

# Official Transcript of Proceedings

*Before the*

**UNITED STATES POSTAL RATE COMMISSION**

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In the Matter of:           MAILING ONLINE SERVICE

Docket No.               MC98-1

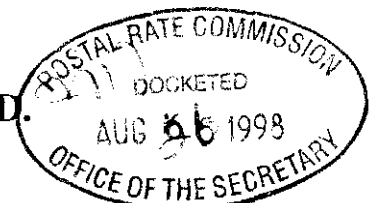
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PAGES:         94 - 694

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Washington, D.C. 20036  
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1                               BEFORE THE  
2                               POSTAL RATE COMMISSION

3   - - - - - X

4   In the Matter of:                               :   Docket No. MC98-1

5   MAILING ONLINE SERVICE                               :

6   - - - - - X

7  
8                               Third Floor Hearing Room  
9                               Postal Rate Commission  
10                              1333 H Street, N.W.  
11                              Washington, D.C. 20268

12  
13                              Wednesday, August 26, 1998

14  
15                              The above matter came on for hearing, pursuant to  
16   notice, at 9:35 a.m.

17  
18                              BEFORE:   EDWARD J. GLEIMAN, Chairman  
19    W. H. "TREY" LeBLANC, III, Commissioner  
20    GEORGE W. HALEY, Commissioner  
21    GEORGE OMAS, Commissioner  
22    RUTH GOLDMAN, Commissioner

23  
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## P R O C E E D I N G S

[9:35 a.m.]

COMMISSIONER LeBLANC: Good morning, ladies and gentlemen. Today we begin evidentiary hearings in Docket No. MC98-1 concerning the Postal Service request for conducting a market test -- I want to make that clear, market test -- today, as well as a nationwide experiment for Mailing Online service. Today's hearing will focus as I said though on the market test.

Before we receive evidence, I want to go over some procedural matters. At the prehearing conference we discussed the Commission's plan to test electronic service during this case. For the benefit of those who did not attend the prehearing conference, I issued Presiding Officer's Ruling No. 4, which describes the electronic-service experiment in some detail. Extra copies of that ruling are on the table as you enter the hearing room.

I urge all participants to give careful consideration as to whether they might be able to participate in this experiment. The Commission believes electronic service holds promise of simultaneously reducing the cost of participation and expediting the transmission of important information to all participants, especially those not located in the Washington, D.C. metropolitan area.



1 These benefits will be most evident if there is broad  
2 participation.

3 The current plan is to make electronic service  
4 available for all documents filed on or after September 15,  
5 1998. Ruling No. 4 included a signup sheet. Please submit  
6 completed statements before September 11, 1998.

7 Presiding Officer's Ruling No. 3, issued August  
8 21, 1998, established a procedural schedule for considering  
9 the Mailing Online service market test. Copies of that  
10 ruling also are available as you enter the hearing room. I  
11 will expect any participant that wishes to present testimony  
12 opposing the market test to announce its intention at the  
13 conclusion of tomorrow's hearing.

14 Ruling No. 3 also stated that the procedural  
15 schedule for developing the record on the Postal Service  
16 proposal for a nationwide experiment will be established  
17 following the submission of reply briefs concerning the  
18 market test. Several parties touched on the schedule for  
19 the second phase of this case during the prehearing  
20 conference. I am not interested in discussing that further  
21 today, but participants may submit written comments on  
22 scheduling the second phase of this proceeding on or before  
23 the date the reply briefs are filed.

24 I have one final procedural matter to address  
25 before we hear from the Postal Service witnesses. When the

1 subject of the scope of data collection during the market  
2 test came up in the prehearing conference, I suggested that  
3 OCA present its views in writing. In response to my  
4 suggestion, the Office of the Consumer Advocate filed a  
5 document describing its position, which it titled "Motion  
6 Concerning a Data Collection Plan." In this motion OCA  
7 suggests that types of information might usefully be  
8 collected during the market test.

9           The Postal Service filed a response to the OCA  
10 motion, and the Mail Advertising Service Association  
11 International also submitted comments. I have reviewed  
12 these pleadings carefully. I want to compliment counsel for  
13 being so thorough. It is my view, however, that this issue  
14 does not lend itself to a Presiding Officer's ruling. If  
15 the data collection during the market test is to be  
16 different from the description included in the Postal  
17 Service request, I think that the decision that the  
18 Commission should make is a part of its opinion and  
19 recommended decision. Therefore I will certify this issue  
20 to the full Commission. No ruling will be issued on the OCA  
21 motion prior to the Commission's decision on the market test  
22 proposal. Is that clear, everybody?

23           I expect that the ease or difficulty of data  
24 collection may well be a subject for questions during  
25 today's hearing. I may have one or two questions in that

1 area myself, maybe some from the bench. Additional comments  
2 also may be included in briefs.

3 This morning two Postal Service witnesses will  
4 respond to oral cross-examination and we will receive into  
5 evidence, a little bit later than we had anticipated  
6 possibly, the direct testimony of the five Postal Service  
7 witnesses who will not appear during the first set of  
8 hearings.

9 Three participants, Mail Advertising Service  
10 Association International, the Office of the Consumer  
11 Advocate, and Pitney Bowes, have preliminary indications  
12 that they intended to cross-examine the witnesses. Any  
13 other participant wishing to cross-examine will be allowed  
14 to do so.

15 Before we begin cross-examination, I will receive  
16 the direct testimony of the other Postal Service witnesses  
17 as best we can here. However, even before that, does any  
18 participant have a procedural matter to raise or address at  
19 this particular time?

20 MR. VOLNER: Commissioner, this is Ian Volner for  
21 Pitney Bowes. We do have one procedural matter relating to  
22 the submission, the introduction of the testimony of the  
23 other witnesses, those who will not be subject to  
24 cross-examination orally.

25 As the Commission and as everybody in the room is

1 aware, the Postal Service has now filed as a library  
2 reference the first contract for Mailing Online printing.  
3 In order to avoid the kinds of problems that sometimes arise  
4 at the end of these cases, I would like to ask counsel for  
5 the Postal Service whether they will agree that this is a  
6 document of which the Commission can take official notice,  
7 because otherwise we're going to have to have a witness to  
8 sponsor this document and get it into the record in that  
9 fashion.

10 COMMISSIONER LeBLANC: You're talking here the  
11 full contract; is that correct?

12 MR. VOLNER: The full contract. The whole  
13 shubuger.

14 COMMISSIONER LeBLANC: Mr. Hollies?

15 MR. HOLLIES: Well, I see two alternatives. One  
16 would be to, as Mr. Volner suggests, let that come in under  
17 official notice. We, frankly, expected that there might be  
18 some questions about it, and Mr. Garvey is perhaps better  
19 versed on that than anybody else that is here, which, in  
20 turn, suggests that perhaps he could be the vehicle for its  
21 admission. But we have no objection, I guess, to the  
22 Commission's taking official notice of what is essentially a  
23 public document.

24 ~~CHAIRMAN~~ <sup>Commissioner</sup> LeBLANC: So in your estimation, Mr.  
25 Garvey should be able to answer the concerns of the parties

1 out there, Mr. Volner and others, at least at this point?

2 MR. HOLLIES: Well, not knowing exactly what those  
3 concerns are, I couldn't make a full assurance on that. But  
4 Mr. Garvey is quite conversant with the contract.

5 CHAIRMAN LeBLANC: Mr. Volner.

6 MR. VOLNER: I think the cleaner way to do this  
7 is, since counsel has represented that Mr. Garvey is  
8 knowledgeable about the contract, to -- when he is on the  
9 stand, to ask him to acknowledge that he is familiar with  
10 the terms of the contract and move it into evidence as an  
11 exhibit to his testimony.

12 MR. COSTICH: Mr. Presiding Officer, Rand Costich  
13 for the OCA. The OCA requested that document in an  
14 interrogatory, and the interrogatory response is being  
15 designated today. As far as I can see, the entire document  
16 is in evidence as soon as that interrogatory response is in  
17 evidence.

18 MR. VOLNER: If counsel for the Postal Service  
19 agrees to that view of it, I have no problem. I was aware  
20 that you had requested it as an interrogatory, but it was  
21 filed as a Library Reference. And in the last case in  
22 particular, we had some difficulty about sponsorship of  
23 Library References, and I am just trying to avoid that  
24 problem.

