

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

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REVIEW OF NONPOSTAL SERVICES

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**Docket No. MC20008 - 1**

**DECLARATION OF RANDALL E. HOOKER IN RESPONSE TO PITNEY BOWES, INC.'S  
MOTION TO COMPEL UNITED STATES POSTAL SERVICE  
TO FILE A COMPLETE LIST OF NONPOSTAL SERVICES**

RANDALL E. HOOKER states and declares, under penalty of perjury and upon his personal testimonial knowledge, that he is in all respects competent to testify in this matter and states as follows:

1. I am the Managing Member of Pinpoint, LLC, a Washington State limited liability company located at 16541 Redmond Way, Suite 170, Redmond, Washington 98052 ("Pinpoint").

2. Pinpoint is a manufacturer of a broad range of ink cartridges and ribbons for use in Pitney Bowes postage meters. Pinpoint manufactures ink cartridges and ribbons for various brands, including the United State Postal Service ("USPS") brand. Pinpoint has been engaged in the postal meter cartridge market for six years.

3. USPS has no involvement whatsoever in the manufacture or sale of Pinpoint products. The only connection we have with USPS is its requirement to test our products for quality and packaging approval to assure the proper use and application of and compliance with its license requirements.

4. To the best of my knowledge, USPS is not involved in the manufacture of postage meter print cartridges, nor, to the best of my knowledge, is USPS engaged in the sale of postage meter print cartridges.

Pinpoint does not sell its postage meter print cartridges to USPS for resale nor, to the best of my knowledge, does any other manufacturer of such products. Other than the limited quality assurance referenced in the preceding paragraph, USPS has no involvement whatsoever at any stage of Pinpoint's manufacturing.

5. In his Declaration, Peter Wragg asserts that the postage meter ink cartridge market is "highly competitive." This statement is inaccurate and misleading. The market for compatible ink cartridges and laser toner cartridges for a wide range of computer printers (other than postage meters) is, indeed, highly competitive. Pitney Bowes, among many other manufacturers and sellers, is part of that market. The postage meter supplies market, however, is anything but "highly competitive."

6. In its latest quarterly report, Pitney Bowes reported approximately \$100 million in sales of its supplies. It is estimated that approximately 80% of the sales are for postal supplies. Pinpoint is Pitney Bowes' primary competitor in this field. Pinpoint estimates that it has a 1.5% share of the market. Factoring together the sales of Pinpoint with those of other third parties, the collective competition manages to hold on to approximately 4% to 6% of the market for postage meter cartridges. This means that Pitney Bowes enjoys approximately 94% to 96% of the market share in the sale of these products. For all intents and purposes, Pitney Bowes monopolizes the postage meter cartridge market.

7. Further indications that the market is not “highly competitive” is reflected in Pitney Bowes’ supply mechanisms. Pitney Bowes sells the vast majority of its ink cartridges directly to the end user, particularly those that are already using Pitney Bowes postage meter machines, with only token availability of one or two items through national office product chains. More often than not, Pitney Bowes’ products sold through third party vendors are resold at substantially higher prices than those charged by Pitney Bowes directly. Because of its direct relationship with the end user, and the limited outlets for retail sales, Pitney Bowes forces the consumer into a costly and inconvenient supply relationship.

Pitney Bowes has imposed annual price increases on its cartridges for the past seven years. This is inconsistent with pricing practices in a “highly competitive” market. Where competitive markets exist, they are reflected by broad distribution of the products to a wide variety of vendors, timely and efficient access to critical products by the consumer, and meaningful price competition. Pitney Bowes’ market dominance and its captive relationship with its end users is the antithesis of a competitive market.

8. The Declaration of Peter Wragg, as well as the statement made by Joseph Bonnassar which was submitted to the Commission on October 23, 2008, both intimate that any involvement of USPS would be detrimental to competition in the postage meter cartridge market. There is no basis for these statements. As noted above, USPS has not entered the printer cartridge market. The only “involvement” of USPS is licensing its intellectual property and trademarks. This does not represent the entry of another player into a market in which Pitney Bowes, based on their market share, maintains a virtual monopoly. There is no new competition in this market.

9. To assert that a USPS branded postage meter cartridge is damaging to competition is disingenuous at best. Indeed, the presence of competitive product in this market will benefit the consumer, reduce the total cost of mailing, and create a more efficient supply channel for the end user. The only negative impact such a branded product might have would be on Pitney Bowes' market control and subsequent profits.

10. Based on the above, it is my opinion that Pitney Bowes is attempting to manipulate the Commission on the subject of USPS licensing in order to suppress competition.

A handwritten signature in black ink, appearing to read "Randall E. Hooker", written over a horizontal line.

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