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

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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
PITNEY BOWES, INC. WITNESS HEISLER
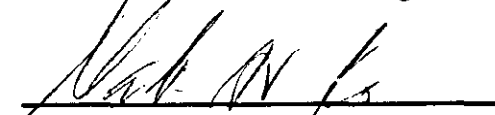## (USPS/PB–T3—1–12)

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 Pitney Bowes, Inc. witness Heisler: USPS/PB–T3—1–12.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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June 15, 2000

USPS/PB-T3-1.

(a) Please confirm that your market research results can be applied to postage that is purchased using a "personal computer via the Internet (referred to hereafter as PC postage)" as stated on page 2 line 6 of your testimony. If not confirmed, please explain.

(b) Please confirm that this market research would therefore pertain to firms such as E-Stamp and Stamps.com. If not confirmed, please explain.

(c) Please confirm that E-Stamp charges a monthly "convenience fee" that is 10% of the postage amount. If not confirmed, please explain.
(See http://www.e-stamp.com/our_service/s_what_it_costs.html.)

(d) Please confirm that Stamps.com charges a monthly "service fee" that is 10% of the postage amount. If not confirmed, please explain.
(See http://www.stamps.com/simple/pricing/.)

(e) Given the rate structure that both E-Stamp and Stamps.com are currently using to sell PC postage over the Internet, please explain why your study uses a rate structure that includes a "monthly access fee" of $5.00 for households (page 7 line 14) and a "lease cost" of less than $20/"access fee" of $5.00 for non-households (page 11 line 19).

(f) Given that the rate structure in your survey does not match the rate structure currently used by E-Stamp and Stamps.com, doesn't this lead you to question the results as they pertain to PC postage for those firms? Please explain any negative response.

USPS/PB-T3-2. Assume that a PC postage/meter mail customer wants to save money on their net postage costs. If these customers were to be charged a minimum fee of $5 per month (page 7 line 14), please confirm in parts (a) through (c) that they would have to mail the following average monthly breakeven mail volumes for each pricing level before they would begin achieving any net savings. If not confirmed for a given pricing level, please explain.

(a) No Discount: There would never be any net postage savings since no discount would be offered.

(b) 1-Cent Discount: $5.00 / $0.01-Discount Per Mail Piece = 500 Mail Pieces

(c) 2-Cent Discount: $ 5.00 / $0.02-Discount Per Mail Piece = 250 Mail Pieces

(d) Please confirm that a household mailer that mails either 500 mail pieces per month or 250 mail pieces per month sends more mail than the average household mailer that mails 14 pieces per month (168 pcs per year /12 months

per year) as shown on page 15 of your testimony. If not confirmed, please explain.

(e) Please confirm that a household mailer that mails either 500 mail pieces per month or 250 pieces per month sends more mail than the average household mailer that mails 23 pieces per month (271 pieces per year / 12 months per year) as shown on page 16 of your testimony. If not confirmed, please explain.

(f) Please reference the figures below and confirm that a household mailer that mails 271 pieces per year is never going to achieve any net savings as a result of using the product described in your questionnaire, regardless of the price level (i.e., the access fee charges per year will always exceed the postage savings per year). If not confirmed, please explain.

Access Fee: $5 per month * 12 months per year = $60 per year

Postage Savings:

(0 Cents) 271 pieces per year * 0 cents per piece = $0.00
(1 Cents) 271 pieces per year * 1 cents per piece = $2.71
(2 Cents) 271 pieces per year * 2 cents per piece = $5.42

USPS/PB-T3-3.

(a) Do you agree that a market research questionnaire should ask questions in an objective manner so as not to affect the responses given by participating households? Please explain any negative response.

(b) Please explain how the term "just $5.00" (page 7 line 14) is objective and would not affect the responses given by household mailers.

USPS/PB-T3-4. On page 2 line 15 of your testimony, you state that there is "substantial market interest in PC postage." Please explain why you consider the following results to reflect "substantial market interest." Include a discussion of the specific percentage results that would be required before you considered the results to be less than substantial.

(a) Page 7, Household Question 1 (No Discount)

Category 5 (Extremely Likely) - 7%
Category 4 (Somewhat Likely) - 7%

(b) Page 8, Follow-Up Question (1-Cent Discount)

Category 5 (Extremely Likely) - 10%
Category 4 (Somewhat Likely) - 9%

USPS/PB-T3-5. On page 5 lines 13-15 of your testimony you state, "Respondents were then asked how likely they would be to use the concept described at three price levels: no discount on First-Class postage, a one-cent discount, and a two-cent discount." Please provide the results of the survey which reflect the respondents' reactions to the two-cent discount and provide citations to where those results are reported.

USPS/PB-T3-6.

(a) Please confirm that Opinion Research Corporation International conducted a market research study for the Postal Service in Docket No. R97-1. See the testimony of witnesses Ellard (USPS-RT-14; Tr. 35/19058 *et. seq.*) and Miller (USPS-RT-17, at 12-16; Tr. 33/17457-62). If not confirmed, please explain.

(b) Please confirm that the results from this study involved a 3-cent discount as opposed to the 1-cent discount proposed by Pitney Bowes in Docket No. R2000-1. If not confirmed, please explain.

(c) Please confirm that the Ellard study contained evidence that a majority of households preferred that First-Class single-piece rates not be de-averaged. (Question P9; Tr. 35/19083; Tr 33/17457-60). If not confirmed, please explain.