25 CHAIRMAN LeBLANC: Mr. Hollies, would you have any

1 objections to that?

2 MR. HOLLIES: I think Mr. Costich is right on the  
3 mark. It goes <sup>in</sup> ~~it~~ because the referenced interrogatory --  
4 the interrogatory that identifies it goes in.

5 MR. VOLNER: Then we need not pursue this further.  
6 It's in.

7 CHAIRMAN LeBLANC: Thank you. Is there any other  
8 participant who has any -- anybody else out there?

9 [No response.]

10 CHAIRMAN LeBLANC: Okay. Now, Mr. Hollies, you do  
11 want to wait then on the other witnesses, is that correct?  
12 Let me make sure --

13 MR. HOLLIES: We do want to wait. There is an  
14 issue that has come up during the review. It appears that  
15 things may have been commingled. There's something that  
16 doesn't fit in a particular set. I don't know whether my  
17 co-counsel have been able to resolve that. But, yes, we  
18 should wait with those other witnesses for the moment.

19 CHAIRMAN LeBLANC: But as far as you are  
20 concerned, Mr. Garvey is ready?

21 MR. HOLLIES: Mr. Garvey is as ready as he is  
22 going to get.

23 CHAIRMAN LeBLANC: Okay. Then we can proceed with  
24 today's hearings then, finally.

25 Mr. Hollies, will you introduce your Postal

1 Service witness?

2 MR. HOLLIES: The Postal Service calls Mr. Lee  
3 Garvey to the stand.

4 Whereupon,

5 LEE GARVEY,  
6 a witness, having been called for examination and, having  
7 been first duly sworn, was examined and testified as  
8 follows:

9 CHAIRMAN LeBLANC: Mr. Hollies, unfortunately, we  
10 have no stand-up mike that is working today for all the  
11 other counsel. If you will, use some of the mikes that are  
12 at the tables. We seem to have technical difficulty today  
13 that could not be resolved. So all the mikes on the tables  
14 should be working, but the stand-up mike is not with us  
15 today. So if you can use the ones on the table, we would  
16 appreciate it. Mr. Hollies.

17 MR. HOLLIES: We will work around things as best  
18 we can.

19 DIRECT EXAMINATION

20 BY MR. HOLLIES:

21 Q Mr. Garvey, I have handed to you what are marked  
22 as -- two copies of what are marked as UPSP-T-1, and I ask  
23 can you identify those?

24 A This is my testimony.

25 CHAIRMAN LeBLANC: Can you pull that mike to you

1 and turn it on, please? Thank you.

2 THE WITNESS: This is my direct testimony.

3 BY MR. HOLLIES:

4 Q And was it prepared by you or under your direction  
5 and control?

6 A Yes, it was.

7 Q And were you to testify orally today, would your  
8 testimony be the same?

9 A Yes.

10 Q And do you have an errors or errata in it?

11 A In my testimony, no.

12 MR. HOLLIES: With that, the Postal Service moves  
13 the admission of <sup>USPS-T-1</sup>~~USPS-T A.~~

14 CHAIRMAN LeBLANC: Any objection?

15 [No response.]

16 CHAIRMAN LeBLANC: Then I move that the exhibits  
17 and testimony of Mr. Garvey be moved into evidence and that  
18 they not be transcribed.

19 [Direct Testimony and Exhibits of  
20 Lee Garvey, USPS-T-1 were received  
21 into evidence.]

22 CHAIRMAN LeBLANC: Mr. Garvey, have you had an  
23 opportunity exam the packet of designated written  
24 cross-examination that was available to you in the hearing  
25 room this morning?



1 THE WITNESS: No, I haven't.

2 CHAIRMAN GLEIMAN: Would you -- I thought, Mr.  
3 Hollies, this was a clear statement here now. You are  
4 making life difficult this morning.

5 MR. HOLLIES: Mr. Garvey, I don't believe has  
6 reviewed those. Those associated with Garvey, namely  
7 myself, have had the opportunity to review it and we do have  
8 a couple of corrections to be made to those sets.

9 Mr. Garvey, we will need to do these with your pen  
10 and ink at this time, in both sets.

11 CHAIRMAN LeBLANC: Mr. Hollies, how long will this  
12 take?

13 MR. HOLLIES: About three minutes.

14 BY MR. HOLLIES:

15 Q Mr. Garvey, would you take a look at the response  
16 to USPS -- OCA/USPS-T1-13?

17 [Pause.]

18 BY MR. HOLLIES:

19 Q There is a reference in the second part of the  
20 answer there to a Library Reference X. Do you see that?

21 A In the second part?

22 Q Part C, I think.

23 A It says seven here.

24 Q Part B, I think, says seven. What about Part C?

25 A Part C also says seven.

1 CHAIRMAN LeBLANC: Mr. Hollies, there seems to be  
2 some confusion here. Let's go off the record a moment. If  
3 counsel for Pitney-Bowes and MASA have no objections, let's  
4 go off the record, clean this thing up and get started  
5 properly. And, please, let's not have this happen again if  
6 we can help them.

7 We will go off the record, Mr. Reporter.

8 [Recess.]

9 COMMISSIONER LeBLANC: Mr. Reporter, we'll go back  
10 on the record.

11 BY MR. HOLLIES:

12 Q Mr. Garvey, were there some errata or corrections  
13 you would like to point out that were made on these, in  
14 particular with respect to OCA-USPS-T1-17, which is labelled  
15 as OCA-USPS-T5-17? Did you understand that to be directed  
16 to you as USPS-T1?

17 A Yes, I did.

18 Q In your response to OCA-USPS-T1-32, which provides  
19 two URLs, you have, I believe, a correction to one of those?  
20 Could you please tell us what it is.

21 A In the second of the URLs, instead of HTTP, it  
22 should be HTTPS.

23 Q And is that marked?

24 A It is marked in these copies, yes.

25 Q And in your recitation of the question, the

1 repeating of the question in MASA-USPS-T1-8, did you have a  
2 correction there as well?

3 A There is a typo. It says qualifies; it should be  
4 qualified.

5 Q And is that marked in the set that you have?

6 A In both copies, yes.

7 Q Thank you.

8 MR. HOLLIES: We are finished with the errata,  
9 Presiding Officer. Would you like us to move them in or --

10 COMMISSIONER LeBLANC: Please.

11 MR. HOLLIES: With that, the Commission -- the  
12 Postal Service moves for the admission of the designated  
13 written cross examination of Mr. Garvey.

14 BY MR. HOLLIES:

15 Q Mr. Garvey, if you had answered those orally  
16 today, would your answers be the same?

17 A They would.

18 MR. HOLLIES: Thank you.

19 With that, the Postal Service moves for admission.

20 COMMISSIONER LeBLANC: Any objection, since this  
21 was a little unusual?

22 [No response.]

23 COMMISSIONER LeBLANC: I will admit the designated  
24 written cross examination into evidence and direct that they  
25 be transcribed into the record at this point.

1 [The Designated Written Cross  
2 Examination of Lee Garvey was  
3 received in evidence and  
4 transcribed into the record.]  
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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS LEE GARVEY  
(USPS-T1)

Party

Office of the Consumer Advocate

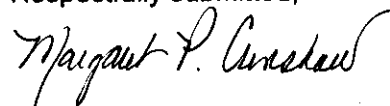
Interrogatories

DBP/USPS-T1-1-11  
DBP/USPS-T5-4 redirected to T1  
DBP/USPS-T7-2 redirected to T1  
DFC/USPS-T1-1-7  
DFC/USPS-T5-2 redirected to T1  
MASA/USPS-T1-1-11  
MASA/USPS-T3-2-3 redirected to T1  
MASA/USPS-T5-8, 10 redirected to T1  
OCA/USPS-T1-1-19, 22-28, 29a, 30-39  
OCA/USPS-1-5 redirected to T1  
OCA/USPS-T4-33 redirected to T1  
OCA/USPS-T5-3, 14 redirected to T1  
POIR No. 1, Items 1-5

Pitney Bowes Inc.

MASA/USPS-T3-2 redirected to T1  
OCA/USPS-T1-28-29

Respectfully submitted,



Margaret P. Crenshaw  
Secretary









**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-1.** With respect to the commercial print sites that will be employed in this service,

- a. Will the originator be able to choose the specific printer or printers to utilize for their mailing?
- b. Can this choice be made on the basis of cost and/or location with respect to the destination of the mail?
- c. Will all of the printers be able to provide the same service?
- d. Explain any negative answers.

