criteria 4.

2 So, as best you can here -- I know that's been  
3 awhile back, and you may be a little cold on it -- but if  
4 MOL print jobs are distributed to print sites partially on  
5 the basis of the available printer capacity, which you just  
6 told me, does this mean the geographic batching is no longer  
7 a criteria for being functionally equivalent to MOL?

8 THE WITNESS: Well, what I described was not  
9 intended to be a routine procedure. That's intended to  
10 operate when we have an unanticipated shutdown or  
11 interruption in service at a given facility.

12 And it's not intended to be a situation that would  
13 persist over an extended period of time. If we experience  
14 consistent lack of capacity in a given area, we would not  
15 make it our habit or routine procedure to reroute those  
16 documents to another site.

17 We would, instead, investigate adding capacity at  
18 the site that would allow the geographic batching that  
19 Witness Garvey described.

20 COMMISSIONER LeBLANC: So your answer then would  
21 be -- are you saying the geographic -- are you saying that  
22 it is no longer a criteria?

23 THE WITNESS: No, we still consider that a  
24 criteria. We anticipate that in --

25 COMMISSIONER LeBLANC: To be functionally

1 equivalent, now?

2 THE WITNESS: Yes. That is how Mailing Online is  
3 designed. The situation I described before is intended for  
4 emergency purposes when, you know, for unanticipated  
5 reasons, that cannot be accomplished on a given day, but not  
6 as a routine matter of course.

7 COMMISSIONER LeBLANC: Okay. Now, in response to  
8 Interrogatory MASA/USPS-T-1-19 -- have you got it?

9 THE WITNESS: I think I have it. Okay.

10 COMMISSIONER LeBLANC: Take your time.

11 THE WITNESS: Got it.

12 COMMISSIONER LeBLANC: You report that during the  
13 market test, approximately 25,000 was paid to printers for  
14 MOL printings.

15 Now, you also report that a contract minimum of  
16 \$251,867 was paid to the printer.

17 THE WITNESS: That's right.

18 COMMISSIONER LeBLANC: Now, obviously -- and  
19 correct me if I'm wrong -- the \$25,000 is part of the \$251?

20 THE WITNESS: I believe that \$25,000 number is an  
21 AP number, not a total number.

22 COMMISSIONER LeBLANC: Okay, well, then, can you  
23 -- well, let's -- that answered one part of the question,  
24 but let's look at it another way then.

25 Can you tell me what --



1 THE WITNESS: I'm sorry, I misspoke. That is --

2 COMMISSIONER LeBLANC: That's not true then; the  
3 \$25,000 is part of the \$251?

4 THE WITNESS: It is; that's correct.

5 COMMISSIONER LeBLANC: All right. Then if that is  
6 the case, did the printer perform any services for the  
7 remaining \$225,000, plus or minus?

8 THE WITNESS: I'm not sure of the answer to that  
9 question.

10 COMMISSIONER LeBLANC: Can you get it for me?

11 THE WITNESS: We can find that out.

12 COMMISSIONER LeBLANC: Thank you. How about a  
13 week, Mr. Hollies?

14 MR. HOLLIES: Why don't we see if we can get that  
15 out on redirect, and then --

16 COMMISSIONER LeBLANC: That sounds like a winner  
17 to me, if you can.

18 Also then in redirect -- you can answer this now,  
19 Mr. Plunkett. What services were performed, and for whom  
20 for that same \$225?

21 THE WITNESS: Apparently, there is information  
22 available that I'm not privy to.

23 COMMISSIONER LeBLANC: Can we get that in  
24 redirect, Mr. Hollies? Apparently there must be some  
25 information at the other desk over here.

1 MR. HOLLIES: I believe we basically ate it, but  
2 we'll come back with something on that.

3 COMMISSIONER LeBLANC: Okay. Mr. Plunkett, could  
4 you take a look at Witness Garvey's response to  
5 Interrogatory MASA/USPS-T1-6? This is my last question, I  
6 hope.

7 THE WITNESS: All right.

8 COMMISSIONER LeBLANC: Now, he seems to state a  
9 willingness, the way I read this, to extend the waiver of  
10 minimum volume requirements for automation basic rates to  
11 competitive services compatible or comparable, if you will,  
12 to MOL.

