

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Mailing Online Service, 1998)

Docket No. MC98-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS: MICHAEL K. PLUNKETT
(OCA/USPS-T5-1-13)
(July 22, 1998)

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-T1-1-7 to witness Lee Garvey, dated July 21, 1998, are hereby incorporated by reference.

Respectfully submitted,

Gail Willette

Gail Willette
Acting Director
Office of the Consumer Advocate

Emmett Rand Costich

Emmett Rand Costich
Acting Assistant Director



OCA/USPS-T5-1. Please refer to your testimony at page 13, lines 16-18.

- a. Please confirm that the duration of commercial printing contract to be awarded within the next 30 days will be for a period of 1 year. If you do not confirm, please explain and specify the time period during which the contract will be in effect, including any options for extensions.
- b. Please confirm that the commercial printing contract to be awarded within the next 30 days will specify that the commercial printer enter Mailing Online service mail matter at a named processing and distribution center. If you do not confirm, please explain.
- c. Please confirm that the cost to the Postal Service of the commercial printing contract to be awarded within the next 30 days will be used as the basis for estimating the Mailing Online impression costs for hardware, maintenance, personnel, facilities and consumables during 1999. If you do not confirm, please explain.

OCA/USPS-T5-2. Please refer to your testimony at page 2, lines 12-16. Please explain why Mailing Online service fees do not have to be uniform nationwide, as required by section 3623(d) of the Postal Reorganization Act.

OCA/USPS-T5-3. Please refer to page 15, lines 11-13. You state that "Postal Service software used for Mailing Online will ensure that all Mailing Online volume is sorted in conformity with the most current sort plans available, and with the greatest possible depth."

- a. During the operational test period, what sort plan was used to sort Mailing Online?
- b. During the operational test period, at what postal facility was Mailing Online entered?
- c. During the operational test period, did some Mailing Online pieces receive an outgoing primary sort at the facility referred to in part (b) of this interrogatory? If so, what proportion?
- d. During the operational test period, did some Mailing Online pieces receive a sort other than an outgoing primary sort at the facility referred to in part (b) of this interrogatory? If so, what proportion?
- e. During the operational test period, did some Mailing Online pieces receive a dispatch without piece sorting at the facility referred to in part (b) of this interrogatory? If so, what proportion?
- f. During the operational test period, were some Mailing Online pieces entered in trays at the facility referred to in part (b) of this interrogatory? If so, what proportion of pieces?
- g. During the operational test period, were some Mailing Online trays consolidated prior to dispatch from the facility referred to in part (b) of this interrogatory? If so, what proportion of pieces?
- h. During the market test and experimental periods, will the Postal Service collect data responsive to this interrogatory at the facilities where Mailing Online is entered? If not, please explain why not.

- i. Since the commencement of the operational test period, on how many days have Mailing Online pieces been transmitted electronically to the facility referred to in part (b) of this interrogatory? On how many days have there been no transmissions?
- j. Please provide a frequency distribution showing the number of days on which 0, 1, 2, etc., electronic transmissions of Mailing Online pieces have been made to the facility referred to in part (b) of this interrogatory since the commencement of the operational test period.
- k. Please provide a tabulation showing the volume of Mailing Online pieces broken down by number of transmissions per day. In other words, the tabulation should show the total volume of Mailing Online received at the facility referred to in part (b) of this interrogatory on days when 1, 2, 3, etc., transmissions were made.

OCA/USPS-T5-4. Please refer to page 18, lines 9-10. You state that "at the proposed markup, revenues from Mailing Online will exceed costs during the market test and experimental periods."

- a. Please define the word "costs" as used at this point in your testimony.
- b. Please provide an estimate of the total expenditures on Mailing Online through the end of FY 1998. Please provide the basis for this estimate and break down the expenditures to the finest possible level of detail.
- c. Please confirm that the expenditure estimate requested in part (b) of this interrogatory should be included in any estimate of the incremental costs of

Mailing Online. If you do not confirm, please explain the basis for your disagreement.

- d. Please provide an estimate of the incremental cost of Mailing Online through the end of FY 1998. Please provide the basis for this estimate and break down the estimate to the finest possible level of detail.
- e. Are the years 1999 and 2000 as used in your Exhibit B fiscal years or calendar years?
- f. Please provide separate estimates of the incremental costs of Mailing Online for fiscal years 1999 and 2000 and for the years 1999 and 2000 as used in your Exhibit B (if different). Please provide the basis for the estimates and break down the estimates to the finest possible level of detail.

OCA/USPS-T5-5. Please refer to your testimony at page 21, lines 3-6. You state that Mailing Online will "bypass handling costs at origin as a result of the destination entry that mailing online pieces will receive."

- a. Please define "origin" as used at this point in your testimony.
- b. Please define "destination entry" as used at this point in your testimony.
- c. Please provide the proportion of Mailing Online volume that has received destination entry during the operations test phase.
- d. Please provide separate estimates of the proportions of First-Class and Standard Mailing Online volume that will receive destination entry during the market test phase.

- e. Please provide separate estimates of the proportions of First-Class and Standard Mailing Online volume that will receive destination entry during the experimental phase.

OCA/USPS-T5-6. Please refer to page 20, lines 4-6. You state that "with the Postal Service expected ultimately to spend over \$230 million annually on printing services . . . , the introduction of Mailing Online will greatly benefit printing and document preparation businesses."