**RESPONSE:**

a-b, d. No. See USPS-T-1 at 2.

c. Yes.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-2.** On page 3 – lines 2 and 3 – you indicate that mailing lists can be submitted in four standard PC formats.

- a. What are these formats?
- b. Is dBase an acceptable format?
- c. If not, will it be available?

**RESPONSE:**

- a. The four standard PC formats for mailing lists are Excel, Access, Word Processing Table, and ASCII Tab Delimited Format.
- b. No, dBase is not an acceptable format at this time.
- c. There are no current plans to include dBase, although this does not mean it definitely will not become an acceptable format.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-3.** Regarding the expanded test schedule for September 1, 1998,

- a. Elaborate on the specific areas covered by the New York, Boston, and Philadelphia metropolitan areas.
- b. Will I, as well as any other individual mailers in Northern New Jersey, be able to utilize the service?
- c. What criteria will be required for participants in this service?
- d. Confirm that access to the Postal Service's website may be made from anywhere in the world.
- e. Confirm that the Postal Service will not be able to determine the physical location of a mailer logging on the website.
- f. If I am an "authorized" mailer in New Jersey, will I be able to access the system from my brother's computer in Oregon?
- g. Why is there a restriction as to who can participate in the service?
- h. If there are restrictions, explain why you feel that it would not be discriminatory.
- i. Fully explain any negative responses.

**RESPONSE:**

- a. Please note that the market test has been rescheduled to begin October 1, 1998. We anticipate being able to file a list of the specific 3-digit ZIP Code areas that will be part of the market test in advance of the pre-hearing conference scheduled for August 14, 1998.
- b. In the initial stages, potential users of the service must be within the first 5,000 people to enter and pass the screening test. With those criteria satisfied, a user has access to the service.
- c. For the screening test, the potential user must be able to answer "yes" to all questions in the following series:
  - Are you located within the selected test site areas? Are you part of a small business?

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

- Do you have a PC with Windows95 or NT and a modem of at least 28.8 kilobytes per second?
  - Do you have access to Internet Explorer or Netscape 3.0 or higher?
  - Are you willing to use a credit card to purchase services?
  - Are you willing to consider using Priority Mail or Express Mail from the US Postal Service, OR, do you plan to conduct a mailing to multiple recipients in the next month?
- d. The website may be accessed from anywhere in the world, but mailings must originate within one of the test site areas and must destinate within the United States.
- e. Confirmed.
- f. Yes.
- g. The market test system is scaled to handle only 5,000 users.
- h. The only restriction is based on physical capability to use the service, as the questions for the screening test show. That is, if the user does not meet the appropriate geographical, demographic, and technological requirements for the service to function properly, as listed in my response to part (c), and if the user does not intend actually to use the service's provisions, then it is impossible for the user to obtain said service. During the initial phase of service, however, all qualified users are accepted on a first-come, first-served basis – a non-discriminatory approach.
- i. Negative responses have been explained in the answers provided above.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-4** On page (9), lines (8) and (9), you indicate that time-specific mail entry will be available and a major advantage of the program.

- a. Will a customer be able to access the Postal Service URL 24 hours a day, seven days a week?
- b. If not, list the available times.
- c. Will a customer be able to specify a date in the future for the mailing to take place?
- d. How far in advance will be permitted?

**RESPONSE:**

- a. Yes.
- b. Not applicable.
- c. Not for the market test, although it is possible such a feature could be tested during the experiment.
- d. Unknown.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-5**

- a. How fast will it be possible to have a mailing be processed from the time of placing it on the Postal Service's website until the time that it is deposited into the postal mail-processing facility?
- b. Will it be possible to submit a mailing and have it processed the same date?
- c. If so, what do you contemplate would be the cut-off time?
- d. If not, do you expect that it will be possible to do so in the future?

**RESPONSE:**

- a. Every day at 2:00 PM, print sites receive compiled instructions from San Mateo as to printing and producing the appropriate documents. The finished pieces must be delivered from the print site to each acceptance facility by the latter's cut-off time the following day. At that point, the documents are entered as mail delivered in accordance with regular service standards. Cut-off times thus will vary by acceptance facility. Because of multiple variables affecting the process (which include internet traffic, the time the customer's document arrives at the postal Web server, the acceptance facility's closing time, etc.), no commitment regarding speed of entry between submission of the mailing and its entry can be made.
- b. It is theoretically possible that same-day submission and processing could occur, but this will not be called for by the contract.
- c. Please see answer (a).
- d. It is possible that a speedier service could become available.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-6**

- a. Will the envelope be able to show the mailer's return address?
- b. If not, will any return address be utilized?
- c. If a "centralized" return address is utilized, will any undeliverable mail be promptly returned to the mailer?
- d. If not, explain.
- e. What method will be utilized to indicate that the postage has been paid?
- f. If it is a permit imprint, provide the wording that is presently utilized as well as any proposed change

**RESPONSE:**

- a. Yes.
- b-d. Not applicable.
- e. Permit imprint will be used. Please see USPS-T-1, page 2.
- f. The imprint on the top right-hand corner has the four following lines: the appropriate mail class (i.e., First Class, Standard Class); U.S. Postage Paid; Mailed from ZIP Code XXXXX; Permit No. XXX.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-7**

- a. Will any of the various address correction services be available for use?
- b. If not, explain why not.

**RESPONSE:**

- a-b. In light of the ambitious technical scope planned for market test and experimental Mailing Online service, optional address correction services are not planned for inclusion.



**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-8**

- a. Will a mailer be able to utilize card stock of the proper dimensions and characteristics so as to qualify for the post card rate?
- b. If not, explain why not.
- c. If not, was this option evaluated prior to filing the rate case and what were the reasons for not adopting it?

**RESPONSE:**

- a-c. Currently, no. Card stock is expected to be part of the experimental phase, which will begin early in 1999, but not part of the market test, which starts on October 1, 1998. Due to the current system design, only 20 lb. xerographic bond in 8.5x11, 8.5x14, and 11x17 sizes will be available.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-9**

- a. Confirm that the mailer will not have to pay any permit imprint fee or presort fee and that the only postal charge will be for the postage on the letter itself.
- b. Confirm that once the expanded test starts on September 1, 1998, all mailers, both the present customers as well as the new customers, will pay the discounted postage rates plus the paper/printing/envelope/inserting costs.
- c. Confirm that this will be a change for the existing customers who are only paying the regular postage rate and for none of the processing/printing costs.
- d. What is the present discounted First-Class postage rate for the first ounce and what will the rate be after January 10, 1999?
- e. Fully explain any negative answers.

**RESPONSE:**

- a. Confirmed.
- b. Substantially confirmed. However, the fee for pre-mail services will be a mark-up of the contract cost with the printer, rather than the printer's own costs.
- c. Confirmed that customers in the operations test pay single piece First-Class postage but no fee for pre-mail services.
- d. For First-Class automation, basic letters, the rate under the current rate and classification schedule is \$0.261. After January 10, 1999, the rate will be \$0.27.
- e. Not applicable.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-10** Regarding the privacy of the contents of First-Class Mail and the names and addresses of the mail recipients,

- a. To what extent will the contents of the mailing be available to or capable of access by employees of the postal service?
- b. Same as [a], except by employees of outside vendors?
- c. Please provide copies of the appropriate sections of the contract which indicate the requirement to ensure proper privacy.
- d. Same as [a] through [c], except with respect to the names and addresses of the recipients.

**RESPONSE:**

- a. While it may be technically possible for a postal employee to view a given job or address list from the Web server, this would occur only under extraordinary circumstances. In any event, once entered as mail, a piece could be reviewed on the same basis as any other piece. The Postal Service has very specific security requirements, all of which will be followed by employees handling Mailing Online items.
- b-c. The same security requirements imposed on postal employees are also applied to contractors and subcontractors; everyone (USPS or otherwise) involved in the printing, production, and distribution of items of the Mailing Online service will also be subject to those regulations. See USPS-LR-5/MC98-1 at 11, 21-26, 28-30, and 47-51.
- d. See the responses to Parts (a) through (c), above.

**RESPONSE OF POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T1-11** Witness Campanelli indicated that the Postal Service will clean his address lists.