(d) Please confirm that the Ellard study contained evidence that a substantial majority of households preferred that First-Class single-piece rates not be de-averaged, especially when they were informed that such de-averaging could result in an increase in the rate for regular First-Class Mail letters (the results from Questions P9 and P10 were combined; see Tr. 35/19083-84; Tr. 33/17462). If not confirmed, please explain.

USPS/PB-T3-7. On page 2 of your testimony, you state that data from the household portion of your study indicate that PC postage, with a discount of one cent, will attract up to 1.4 billion pieces of First-Class Mail currently using stamps.
(a) Please confirm that this 1.4 billion pieces includes 336 million pieces of household mail that would be attracted to PC postage at no discount (per pages 15 and 16 of your testimony).
(b) Since these 336 million pieces would shift without offering a discount, please explain why you include these 336 million pieces in your estimate of the impact of a discount.
(c) How long will it take for the estimated volume shift of 336 million pieces to occur?
(d) How long will it take for the volume shift of the entire 1.4 billion pieces to occur?
(e) PC postage products were formally introduced nearly a year ago in August 1999. How much household stamped volume have these products attracted to date?
(f) Please quantify how much the average household will save in net postage on a monthly basis when using a PC postage product. Please include any monthly and per piece fees in developing your estimate.

(g) According to your study, a discount of 1-cent attracts approximately 1 billion new household pieces from stamps to PC postage (1.4 billion less 336 million). In your opinion, is the magnitude of this increase reasonable in light of the net savings you calculated in part (f) above.

(h) According to your study, how much additional household volume is attracted from stamps to PC postage with a discount of 2 cents?

USPS/PB-T3-8. On page 2 of your testimony, you state that data from the nonhousehold portion of your study indicate that PC postage, with a discount of one cent, will attract up to 2.6 billion pieces of First-Class Mail currently using stamps.

(a) Please confirm that this 2.6 billion pieces includes approximately 245 million pieces of nonhousehold mail that would be attracted to PC postage at no discount (per page 14 of your testimony, the sum of 216 million plus 29 million).

(b) Since these 245 million pieces would shift without offering a discount, please explain why you include these 245 million pieces in your estimate of the impact of a discount.

(c) How long will it take for the estimated volume shift of 245 million pieces to occur?

(d) How long will it take for the entire volume shift of 2.6 billion pieces to occur?

(e) PC postage products were formally introduced nearly a year ago in August 1999. How much nonhousehold stamped volume have these products attracted to date?

(f) Please quantify how much the average nonhousehold will save in net postage on a monthly basis when using a PC postage product. Please include any monthly and per piece fees in developing your estimate.

(g) According to your study, a discount of 1-cent attracts approximately 2.4 billion new nonhousehold pieces from stamps to PC postage (2.6 billion less 245 million). In your opinion, is the magnitude of this increase reasonable in light of the net savings you calculated in part (f) above?

(h) According to your study, how much additional nonhousehold volume is attracted from stamps to PC postage with a discount of 2 cents?

USPS/PB-T3-9. On page 3 of your testimony, you state that data from the nonhousehold portion of your study indicate that stand-alone meters, with a discount of one cent, will attract up to 3.5 billion pieces of First-Class Mail currently using stamps.

(a) Please confirm that the references to "PC postage service" that appear in the bolded sections on pages 20-22 should refer to stand-alone meters.

(b) How long will it take for the estimated volume shift of 3.5 billion pieces to occur?

(c) Please quantify how much the average nonhousehold will save in net postage on a monthly basis when using a stand-alone meter postage product. Please include the lease costs in developing your estimate.

(d) According to your study, a discount of 1-cent attracts approximately 3.5 billion new nonhousehold pieces from stamps to stand-alone meter postage (3.5 billion less 7 million attracted with no discount). In your opinion, is the magnitude of this increase above 7 million reasonable in light of the net savings you calculated in part (c) above?

(e) According to your study, now much additional nonhousehold volume is attracted from stamps to stand-alone meters with a discount of 2 cents?

USPS/PB-T3-10. Please provide coefficients of variation for each of the volume estimates presented on page 14 of your testimony.

USPS/PB-T3-11. At page 7 of his testimony, Pitney Bowes witness Martin states, "...the market research Dr. Heisler performed very conservatively estimates the extent to which the metering technology discount will stimulate migration from stamps to metering technology."
Please describe all the ways in which your estimates are "very conservative."

USPS/PB-T3-12. On page 6, lines 11-12, you state that [t]he household sample contacted for the study was balanced against population gender, age, income, and region proportions."

(a) Please confirm that the above-referenced "population" consists of all U.S. telephone households in the 48 contiguous states. If not confirmed, please explain.

(b) Please confirm that the above-referenced "household sample" consists of a random sample of all U.S. telephone households in the 48 contiguous states. If not confirmed, please explain.

(c) If available, please provide the average age and household income of the above-referenced study population. If not available, please explain.

(d) If available, please provide the average age and household income of the above-referenced "household sample". If not available, please explain.

(e) If available, please provide the average age and household income of the 41 percent of households who qualified for the interview. If not available, please explain.

(f) If available, please provide the average age and household income of the 13 percent of sample households (as shown on page 16 of your testimony) who are "extremely likely" to subscribe to PC Postage at a one-cent discount. If not available, please explain.

CERTIFICATE OF SERVICE

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

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