13 THE WITNESS: That's correct.

14 COMMISSIONER LeBLANC: When I look at the last  
15 sentence, it says, "However, the Postal Service would not  
16 object to being given the opportunity to discuss and define  
17 appropriate comparability and perhaps even implement it  
18 during the experiment, rather than waiting for a permanent  
19 service offering."

20 Well, what needs to occur for you to be given the  
21 opportunity to, quote/unquote "discuss" and/or,  
22 quote/unquote, "implement" such an extension of that waiver,  
23 and who makes that decision?

24 THE WITNESS: I believe discussions are underway  
25 between counsel for Pitney Bowes and USPS counsel. I have

1 not been intimately involved in those discussions, but I  
2 believe there have been some back and forth discussions  
3 about what would need to be specified in coming up with a  
4 definition. And I think some progress has been made, I am  
5 not sure of the extent of it, but I mean those are the kinds  
6 of discussions we would hope to have with interested  
7 parties. And those seem to be taking place, and it seems  
8 that we are making progress toward that end.

9 COMMISSIONER LeBLANC: And that would be the same  
10 rate?

11 THE WITNESS: I assume that is one of the elements  
12 that we are negotiating or discussing with them. But,  
13 again, that sort of takes place between counsel and I am not  
14 privy to that on an ongoing basis.

15 MR. HOLLIES: Commissioner, in the light of the  
16 fact that question effectively calls for some legal  
17 conclusions, I would be happy to respond if you would like  
18 to hear it.

19 COMMISSIONER LeBLANC: But I turned because I was  
20 trying to think of a way to approach you with it, so maybe  
21 you have just done that for me. So would you please --

22 MR. HOLLIES: Okay. The DMCS language, we have  
23 attached to the request, effectively, if implemented, would  
24 allow the Postal Service to provide Mailing Online but would  
25 not allow anybody else through the gate, in the door. There

1 would not be any functionally equivalent service, assuming  
2 one could be agreed upon, would not, under the terms of the  
3 DMCS language we proposed, actually be permitted to, for  
4 example, mail out of compliance with the otherwise  
5 applicable volume minimums.

6 And so I believe that the intent of the tail end  
7 of that answer there is to say, gee, we are committed to  
8 this notion of functional equivalence, and while we think  
9 the best time to deal with that is probably when a permanent  
10 proposal is pending, especially seeing as how the DMCS  
11 language we have formally proposed has already been  
12 proposed, it might be fair or appropriate to change that  
13 DMCS language so that the Postal Service could then work out  
14 a definition that would be, for example, in the DMM as to  
15 what constitutes functional equivalence and then go ahead  
16 and, if you will, certify functional equivalent services.

17 Now, there was a good deal of discussion between  
18 counsel for Pitney Bowes and counsel for the Postal Service  
19 as to what constitutes functional equivalence. And we made  
20 it pretty far down the road. Most of the discussion  
21 centered on those six factors in the -- was it Notice of  
22 Inquiry 1, Question 3, or something to that effect,  
23 previously cited? And there was general agreement, I think,  
24 that the first four remained applicable in some general  
25 sense, and that the latter two could be refocused on serving

1 the customer base that Witness Plunkett has just been  
2 talking about our having learned so much about.

3 The discussions are not currently ongoing, they  
4 are stalled, in effect. I think because Mr. Wiggins is  
5 obviously not here to speak for himself, but, in effect, if  
6 I may be so bold as to characterize, he would prefer to see  
7 functional equivalence literally defined in the DMCS, and I  
8 think the Postal Service position is that that is not the  
9 kind of thing that ought to be defined in the DMCS. It is  
10 something that we can agree on at this stage and implement  
11 in the DMM.