- a. What items are checked to delete or change an address which is supplied?
- b. What charges, if any, exist for the provision of this service?
- c. Is this service optional?
- d. Is the deletion of addresses made before or after the count used determine the printing and postage charges for a given mailing?
- e. If after, can credit be obtained for the non-incurred charges?
- f. If not, why not? Note: If there is any difference in the responses with respect to different phases of operation, please specify and elaborate.

**RESPONSE:**

- a. The items that are checked include the street address, city, state, and ZIP Code.
- b. None.
- c. No.
- d. The deletion of addresses is made before the count used to determine the printing and postage charges for a given mailing.
- e-f. Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN,  
REDIRECTED FROM WITNESS PLUNKETT

**DBP/USPS-T5-4.**

- a. Will it be possible to utilize Certified Mail and Return Receipt Service for mail sent in this program?
- b. If not, explain why not.

**RESPONSE.**

a-b. The system design for the market test will have no means for customers to avail themselves of these special services. It is possible, however, that they could be offered on a test basis during the experiment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DAVID B. POPKIN,  
REDIRECTED FROM WITNESS WILCOX

**DPB/USPS-T7-2.** In the July 1998 issue of Memo to Mailers, you indicated that there is a limit of 5,000 single sheets printed free each month.

- a. Where in the Postal Service's direct case does this appear?
- b. Does such a limit exist?
- c. You also indicate that customers can use this service to prepare Express Mail and Priority Mail labels, pay postage, schedule pickups, track Express Mail or confirm Priority Mail deliveries. For each of the six items referred to above, provide specific details of the available service, the charges for this service, and where in the direct testimony this information is covered.

**RESPONSE.**

a-b. Since the Postal Service case seeks authorization to provide market test and experimental Mailing Online service, specific details of the operations test are not necessarily germane to its Request. The 5,000 piece limit imposed during the operations test is a subjective monthly limit consistent with the purpose of the test, proof of concept, that is necessary to limit liability to the Postal Service for printing and production costs not borne by users. This limit is stated in footnote 7 of my testimony, USPS-T-1 at 9.

c. The postal Web site through which Mailing Online service will be offered is for PostOffice Online, of which Mailing Online is the only component involving any new fee or rate. PostOffice Online provides various services, as described by witness Wilcox, that are offered independently of Mailing Online service. Since details of PostOffice Online are not related to Mailing Online fees, they are not included in the Postal Service's Request or supporting materials.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T1-1.

Please refer to your testimony at page 10, lines 2–5.

- a. Please confirm that some users of Mailing Online may be unfamiliar with the Address Management System database or concepts of “address hygiene” that govern large-volume mailers’ eligibility for automation discounts. If you do not confirm, please explain the basis for your inability to confirm.
- b. Will Mailing Online explain the reason why a particular address is being purged from the list?
- c. Will Mailing Online give the customer an opportunity to correct the defect in the address before purging the address?

RESPONSE:

- a. Confirmed.
- b. Mailing Online will provide the return codes generated by the USPS Address Management System (AMS) for each address rejected.
- c. Customers may view and print unverifiable addresses, but will be unable to correct them online.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF DOUGLAS F. CARLSON

**DFC/USPS-T1-2.** Please refer to page 13 of your testimony and define the terms "bulk hybrid providers" and "bulk hybrid mail segment."

**RESPONSE:**

In this context, "bulk hybrid providers" refers to hybrid mailing service providers specializing in volume mailings. The "bulk hybrid mail segment" describes that group of companies which provides these specialized services.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF DOUGLAS F. CARLSON**

**DFC/USPS-T1-3.**

Suppose a customer decides on October 22, 1998, that he wishes to send a mailing out as soon as possible via Mailing Online.

- a. How will this customer determine the earliest date on which his proposed mailing can be printed and mailed?
- b. What is the minimum amount of lead time — expressed in hours or days — that a customer must allow for the smallest possible mailing to be printed and mailed?
- c. Please define and describe a few hypothetical mailings — both large and small, with some requiring complicated finishing — and provide estimates of the amount of time that will be required for the printing and mailing of these various types of mailings after the customer completes his order on-line.

**RESPONSE:**

- a-b. See my response to DBP/USPS-T1-5 for a detailed description of the system cutoff process. The customer is informed in usage instructions of a daily cutoff and, as part of the approval process, is informed of the expected mailing date. Actual lead times would be dependent on, and relative to the cutoff time.
- c. A description of hypothetical mailings is neither possible nor necessary for this case. Please see USPS-LR-5/MC98-1 for details of the requirement placed on Mailing Online print contractors to print and deposit files received within a specific time frame. The time required for particular mailings is the responsibility of the contractor.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF DOUGLAS F. CARLSON

**DFC/USPS-T1-4.** Will Mailing Online always tell the customer at the time of placing the order the date on which the order will be mailed?

RESPONSE:

See my response to DFC/USPS-T-1-3 (a-b).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF DOUGLAS F. CARLSON**

**DFC/USPS-T1-5.**

a. Please describe the financial or other recourse, if any, that a customer will have if his order is not mailed by the promised date and time. Please explain the process by which a customer will pursue this recourse.

b. Please describe the financial or other recourse, if any, that a customer will have if his order is not prepared or mailed properly (e.g., if printing or finishing errors exist or the order is sent using the incorrect class of mail). Please explain the process by which a customer will pursue this recourse.

c. Please explain the process by which printing contractors will monitor the job to ensure that every document is printed, finished, and mailed correctly.

d. Please describe the quality-control procedures that the Postal Service will require of printing contractors.

e. Will the Postal Service require the printing contractors to inspect a certain number or percentage of the finished output to evaluate the accuracy of the job? If not, why not?

f. Please explain how the Postal Service will monitor contractors' compliance with any required quality-control procedures.

g. Will the customer receive a notification after his order has been mailed to confirm that the order has, in fact, been printed and mailed? If so, please describe how this confirmation will be transmitted to the customer.

h. Will the Postal Service provide a dedicated toll-free telephone number for customers to use to obtain assistance with Mailing Online?

**RESPONSE:**

a. Customers are informed both of an expected date of mailing for their job as well as the actual date of mailing from each print site involved, the latter appears on a status screen available to the customer at any time after completing the order. As appropriate, refunds of pre-mailing fees would be considered for valid claims of delayed mailing. At present, the help desk would generally receive such claims and forward them to the program office for evaluation. Credit authorizations could follow.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF DOUGLAS F. CARLSON**

- b. Printing contractors are required to correct any errors for which they are responsible. This would include printing and finishing errors and would generally involve reprinting. . As appropriate, refunds of pre-mailing fees would be considered for claims involving uncorrectable errors. See 5a for recourse process. See also the Response to OCA/USPS-T1-20.
- c-d. See USPS-LR-5/MC98-1 quality control requirements for printing contractors. Prospective contractors will be evaluated on the procedures they propose to meet these requirements.
- e. At present, no inspection procedures are specified. Contractors are required to have an established quality assurance plan consistent with accepted industry standards. See USPS-LR-5/MC98-1. The Postal Service seeks to understand and encourage best practices in quality assurance and will continue to evaluate and adjust its requirements for contractors as necessary.
- f. Specific procedures have not been established at this time. We expect to implement a compliance monitoring system over time which reflects both the diversity of our vendors and the evolving nature of electronic printing and finishing systems.
- g. See my Response to part (a) above.
- h. No dedicated toll-free number is provided specifically for Mailing Online. Please see my Response to MASA-T-3-3 for information on the PostOffice Online help desk.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T1-6.

- a. Will a customer have an option of having a single-sheet order mailed as a flat?
- b. What is the maximum number of 8½" x 11" sheets that a customer will be able to have mailed in a #10 envelope?

RESPONSE:

- a. No, single sheet mailings are required to be folded and inserted into #10 envelopes.
- b. Documents consisting of up to 5 sheets of 8½" x 11" paper are mailed in a #10 envelope.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T1-7.**

Please refer to your response to OCA/USPS-T5-3(b) and (g) and OCA/USPS-T5-14(i).

a. Please confirm that the Dallas P&DC and the North Texas P&DC are two separate facilities. If you do not confirm, please explain the basis for your answer.

b. If the Mailing Online mail was entered at the Dallas P&DC, as you stated in your interrogatory responses, why does the mailing statement in Exhibit 1 to Response to OCA/USPS-T5-14 have a round stamp that says "North Texas, TX 75099"?

