

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

RECEIVED

JUN 8 4 23 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
STAMPS.COM WITNESS HESELTON
(USPS/STAMPS.COM-T-1-1-12)

Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Stamps.com witness Heselton: USPS/Stamps.com-T-1-1-12.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Joseph K. Moore

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3078; Fax -5402
June 8, 2000

USPS/STAMPS.COM-T1-1 On page 9 lines 10-12 you state "the appropriate benchmark to measure cost avoided by IBIP-prepared letters is handwritten single-piece letters." On page 10 lines 11-13 you state "[o]ver a third of customer letters would have been prepared with handwritten addresses had IBIP not been available."

a. Please state the data source and provide copies of all supporting data and/or documentation related to the statement that "over a third" of customer letters would have been prepared with handwritten addresses.

b. Given that only "over a third" of customers' letters would have been prepared with handwritten addresses, please explain why a handwritten mail piece is the appropriate benchmark for the measured cost avoidance.

USPS/STAMPS.COM-T1-2 On page 10 lines 10 and 11 you state "individuals, small offices, and home offices (SOHOs) are customers for IBIP mail preparation, and addressing".

a. What is the basis for this statement?

b. Are there customers for IBIP mail preparation and addressing other than individuals, small offices and home offices? If so, please list and describe them.

c. Please provide any demographic data (e.g., geographic region of the country, revenue/income level, types of business/occupation, etc.) of actual customers for IBIP mail preparation and addressing based on these categories.

USPS/STAMPS.COM-T1-3 On page 10 line 17 you state "many of these pieces [customer letters] are likely to be addressed by hand."

a. Please provide any research to support this statement.

b. If no research is available, what is the basis for this determination?

USPS/STAMPS.COM-T1-4 On page 10 lines 18-23 you state, "Many of the best-prepared letters mailed by individuals are courtesy reply pieces. I anticipate that these will not convert to IBIP letters. Under IBIP preparation and addressing procedures, one cannot print an indicium without also printing an address matched to the AMS database. A courtesy reply envelope, however, is already addressed. Additionally, it is much simpler to place a stamp on a courtesy envelope than to prepare an envelope through IBIP."

a. Did you conduct a study that sought to determine the extent to which CRM mail volumes could migrate to IBI mail volumes? If so, please provide all supporting data and/or documentation related to that study.

b. Do you consider simplicity of use to be a key element of your proposal?
Please explain.

c. In terms of the application of the postage itself, assuming a customer has equal access to postage stamps and PC postage, wouldn't it always be "simpler" to use stamps for postage rather than IBI software/hardware, regardless of the mail piece type? Please explain any negative response.

USPS/STAMPS.COM-T1-5 Witness Kuhr (STAMPS.COM-T-2) describes the extensive Beta testing process that Stamps.com had to undergo in order to qualify as a PC postage provider. Did you offset your measured cost avoidance by the Postal Service costs related to this beta testing procedure? If not, why not.

USPS/STAMPS.COM-T1-6 On pages 13 and 14 of your testimony you describe various address deficiencies that can occur when a mailer does not apply the appropriate address to a given mail piece.

a. Please confirm that mail pieces with address deficiencies can incur additional processing costs. If not confirmed, please explain.

b. Please confirm that individual mailers should take responsibility to ensure that their mailing lists and addresses are current and up-to-date. If not confirmed, please explain who the responsible party should be.

c. If a mailer were responsible for ensuring that a mail piece address is correct and up-to-date, please explain why a discount, or portion of a discount, should be based on the costs associated with a mailer simply performing a task that is obviously its responsibility.

d. Please confirm that some of the "address deficiencies" you describe (e.g., missing street directionals) can be corrected by postal automation equipment, such as the Remote Bar Code System (RBCS). If not confirmed, please explain.

e. Please confirm that any costs related to address deficiencies that have been corrected by postal automation equipment would already be included in the measured cost avoidance of 2.99 cents as described on page 8 of your testimony. If not confirmed, please explain.

f. Please confirm that you did not perform an "exact piece comparison" for address deficiency related costs (i.e., you did not compare the address deficiency related costs for a mail piece before it converted to PC postage to those same costs for the same mail piece after it converted to PC postage). If not confirmed, please explain.