12 Now, Mr. Wiggins' concern, and I don't know that  
13 it is especially well founded, but I can still appreciate  
14 it, was that counsel might agree to one thing, and when it  
15 came to the rubber hitting the road, somebody else in the  
16 Postal Service disagreed. I had a discussion earlier this  
17 afternoon with one of my co-counsel where he is grappling  
18 with a semantically similar problem in a different docket.  
19 And so we have figured out a way that we, the Postal  
20 Service, could make our approach work. And that just means,  
21 I think, that as a legal matter, the Postal Service would  
22 like to stick with this answer to MASA/USPS-T-1-6. We think  
23 that the notion of functional equivalence has merit, is  
24 appropriate and could even be implemented at some point  
25 during the Mailing Online experiment, but not if the exact

1 DMCS language we have proposed would indeed -- were, indeed,  
2 placed into effect.

3 So, if you will, speaking loosely, were the  
4 Commission to choose in its own wisdom to loosen that  
5 stricture sufficiently to give us a window of opportunity to  
6 exercise our discretion and authorize other services to  
7 enter mail on the same terms as Mailing Online, we would be  
8 prepared to move forward on that.

9 COMMISSIONER LeBLANC: Speaking loosely, as you  
10 said, the only thing that I don't really think I got a  
11 response to was on the rate. Would the rate be the same?  
12 Would you envision that or would you -- because equivalency  
13 is one thing, but a rate being equivalent is another.

14 MR. HOLLIES: The rate would be the same. One of  
15 the points of discussion was -- let me rephrase it. Yes,  
16 the rate would be the same. And it would be the same both  
17 from the benefit side and from the cost side. That is, it  
18 would not simply be a mechanism whereby those interested  
19 could unseat the longstanding volume minimums applicable to  
20 the discount structure. And one can appreciate how some  
21 parties might like to turn it into that. And I believe,  
22 basically, there was some recognition that that would not be  
23 the conditions under which the Postal Service would approve  
24 functional equivalence.

25 So, if you will, somebody wants to use this, fine,

1 they can get out from underneath paying single piece rates,  
2 but that does not mean they can divert everything and send  
3 it off to deeper discounts when their volumes should so  
4 qualify.

5 COMMISSIONER LeBLANC: Thank you, Mr. Hollies. I  
6 believe you said you have some redirect, but do any more  
7 questions need to be asked from the bench before we go out?

8 [No response.]

9 COMMISSIONER LeBLANC: Okay. Mr. Hollies, how  
10 much time are we talking about here? Remember all those  
11 great answers you are going to give us.

12 MR. HOLLIES: Let's take a gamble and go for 10.

13 COMMISSIONER LeBLANC: Well, in that case, we will  
14 take a big gamble and go for 15 and give you a little extra  
15 time, because I want some of those answers coming back, so  
16 let's go for 15. We will see you back here at 20 after.

17 [Recess.]

18 COMMISSIONER LeBLANC: Okay. We'll go back on the  
19 record.

20 Mr. Hollies, any redirect?

21 MR. HOLLIES: I know I usually don't, but these  
22 are special circumstances, so yes, we have a couple quick  
23 questions.

24 REDIRECT EXAMINATION

25 BY MR. HOLLIES:

1 Q During the market test, Mr. Plunkett, was the aim,  
2 especially later during the market test, to increase Mailing  
3 Online volume?

4 A Actually, at the latter part of the experiment --I  
5 mean, the market test, the aim was the opposite. Because of  
6 the ongoing problem with reliability of the software, an  
7 explicit intent was to limit use as much as possible so that  
8 we avoided alienating potential future customers of the  
9 service. So rather than build use, we were trying to blunt  
10 greater use of the product.

11 Q The Presiding Officer asked you about the effect  
12 on the pricing of a customer's job if the backup function at  
13 the print site -- excuse me -- at the Mailing Online server  
14 triggered some change regarding the actual physical printing  
15 location of a given piece.

16 Can you elaborate further on what would happen  
17 under what circumstances?

18 A I can now. If a job has to be diverted because of  
19 an event that is after the customer's document has been  
20 uploaded -- for example, a customer uploads a document  
21 intended for a given print site and then something happens  
22 at that print site, maybe a power outage -- the customer has  
23 already paid for their job and that's the price they are  
24 charged.

25 Now, in a different set of circumstances, let's



1     assume you've got a fire in a print site and the site is  
2     down for several days.  If when the customer is in the  
3     process of uploading their document it is already known that  
4     their job will be diverted to a backup site, then the  
5     customer will be charged the prices that would attain at the  
6     backup site to which their documents will be rerouted.