**RESPONSE:**

- a. Not confirmed. The official name of the one and only Processing & Distribution Center (P&DC) in Dallas, Texas is the North Texas P&DC.
- b. See my Response to a.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF DOUGLAS F. CARLSON, REDIRECTED FROM  
WITNESS PLUNKETT

DFC/USPS-T5-2.

Please refer to your testimony at page 11. Will Mailing Online check addresses against the National Change-of-Address database and update an address if the recipient has filed a permanent change-of-address order? If not, please explain why not.

RESPONSE:

Barring unforeseen technical barriers, we expect that early in the market test phase the Mailing Online system will be modified to use the FastForward system to check addresses for address change status. This system utilizes a subset of the full National Change-of-Address database.

MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF MASA

MASA/USPS-T1-1. Identify the "increased functionality" referred to in note 2 to your testimony. Describe each feature encompassed by this term, and for each one state whether it has been discussed at the Postal Service, whether any information has been generated concerning the cost and desirability of offering the feature (and, if so, describe such information in detail), and when it could be provided as part of the MOL service.

RESPONSE:

The "greater functionality" referred to in note 2 is broadly defined as functionality which requires resident client software on the user's computer. Examples of this would be functions which a user would perform off-line such as document creation, mail list maintenance and perhaps graphic design. Some of these have been discussed at the Postal Service in the context of customer requested features; however since they do not fit the Web-enabled model deployed for the test, no serious discussion, planning or cost analysis has taken place .



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF MASA

MASA/USPS-T1-2. Identify the "increased user utility" referred to in note 2 to your testimony. Describe each feature encompassed by this term, and for each one state whether it has been discussed at the Postal Service, whether any information has been generated concerning the cost and desirability of offering the feature (and, if so, describe such information in detail), and when it could be provided as part of the MOL service.

RESPONSE:

See my response to MASA/USPS-T1-1. The "increased user utility" refers to activities the customer might engage in if provided "greater functionality". An example of this might be an ability easily to convert and prepare imported mailing lists for Mailing Online input. Again, those activities which require user based software have not been considered for the early phases of Mailing Online.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF MASA**

**MASA/USPS-T1-3.** Describe all consideration given by the Postal Service to the question whether any volume of MOL mail will be diverted from other sources of mail. Include in your answer the identification of any study bearing on this question, and produce any report of any consideration bearing on this question.

**RESPONSE:**

As described in my testimony at page 13, consideration has been given by the Postal Service to the question of diversion. To my knowledge, no studies or reports exist. It is also worth noting that diversion (in the context of this question) frequently occurs due to factors outside of the control of the Postal Service. For instance, businesses are frequently evaluating their printers and letter shops to determine which are appropriate for their needs. Also commercial ventures are constantly starting up and some move on to other areas of opportunities and some go "out of business". This is not to say that the subject of diversion should not be considered. In fact the Postal Service is concerned only that any discussion of "diversion" should be placed in the context of the normal dynamics of commercial enterprise.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF MASA

MASA/USPS-T1-4. At page 9 of your testimony, you state that "virtually all direct mail materials are designed using desktop computer technology." State in detail the basis for this assertion, and include in your answer an identification of all information sources upon which you relied or to which you referred in reaching the conclusion stated in your testimony.

RESPONSE:

Given the acknowledged predominance of desktop computer technology in the graphic arts and publishing industries, the conclusion is not counter-intuitive.

This opinion was provided by National Analysts as part of their market research but I have no knowledge of the original source.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF MASA**

**MASA/USPS-T1-5.** At page 9 of your testimony, you state that one third of all direct mail pieces designed using desktop computer technology "are produced in short-run quantities" (defined elsewhere in your testimony as consisting of mailings in volumes of less than 5000).

- (i) State in detail the basis for this assertion. Include in your answer an identification of all information sources upon which you relied or to which you referred in reaching the conclusion stated in your testimony.
- (ii) Confirm that all of the short run direct mail pieces referred to are part of the potential market for MOL. If you cannot confirm, state why not and describe the categories of short run direct mail pieces referred to that are not part of the potential market for MOL and why not.
- (iii) State what the volume estimates are for short run direct mail pieces referred to in your testimony.
- (iv) Confirm that all of the short run direct mail pieces referred to in your testimony referenced above are currently being sent through the mail. If you cannot confirm, state why not and describe the categories of short run direct mail pieces referred to in your testimony that are not now sent through the mail.
- (v) For those pieces of short run direct mail now sent through the mail, identify the rate categories at which they are currently sent and the percentages of such mail sent at each category.
- (vi) State whether any estimates have been made of how much of the mail projected to use MOL will come from each of the rate categories at which it is currently mailed.
- (vii) State whether any estimate has been made of how much of the volume projected for MOL is currently being prepared and entered into the mail stream by lettershops or other third party providers of mailing services, as opposed to being presented directly by the customer for whom the piece is mailed. If the answer to the question is yes, state in detail the manner in which the estimate was made and the results obtained.

**RESPONSE:**

- (i) This information was provided by National Analysts as part of their market research. I have no knowledge of the original source.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF MASA

- (ii) Not confirmed. Criteria for MOL include printing limitations (digital black and white and spot color only; maximum 600 dpi), material limitations (no glossy substrates) and design limitations to name a few; short run direct mail pieces falling outside these limitations are not part of the potential market for Mailing Online. "Short run" is a convenient proxy for predicting Mailing Online candidate mail because it is a characteristic of digital printing, but it is not an exact match.
- (iii) Volume estimates are provided in USPS-T-4/MC98-1.
- (iv) Confirmed.
- (v) I have no information regarding rate categories or percentages for short run direct mail.
- (vi) No estimates have been made.
- (vii) No estimates have been made, however as stated in my testimony at page 13, lines 2-4, it is believed that much of the existing volume in the target segment is produced on desktop printers and entered directly.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF MASA

MASA/USPS-T1-6.

- (a) Are there any qualification criteria that would make MOL undesirable or unavailable for long run print jobs (defined for purposes of this interrogatory as any mailing that is 5000 pieces or more)? If so, identify each such criterion and explain its impact on long run print jobs.
- (b) Are there any other factors (e.g., capacity limitations, design limitations, etc.) that, in your view, would cause MOL not to be used by mailers for long run print jobs? If so, identify each such factor and explain why it would have this effect.
- (c) With respect to each criterion and factor identified in response to the preceding subsections of this interrogatory, are there any modifications to MOL under discussion for future implementation that would ameliorate the limitations on MOL, for long run print jobs? If so identify the modifications and state what the Postal Service's plans are with respect to their implementation.

RESPONSE:

- (a) Qualification criteria that would make MOL undesirable or unavailable for long run print jobs are: 1) a willingness to forego many of the printing and finishing options available directly from commercial printers, and 2) a willingness to relinquish control of many of the complex aspects of long run mailings such as variable insertion and personalization.
- (b) Currently, the primary factors causing MOL to be unsuitable for long run print jobs are: 1) the economic impact of flat rate pricing which characterizes on-demand digital printing as opposed to other printing technologies; 2) lack of availability of significant postage discounts for large volumes and high ZIP Code densities; 3) design restrictions imposed by limited printing and finishing options; 4) file size upload limitations of browsers and the MOL system.
- (c) We will be evaluating these factors during the market test and experiment to better understand their impact on the target customers for MOL. Although no

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plans currently exist which specifically address amelioration of volume limitations, we intend to keep an open mind and respond to the voice of the customer.

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MASA/USPS-T1-7. Confirm that the "time-specific entry, graphic flexibility, and production convenience" referred to at page 9 of your testimony are, in your view, all features of MOL. If you cannot confirm, explain why not.

(a) For that part of the projected MOL volume that will come from mail pieces already in the mail stream, state in what respects you believe that MOL is superior to the rate categories at which the mail is already being carried.

RESPONSE:

Confirmed.

(a) I am unable to answer this question.



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MASA/USPS-T1-8. Referring to lines 13-15 on page 12 of your testimony, describe in detail the "procurement strategy" and identify who is referred to as "qualified service providers."

RESPONSE:

The referenced procurement strategy is simply a site-by-site competitive procurement for printing and mailing services. See LR-5/MC98-1 for an example of the solicitation and contract, the award of which qualifies a service provider.