- a. Please provide an estimate of the annual revenue that "printing and document preparation businesses" ultimately will *not* receive from entities other than the Postal Service as a result of the introduction of Mailing Online.
- b. Please provide an estimate of the proportion of the \$230 million that will be profit for "printing and document preparation businesses."
- c. Please provide an estimate of the annual profit that "printing and document preparation businesses" will ultimately *not* receive as a result of the introduction of Mailing Online.
- d. Please provide an estimate of the net increase in annual profit that "printing and document preparation businesses" will ultimately receive as a result of the introduction of Mailing Online.
- e. If you cannot provide the estimates requested in this interrogatory, please explain the basis for your belief that "the introduction of Mailing Online will *greatly benefit* printing and document preparation businesses." [Emphasis added.] In particular, explain why the introduction of Mailing Online will not ultimately cause

a *reduction* in total revenue or profit for “printing and document preparation businesses” as customers who would have purchased services directly from “printing and document preparation businesses” (and paid higher prices than the Postal Service will pay) divert their business to Mailing Online.

- f. Please confirm that the introduction of Mailing Online may generate a net benefit for the economy as a whole even if “printing and document preparation businesses” are ultimately net losers. Please explain your response.

OCA/USPS-T5-7. Please refer to USPS-T-5, Exhibit B. Please confirm that the only cost difference between page 1 and page 2 of Exhibit B is the inclusion of variable information system costs in the amount for “Impression Costs” on page 1, and the exclusion of variable information system costs in the amount for “Impression Costs” on page 2. If you do not confirm, please explain.

OCA/USPS-T5-8. Please refer to USPS-T-5, Exhibit B, page 1.

- a. For 2000, please confirm that the number of “Pages printed on 8.5x14 paper” is 108,818,495. If you do not confirm, please explain.
- b. For 2000, please confirm that the number of “Pages printed on 8.5x14 paper” should be 189,917,493. If you do not confirm, please explain.
- c. In the column “Total 1999-2000,” please confirm that the number of “Pages printed on 8.5x14 paper” should be 298,735,989. If you do not confirm, please explain.

OCA/USPS-T5-9. Please refer to USPS-T-5, Exhibit B, page 1.

- a. For 2000, please confirm that the number of "Pages printed on 11x17 paper" is 214,963,422. If you do not confirm, please explain.
- b. For 2000, please confirm that the number of "Pages printed on 11x17 paper" should be 265,367,121. If you do not confirm, please explain.
- c. For 2000, please confirm that the number of "Total Pages" should be 2,155,919,234. If you do not confirm, please explain.
- d. In the column "Total 1999-2000," please confirm that the number of "Pages printed on 11x17 paper" should be 417,416,574. If you do not confirm, please explain.
- e. In the column "Total 1999-2000," please confirm that the number of "Total Pages" should be 3,391,212,961. If you do not confirm, please explain.

OCA/USPS-T5-10. Please refer to USPS-T-5, Exhibit B, page 1, Note (1).

- a. Please confirm that fixed information systems costs are \$2,285,697. See USPS-T-2, Exhibit A, at 26. If you do not confirm, please explain.
- b. Please confirm that the fixed information system costs referred to in part (a) above were incurred in the development of Mailing Online service. If you do not confirm, please explain.
- c. Please explain how the fixed information systems costs referred to in part (a) above are to be recovered through premailing fees from Mailing Online service customers.

- d. Please confirm that the fixed information systems costs referred to in part (a) above will become institutional, rather than attributable, costs of the Postal Service. If you do not confirm, please explain.

OCA/USPS-T5-11. Please refer to USPS-T-5, Exhibit B, page 1.

- a. For 2000, please confirm that the cost of pages printed on 8.5x14 paper is \$599,147. If you do not confirm, please explain.
- b. For 2000, please confirm that the cost of pages printed on 8.5x14 paper should be \$1,045,672. If you do not confirm, please explain.
- c. In the column "Total 1999-2000," please confirm that the cost of pages printed on 8.5x14 paper should be \$1,626,240. If you do not confirm, please explain.

OCA/USPS-T5-12. Please refer to USPS-T-5, Exhibit B, page 1.

- a. For 2000, please confirm that the cost of pages printed on 11x17 paper is \$2,265,631. If you do not confirm, please explain.
- b. For 2000, please confirm that the cost of pages printed on 11x17 paper should be \$2,796,866. If you do not confirm, please explain.
- c. For 2000, please confirm that the "Total Paper Costs" should be \$12,421,246. If you do not confirm, please explain.
- d. In the column "Total 1999-2000," please confirm that the cost of pages printed on 11x17 paper should be \$4,349,717. If you do not confirm, please explain.
- e. In the column "Total 1999-2000," please confirm that the "Total Paper Costs" should be \$19,317,658. If you do not confirm, please explain.

OCA/USPS-T5-13. Please refer to USPS-T-5, Exhibit B, page 1.

- a. For 2000, please confirm that "Total Costs" are \$95,469,504. If you do not confirm, please explain.
- b. For 2000, please confirm that "Total Costs" should be \$97,425,026. If you do not confirm, please explain.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


Emmett Rand Costich
Attorney

Washington, D.C. 20268-0001
July 22, 1998