7           Q     Lastly, if you would turn to Interrogatory -- or  
8     your response to Interrogatory MASA-T-1-19, --

9           A     Yes, I have it.

10          Q     Well, can you elaborate further on the numbers  
11     reported on parts A and B?

12          A     I will.  I mean, we checked -- the actual number  
13     of the payments that would correspond to Subpart A is  
14     \$23,133.  That represents the amount paid for printing  
15     during the market test.  The \$251,867 represents payments  
16     that were made to satisfy the minimum payment of \$325,000  
17     required in the contract.  If you sum those two numbers,  
18     \$23,133 and \$251,867, it totals \$275,000.  The difference of  
19     \$50,000 represents two accounting periods worth of payments  
20     that are pending.  The invoices have been received but  
21     payment has not been completed on those invoices yet.

22          Q     Can you provide some insight into what, if  
23     anything, was received by the Postal Service for that  
24     200-odd-thousand dollars?

25          A     Those payments were given to the printer.  There

1 were no services performed as a result of those payments.  
2 At the time the contract was signed by the Postal Service,  
3 it was anticipated that, in the absence of sufficient  
4 Mailing Online volume, that we would reroute existing print  
5 jobs to this printer.

6 Coincidentally, as we approached the end of the  
7 fiscal year, management undertook a number of initiatives to  
8 contain costs and spending during that fiscal year. One of  
9 the consequences of that was that a number of procurements  
10 were suspended and not completed, some of which possibly  
11 would have been sent to this printer. So as a result, those  
12 jobs were not diverted to that printer and that payment was  
13 made independent of any printing whatsoever.

14 Q Well, in light of that, if, as you suggest, the  
15 printing services would effectively have been free, why  
16 would that disturb the procurement process?

17 A Well, it would only be free if you had a  
18 procurement that was for that precise amount. Let's say you  
19 had \$301,867 available to you. That's fine if your job is  
20 only for \$301,000. But if you have a job that's \$700,000  
21 and you're not authorized to spend any of that, the fact  
22 that you can get it for approximately half is of little use.  
23 So apparently there were no jobs that were available that  
24 could have been performed under the existing limits imposed  
25 by this contract.

1 MR. HOLLIES: Thank you. I have no further  
2 questions.

3 COMMISSIONER LeBLANC: Ms. Dreifuss, did that  
4 cause any questions?

5 MS. DREIFUSS: I just have one or two brief  
6 questions on recross.

7 COMMISSIONER LeBLANC: Please.

8 RECROSS EXAMINATION

9 BY MS. DREIFUSS:

10 Q During the latter part of the market test,  
11 apparently you were having some technical problems with the  
12 Mailing Online system --

13 A Yes.

14 Q -- and didn't want very much volume at that time;  
15 is that correct?

16 A That's correct.

17 Q What about prior to learning that you were having  
18 such technical difficulties? Was the aim to get substantial  
19 usage of Mailing Online prior to that time?

20 A Well, we certainly would have liked to have had  
21 more and we certainly would not have attempted to stop  
22 people from submitting documents.

23 MS. DREIFUSS: That's all I have. I'm sorry, just  
24 one moment, please.

25 [Pause.]

1 MS. DREIFUSS: We wanted to check on one thing.  
2 The question about whether simplex, duplex would create  
3 separate batches, was the Postal Service going to answer  
4 that on redirect or in writing?

5 MR. HOLLIES: We discussed that. We can't answer  
6 it today. We're going to take a homework assignment. We  
7 should be back within a week on that. Seeing as how next  
8 Wednesday, we have the -- next Wednesday, we'll be expecting  
9 to respond to the designations as discussed earlier today,  
10 that might be a fine time to rope it all in.

11 COMMISSIONER LeBLANC: That will be fine, but are  
12 you sure as to the question you're responding to here? Do  
13 you feel that you have a meeting of minds or do we need to  
14 put that in writing here in this particular case?