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MASA/USPS-T1-9. Referring to your testimony at line 14 page 13, describe in detail the way in which "lettershops may be impacted by Mailing Online." Include in your answer a detailed description of any attempt by the Postal Service to quantify any loss of business that may be suffered by lettershops as a result of MOL.

RESPONSE:

No quantified information is available. Some lettershops likely qualify to bid on MOL printer solicitations, with a resultant direct impact upon them should they participate. If the economies of digital printing improve sufficiently, traditional lettershop activities could be impacted, although as noted above, this could just improve the lettershops' competitive position, perhaps by evolving a capacity to bid on MOL contracts.

In the long run, if MOL proves successful, I expect that some – perhaps many - MOL customers – recognizing the benefits of direct mail advertising for their business – may outgrow MOL and become lettershop customers. This is consistent with witness Hamm's testimony that MOL should increase overall demand for printing services.

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MASA/USPS-T1-10. Referring to your testimony at line 17 of page 13, describe in detail "the shift into electronic methods" referred to and how any such shift would impact lettershops in your opinion. Identify all source material on which your opinion is based.

RESPONSE:

Although I have anecdotal knowledge of the shift referred to, I am unable to provide specific detail regarding lettershops. Reading of trade journals and conversations with industry participants have informed me to the extent I have any knowledge. In my opinion, it is clear that all industries are experiencing a shift into electronic methods. Such technologies and business practices as EDI and electronic document management are shifting the business paradigm on all fronts. Lettershops and their customers are not exclusive in that regard.

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MASA/USPS-T1-11. Who are the "established players" referred to and what is the basis for your understanding as stated in the second paragraph of your testimony on page 13?

RESPONSE:

Reading of trade journals and conversations with industry participants have given me some knowledge of the bulk hybrid mail segment; however, I am not an expert. "Established players" include companies such as Output Technologies, Inc., International Billing Services, Business Mail Express and Diversified Data Corporation

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STIREWALT**

**MASA/USPS-T3-2.** Describe in detail the marketing efforts the Postal Service plans to employ with respect to MOL. If the marketing effort is expected to change in nature or extent over the initial five year period of the service, explain the expected changes.

**RESPONSE:**

The full nature or extent of marketing efforts to be employed with respect to MOL is unknown at this time. During the market test the Postal Service will be testing specific approaches and techniques. Results of these tests will guide marketing planning efforts for the experiment. Our response to OCA/USPS-T1-29 indicates that the PostOffice Online (POL) is an access channel to existing postal services. POL marketing efforts will reflect that in that they will combine and leverage existing and planned marketing messages specific to services being offered through POL; for example "Admail" (advertising mail), the object of substantial tactical marketing focus, represents a potential use of the capabilities of Mailing Online. Since POL, including Mailing Online (MOL), ventures into the new and uncharted environment of marketing for and through the internet, I would expect that our marketing efforts would remain very dynamic during the next few years. The nature and extent of the changes will reflect the success of the medium as well as our learning over time, and of course, the overall success of POL and MOL.

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MASA/USPS-T3-3. Describe in detail the nature and extent of customer services expected by the Postal Service with respect to assisting MOL users in the procedures and technical details necessary to use MOL.

RESPONSE:

MOL will have a comprehensive online help capability as well as a printed users' guide (downloadable) to assist customers in learning and using the service.

Simplicity, ease of use and information access have also been top priorities in designing the user aspects of the system overall. Users will have 24-hour online Web access to job status reports and account information. To assist customers with specific questions or problems, a help desk function provides support for all PostOffice Online customers and services. The help desk responds to a toll-free number and is able to help immediately with most aspects of MOL procedures and usage. The help desk does not provide in depth assistance with users' desktop applications, since users are referred to software manufacturers for application-specific assistance.

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MASA/USPS-T5-8.

(a) Confirm that the Postal Service will not make available to MOL customers any lists of Postal Service customers.

(b) Confirm (referring to the testimony of Postal Service witness Wilcox) that MOL customers will receive certain list cleaning services as an incident to their use of MOL.

(c) Describe in detail all list cleaning or similar services that MOL customers will receive with respect to their mailing list. Include in your answer whether these services are available to other postal customers and on what terms, and whether an MOL customer will be charged separately for such services.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) Mailing Online customers submit their mailing list(s) to address element

standardization and ZIP Code correction as part of the list upload process.

The software verifies customer provided addresses against the Postal

Service's AMS database. The system provides automatic corrections where possible and notifies the user of uncorrectable addresses, giving them the

opportunity to view and/or print out a PDF rendering of unverifiable

addresses. A similar service is currently offered to customers who provide a list on diskette via Diskette Coding, a five-step procedure performed free of

charge on a one-time basis only. The Diskette Coding program standardizes

and applies ZIP+4 Codes and carrier route identification to address files

submitted to the National Customer Support Center (NCSC) or a Postal

Business Center on compatible diskette formats. Additionally, the address file

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can be reviewed on-line after the encoding process has been completed.

MOL customers will not be charged separately for this service.



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REDIRECTED FROM WITNESS PLUNKETT

MASA/USPS-T5-10 You state at page 15 of your testimony 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) Describe in detail what this testimony refers to.
- (b) Confirm that MOL mail will achieve sortation levels and depth beyond that required for the automation rates paid by the customer.
- (c) Confirm that MOL mail will achieve greater sortation and depth on average than automation mail presented directly to the Postal Service by mailers using the First Class and Standard Mail Automation categories available to MOL users.

RESPONSE:.

- (a) As described in my answer to OCA/USPS-T1-17, approved commercial presort software is an integral part of the Mailing Online system. Planned regular updates will keep this presort module current with the most recent sort plans available. The software is used to sort batches to the greatest possible depth before transmittal to the print sites.
- (b) Unable to confirm. However, if Mailing Online succeeds in attracting the numbers of users we seek, we predict that large volumes of locally destinating mail will flow through the MOL system and allow high densities and levels of sort beyond those required for the requested basic automation rate. We will test this hypothesis during the market test and experimental service periods.
- (c) Unable to confirm. See my answer to 10 (b) above.

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OCA/USPS-T1-1. Please refer to your testimony at page 9, lines 1-2, concerning Mailing Online volume. Please confirm that customers of the Mailing Online service will not be required to specify a minimum volume to be printed and inducted into the mailstream in order to utilize the Mailing Online service. If you do not confirm, please explain.

RESPONSE:

Confirmed

MC98-1

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OCA/USPS-T1-2. Please refer to your testimony at page 2, lines 9-12, concerning commercial print sites. Please confirm that each commercial print site for the Mailing Online service will pay the \$100 First-Class Presorted Mailing fee and the Standard Mail Bulk Mailing fee. If you do not confirm, please explain.

RESPONSE:

Neither the First-Class Presorted Mailing fee nor the Standard Mail Bulk Mailing fee will be paid by the commercial print sites since the permits on which the mailings are submitted are held by Postal Service.

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OCA/USPS-T1-3. Please refer to your testimony at page 2, lines 9-12, concerning commercial print sites.

- a. Please confirm that a contract award for a commercial printing site is expected within 30 days. If you do not confirm, please explain.
- b. Please provide a copy of the Request For Proposals or other document (RFP) soliciting bids from printing contractors for the contract expected to be awarded referred to in part (a) above.
- c. Please provide the following with respect to the commercial printers responding to the RFP for the contract expected to be awarded referred to in part (a) above.
  - i. number of commercial printers responding to the RFP; and,
  - ii. number of employees by commercial printer.
- d. Please provide a copy of the contract referenced in part (a) above.

RESPONSE:

- a. Confirmed
- b. This document has been filed as USPS-LR-5/MC98-1.
- c.
  - i. Procurement regulations prohibit public disclosure of this information before award of a contract. This information will be provided thereafter.
  - ii. It is my understanding that the Postal Service does not request this information from potential contractors.
- d. USPS-LR-5/MC98-1 becomes the contract once prices are filled in and signatures are affixed.

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OCA/USPS-T1-4. Please refer to your testimony at page 2, lines 9-12, concerning commercial print sites.

- a. Please confirm that the Postal Service intends to issue 25 separate solicitations for bids for the 25 commercial print sites expected to be in operation during 2001. If you do not confirm, please explain.
- b. Please confirm that more than one of the 25 commercial print sites expected to be in operation during 2001 could be owned and operated by the same commercial printer. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. This is possible if the same commercial printer separately bids on and is awarded more than one competitive solicitation.