USPS/STAMPS.COM-T1-7 Please confirm that your proposal would result in a revenue loss that would have to be recovered in order for the Postal Service to meet its revenue requirement target. If not confirmed, please explain.

- a. Please quantify the revenue loss associated with the Stamps.com proposal.
- b. Please explain how this revenue loss should be recovered.

USPS/STAMPS.COM-T1-8 On page 23 lines 11 through 15 you state "no novel or untested processing equipment or operations are required to capture the savings. This contrasts with many workshare opportunities in the past, which had to be accomplished through substantial adjustments in postal processing and transportation operations."

- a. What is your basis for determining that the savings could be achieved by the Postal Service without substantial adjustments in postal processing and transportation operations?
- b. Please explain in detail the basis for your belief that these savings will be achieved, given the current Postal Service letter mail processing environment?

USPS/STAMPS.COM-T1-9 On page 26 lines 9-12 you state, "As witnesses Fronk and Campbell speculate, a mailer could place material in an IBIP prepared and addressed envelope that is too heavy for the postage printed. But any mailer - whether using stamps or meter strips - could theoretically make this same error." On page 27 lines 3-7 you also state "Witnesses Fronk and Campbell also speculate that mailers may 'push their printer cartridges a bit too far,' producing envelopes too difficult for postal automated equipment to handle. Once again, to the extent such problems could possibly occur, there is no showing it occurs more frequently with IBIP users than other mailers."

- a. Please confirm that if either of these situations were to occur, an IBIP user would be receiving a discount (were the Stamps.com proposal approved), while a mailer that used stamps or meter strips would not be receiving a discount. If not confirmed, please explain.
- b. Do you feel that mailers receiving discounts should be held to a higher mail preparation standard than mailers not receiving discounts? Please explain any negative response.

USPS/STAMPS.COM-T1-10 On page 31 lines 8 through 13 you state "given the possibility of error in applying address labels, I make an additional allowance for uncertainties by proposing a per piece workshare discount of 3 cents for IBIP prepared and addressed letters when the indicium and address are printed on labels to be placed on the envelope."

- a. Please list and describe the types of possible errors in applying labels on envelopes that led you to make such an allowance?
- b. What type of labels do you propose for use with IBIP postage placed on an envelope?
- c. Is a FIM D required when the IBIP postage is applied to a label?
- d. How will the Postal Service's processing equipment recognize IBIP postage when it is applied to a label placed on an envelope?

USPS/STAMPS.COM-T1-11 On page 40 lines 11 and 12 you state "IBIP procedures guide the user through this process, requiring the user to indicate the size of envelope or to specify type of label."

- a. What is meant by "IBIP procedures"?
- b. Are these procedures part of the Postal Service requirements or particular PC Postage product attributes?

USPS/STAMPS.COM-T1-12 In this docket, a "CEM" discount for courtesy reply mail has been proposed by witness Willette (OCA-T-7), a "P" rate discount has been proposed by witness Clifton (ABA&NAPM-T-1), and a meter mail discount has been proposed by witness Haldi (PB-T-2).

- a. In your opinion, is it possible for all four of these single-piece discount proposals to be implemented? Please explain any affirmative response.
- b. If your response to (a) was negative in any way, please explain why the Stamps.com proposal should be given special consideration over the other single-piece proposals. Include a discussion of "fairness and equity."
- c. If both the Stamps.com and the "P" rate discounts were approved and implemented, a mailer could take advantage of both discounts. How would you envision the proposed Stamps.com discount fitting in with the "P" rate discount were both to be approved?

CERTIFICATE OF SERVICE

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



Joseph K. Moore

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
June 8, 2000