15 MR. HOLLIES: No, I think it's pretty clear. The  
16 question was, does a given interrogatory response properly  
17 or improperly fail to reflect another set of cells, if you  
18 will, based on the flex options, and we'll figure that out  
19 and file an answer.

20 COMMISSIONER LeBLANC: That will be fine.

21 MS. DREIFUSS: I do have one procedural matter,  
22 Commissioner LeBlanc. I don't know whether this is the  
23 proper time to raise it.

24 COMMISSIONER LeBLANC: I was hoping this was going  
25 to be the cross examination that we talked about --

1 MS. DREIFUSS: Right. I just wanted to state for  
2 the record that there was some question about what OCA would  
3 do with a cross examination exhibit that we used earlier  
4 this morning, and as I understand it, my colleague worked  
5 with Mr. Hollies on that cross examination exhibit. It has  
6 been now properly titled and any additional limitations were  
7 written in on the exhibit, which was then given to the  
8 reporter.

9 COMMISSIONER LeBLANC: And that is to be  
10 transcribed and made part of the evidence; is that correct?

11 MS. DREIFUSS: Yes. I would like it to be  
12 transcribed and entered into evidence.

13 COMMISSIONER LeBLANC: And there is no argument or  
14 discussion between you and Mr. Hollies, then?

15 MS. DREIFUSS: Well, I've asked that it be done,  
16 so when I -- I don't know what Mr. Hollies's response will  
17 be.

18 COMMISSIONER LeBLANC: Is that acceptable to you,  
19 Mr. Hollies?

20 MR. HOLLIES: I think we are all in agreement  
21 here.

22 COMMISSIONER LeBLANC: So it will be, Mr.  
23 Reporter, transcribed and made part of the evidentiary  
24 record.

25 Okay. Thank you, Ms. Dreifuss.

1 MS. DREIFUSS: You're welcome.

2 COMMISSIONER LeBLANC: Do you have any other  
3 further questions?

4 MS. DREIFUSS: No, I don't.

5 COMMISSIONER LeBLANC: Any questions from the  
6 bench?

7 [No response.]

8 COMMISSIONER LeBLANC: Mr. Plunkett, there being  
9 no further questions, this completes your testimony for  
10 today. The Commission appreciates your contribution to our  
11 record and looks forward to seeing you again tomorrow.

12 THE WITNESS: Thank you, Mr. Presiding Officer.

13 COMMISSIONER LeBLANC: Thank you. You are  
14 excused.

15 [Witness excused.]

16 MR. HOLLIES: Mr. Presiding Officer?

17 COMMISSIONER LeBLANC: Go ahead, Mr. Hollies.

18 MR. HOLLIES: I was afraid you were going to close  
19 the record before I got my last words in.

20 You raised this morning a question about Witness  
21 Rothschild's material and whether that ought to be  
22 physically transcribed into the record, and I'm wondering  
23 whether I should prepare those materials for tomorrow or  
24 not.

25 COMMISSIONER LeBLANC: Well, you took the words

1 right out of my mouth. You beat me to it. Yes, I would  
2 like you to prepare them for tomorrow, and just be prepared  
3 and we'll see where we go with it after I give it a little  
4 consideration, unless it is a huge homework problem. But  
5 it's my understanding that you do have those available to  
6 you.

7 MR. HOLLIES: Yes. I'll have to unbind the  
8 transcript, but I think I can probably handle that.

9 COMMISSIONER LeBLANC: If you can, I would  
10 appreciate it, and we'll see where we go with it tomorrow,  
11 then.

12 MR. HOLLIES: Okay.

13 COMMISSIONER LeBLANC: By the way, since we've  
14 rescheduled Witness Lim to appear tomorrow, I want to make  
15 sure that everybody knows that Lim will be here tomorrow and  
16 Mr. Plunkett, as we just talked about, will be back. So  
17 this concludes our business for today. These hearings are  
18 adjourned until 9:30 tomorrow morning, and we will have us a  
19 reporter then, I promise.

20 Thank you very much. See you tomorrow.

21 Thank you, Mr. Reporter.

22 [Whereupon, at 4:34 p.m., the hearing recessed, to  
23 reconvene the following day, Thursday, January 13, 2000, at  
24 9:30 a.m.]  
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