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OCA/USPS-T1-5. Please refer to your testimony at page 2, lines 9-12, concerning commercial print sites.

- a. Please confirm that, as demand grows, there will be more than one commercial printer within the geographic area of some commercial print sites. If you do not confirm, please explain.
- b. If there is more than one commercial printer within a geographic area of a commercial print site, will the rates vary depending upon which commercial printer is assigned the customer's documents?
- c. If there is more than one commercial printer within a geographic area of a commercial print site, please explain how the Postal Service will choose to assign the printing of a customer's document to one of the commercial printers.

RESPONSE:

- a. Our intent in estimating 25 sites is to ensure adequate geographic coverage within the continental United States with reasonable service expectations regardless of volume. Volume estimates provided to vendors with the RFP currently presume that a single printer will receive all volume for a given area. Actual demand distribution cannot be gauged accurately without experience and it may be necessary to adjust expansion plans to divide a specific geographic area among more than one commercial printer.
- b. Yes, our proposal is for Mailing Online fees to be based on actual contract prices of specific printers. Rates for postage, of course, would not vary.
- c. Routing is currently based on ZIP Code ranges. New printer locations within a geographic area would be assigned distinct ZIP Code ranges within that area. Document assignment would be based on destination ZIP Code.

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OCA/USPS-T1-6. Please refer to Appendix A, page 2, where data collection is described. Does the Postal Service plan to collect information on any of the following:

- a. the frequency and duration of technical support calls from customers or printers;
- b. the frequency of equipment and transmission repairs;
- c. time spent educating USPS Mailing Online customers about the new service or;
- d. time spent instructing USPS Mailing Online customers in how to use the new service.

RESPONSE:

- a, c-d. For the experimental Mailing Online service (MOL) all customer support, education and training are to be handled through the PostOffice Online Help Desk, a contracted telephone support center. An automated call tracking system is planned to capture data on all calls, including frequency, duration and cause. MOL specific data will be collected from this system.
- b. Technical support activities for the MOL system will be logged at the data center to track equipment and network outages.

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OCA/USPS-T1-7. Please refer to your testimony at page 2, lines 9-12, concerning commercial print sites.

- a. Please confirm that each commercial printer awarded one of the expected 25 printing contracts will perform and provide the same printing services as every other commercial printer awarded a printing contract. If you do not confirm, please explain.
- b. Please confirm that the printing contracts awarded for each of the expected 25 commercial print sites will be identical, except for the total price of the contract. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. It is our intent to have each contract as identical as possible and we have worked hard to identify any changes before awarding the first one. We realize however that changes may arise due to unforeseen circumstances and are prepared to be flexible to the extent necessary.



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OCA/USPS-T1-8. Please refer to your testimony at page 1, lines 13-15.

- a. Please confirm that the Postal Service, via its proposed Mailing Online service, will serve as an intermediary to certain firms in the commercial printing industry, gathering printing jobs from small-volume customers. If you do not confirm, please explain.
- b. Please confirm that commercial printers possessing sophisticated digital printing technology have the capability to receive documents and data in digital form via the internet for printing, independent of the Postal Service's proposed Mailing Online service. If you do not confirm, please explain.
- c. Please confirm that commercial printers awarded one of the 25 expected commercial printing contracts will print, presort and enter the Mailing Online mail matter in the same manner as customers who do not utilize Mailing Online service. If you do not confirm, please explain.

RESPONSE:

- a. As stated in my testimony at page 2, lines 4-9, documents submitted by Mailing Online customers will be processed at a control center and the print files created as a result will be distributed to commercial print sites.
- b. It is my understanding that such commercial printers generally have the technical capability to receive documents and data in digital form via the internet.
- c. I am only able to confirm that commercial printers entering Mailing Online mailings will be required to abide by preparation and entry requirements -- as stated in USPS-LR-5/MC98-1.

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OCA/USPS-T1-9. Please refer to your testimony at page 2, lines 12-15. Please explain the phrase "system-sorted batch mailings."

RESPONSE:

As explained in my testimony at page 10, lines 16-18, batch address files are presorted by the system to the maximum depth of sort prior to transmission; this presorted address file constitutes a "system-sorted batch mailing."

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OCA/USPS-T1-10. Please refer to your testimony at page 5, lines 14-17, where it states that the "printing and production charges [were] covered by the Postal Service as part of the developmental costs." [footnote omitted]

- a. At any time during the operational test period, did the Postal Service cover the printing and production charges by performing the printing and production at one or more Postal Service facilities? Please explain.
- b. If, during the operational test period, the Postal Service contracted with any commercial printers for printing and production services, please provide:
  - i. the name of the commercial printer(s);
  - ii. the location of the commercial printer(s), and;
  - iii. the number of employees of each commercial printer.
- c. Please provide a copy of the contracts referred to in part (b) of this interrogatory.
- d. Since the commencement of the operational test period, on how many days have Mailing Online pieces been transmitted electronically to the postal facility or commercial printer(s) referred to in parts (a) and (b) of this interrogatory? On how many days have there been no transmissions?
- e. 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 postal facility or commercial printer(s) referred to in parts (a) and (b) of this interrogatory since the commencement of the operational test period.
- f. 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 postal facility or commercial printer(s) referred to in parts (a) and (b) of this interrogatory on days when 1, 2, 3, etc., transmissions were made.

RESPONSE:

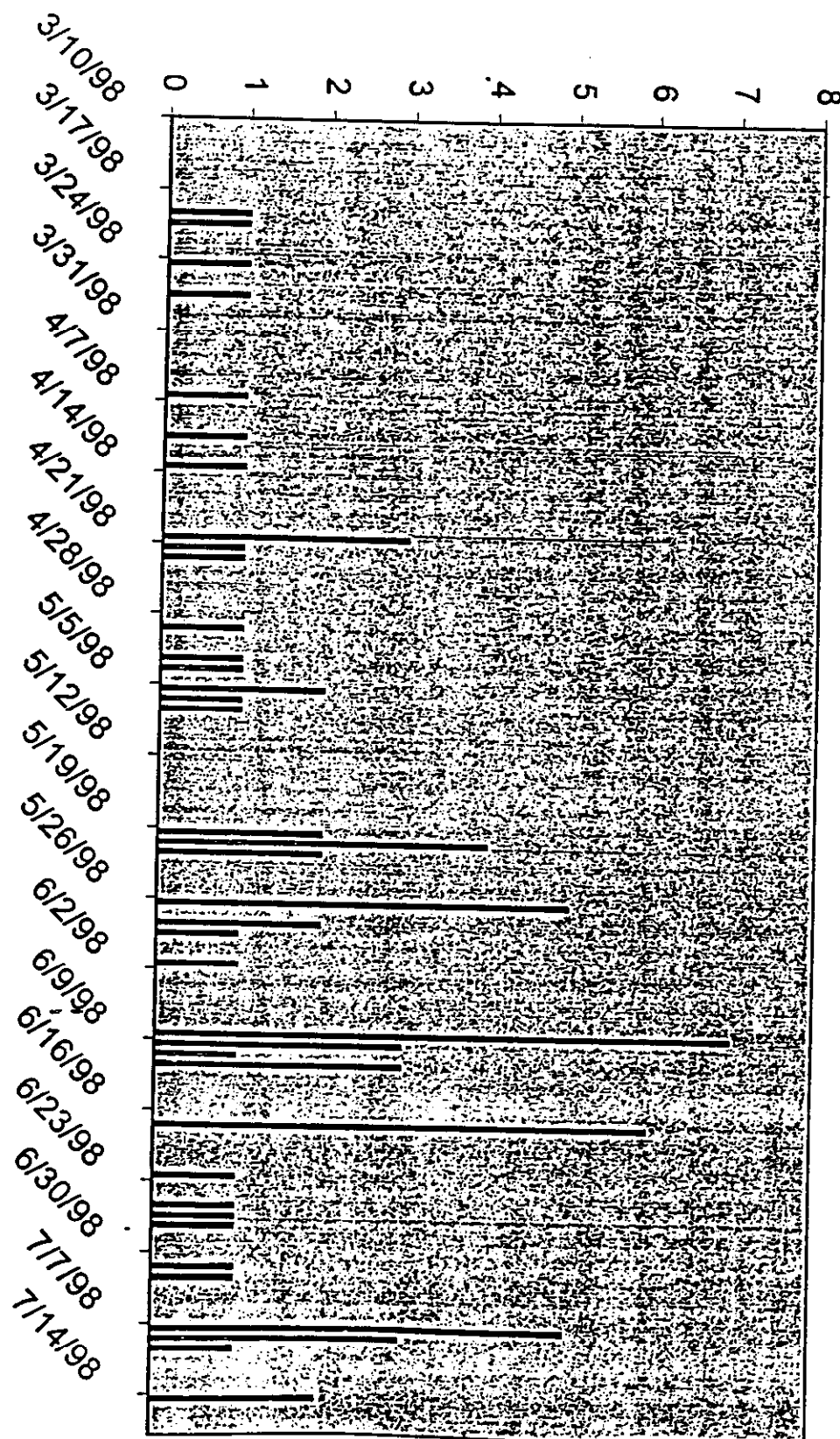
- a. No, printing and production was always performed at commercial printing facilities.
- b.
  - i. Xerox Business Services (XBS) is the commercial printer for the operational test period, through a sub-contracting arrangement with Tracor (formerly Cordant).
  - ii. The XBS facility is located in Farmer's Branch, Texas.
  - iii. I have no knowledge of the number of employees of XBS.

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- c. A copy of the postal contract to which the provision of printing services was sub-contracted to XBS is being filed as USPS-LR-7/MC98-1.
- d-f. See Exhibit 1 to Response to OCA/USPS-T1-10, attached.

## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T1-10

## Transactions



## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T1-10

Date	Transactions	Mail Pieces
3/10/98	0	0
3/11/98	0	0
3/12/98	0	0
3/13/98	0	0
3/14/98	0	0
3/15/98	0	0
3/16/98	0	0
3/17/98	0	0
3/18/98	0	0
3/19/98	1	9
3/20/98	1	1660
3/21/98	0	0
3/22/98	0	0
3/23/98	0	0
3/24/98	1	10
3/25/98	0	0
3/26/98	0	0
3/27/98	1	2
3/28/98	0	0
3/29/98	0	0
3/30/98	0	0
3/31/98	0	0
4/1/98	0	0
4/2/98	0	0
4/3/98	0	0
4/4/98	0	0
4/5/98	0	0
4/6/98	1	119
4/7/98	0	0
4/8/98	0	0
4/9/98	0	0
4/10/98	1	535
4/11/98	0	0
4/12/98	0	0
4/13/98	1	1831
4/14/98	0	0
4/15/98	0	0
4/16/98	0	0
4/17/98	0	0
4/18/98	0	0
4/19/98	0	0
4/20/98	3	5901
4/21/98	1	89
4/22/98	1	531
4/23/98	0	0
4/24/98	0	0
4/25/98	0	0
4/26/98	0	0

## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T1-10

Date	Transactions	Mail Pieces
4/27/98	0	0
4/28/98	0	0
4/29/98	1	509
4/30/98	0	0
5/1/98	0	0
5/2/98	1	94
5/3/98	1	65
5/4/98	0	0
5/5/98	2	5
5/6/98	1	31
5/7/98	1	27
5/8/98	0	0
5/9/98	0	0
5/10/98	0	0
5/11/98	0	0
5/12/98	0	0
5/13/98	0	0
5/14/98	0	0
5/15/98	0	0
5/16/98	0	0
5/17/98	0	0
5/18/98	0	0
5/19/98	2	2487
5/20/98	4	1577
5/21/98	2	14
5/22/98	0	0
5/23/98	0	0
5/24/98	0	0
5/25/98	0	0
5/26/98	5	1823
5/27/98	0	0
5/28/98	2	158
5/29/98	1	68
5/30/98	0	0
5/31/98	0	0
6/1/98	1	1272
6/2/98	0	0
6/3/98	0	0
6/4/98	0	0
6/5/98	0	0
6/6/98	0	0
6/7/98	0	0
6/8/98	7	592
6/9/98	3	9
6/10/98	1	696
6/11/98	3	189
6/12/98	0	0
6/13/98	0	0

## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T1-10

Date	Transactions	Mail Pieces
6/14/98	0	0
6/15/98	0	0
6/16/98	0	0
6/17/98	6	478
6/18/98	0	0
6/19/98	0	0
6/20/98	0	0
6/21/98	0	0
6/22/98	1	3
6/23/98	0	0
6/24/98	0	0
6/25/98	1	1509
6/26/98	1	3
6/27/98	1	1293
6/28/98	0	0
6/29/98	0	0
6/30/98	0	0
7/1/98	1	937
7/2/98	1	1142
7/3/98	0	0
7/4/98	0	0
7/5/98	0	0
7/6/98	0	0
7/7/98	5	2951
7/8/98	3	4760
7/9/98	1	2178
7/10/98	0	0
7/11/98	0	0
7/12/98	0	0
7/13/98	0	0
7/14/98	2	1702
7/15/98	0	0
7/16/98	0	0
7/17/98	0	0



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TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-11. Please refer to your testimony at page 5, lines 19-20, and page 6, lines 1-4.

- a. During the expanded (market) test period, please confirm that the Postal Service will accept Mailing Online documents in digital form only from customers located in the three metropolitan areas of New York, Boston and Philadelphia. If you do not confirm, please explain.
- b. Please explain how the Postal Service determined that the three metropolitan areas of New York, Boston and Philadelphia would constitute the geographic area of the market test.
- c. During the expanded (market) test period, please confirm that the Mailing Online documents received from customers located in the three metropolitan areas referred to in part (a) of this interrogatory can be mailed to any address in the domestic delivery area of the Postal Service. If you do not confirm, please explain.
- d. During the expanded (market) test period, please confirm that the addition of a second printer will create a second market test area of limited (i.e., other than nationwide) geographic scope. If you do not confirm, please explain.
- e. During the expanded (market) test period, please explain how the Postal Service will determine whether to create a second market test area of limited (i.e., other than nationwide) geographic scope.
- f. During the expanded (market) test period, please explain how the Postal Service will determine the second geographic area to be part of the expanded (market) test.
- g. Please confirm that the Postal Service has solicited bids from commercial printers for the award of a contract to a second printer in another area during the expanded (market) test period. If you do not confirm, please explain. If you do confirm, please provide a copy of the Request for Proposals (RFP) or other document soliciting bids from commercial printers.

RESPONSE:

- a. The market test<sup>1</sup> area will be in portions of the three stated metropolitan areas. Existing operations test customers in Tampa and Hartford will also continue to have access to Mailing Online services.
- b. A review of the geographic areas suitable for the test expansion indicated that these three areas contained a high concentration of potential users with the characteristics expected of Mailing Online users.

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- c. Confirmed that documents can be mailed to any address in the domestic delivery area of the Postal Service. This is currently true of the operations test and will remain so for the market test and experiment.
- d-f. The addition of a second printer during the market test would not create a second test area. That second printer will be located in the New York/New Jersey area to support expected increases in volume as users increase their use of the service.
- g. The solicitation for a second printer has not been released. When released, the RFP will be substantially identical to the RFP document provided as USPS-LR-5/MC98-1.

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<sup>1</sup> Although the original schedule for the expanded test called for a September 1, 1998 start date, technical development delays have caused that date to be changed to October 1, 1998.

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OCA/USPS-T1-12. Please refer to your testimony at page 6, lines 5-6.

- a. Please confirm that the Postal Service will limit the number of participants in the three metropolitan areas during the expanded (market) test period to "several thousand." If you do not confirm, please explain.
- b. If the number of participants in the three metropolitan areas during the expanded (market) test period is not limited, how does the Postal Service intend to inform potential Mailing Online service customers of the availability of this service.
- c. Please confirm that the cost of informing potential customers or advertising the availability of Mailing Online service during the expanded (market) test period has been included in the cost estimates developed by witness Seckar or witness Stirewalt. If you do not confirm, please provide the estimated costs of advertising and informing potential customers.

RESPONSE:

- a-b. The number of market test participants will be limited to several thousand as stated. Please see the response to OCA/USPS-T1-11(a).
- c. It is my understanding that as appropriate, these costs have been included.

--

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OCA/USPS-T1-13. Please refer to your testimony at page 1, lines 10-13.

- a. Please confirm that the "World Wide Web-based software application" was developed by a firm under contract to the Postal Service. If you do not confirm, please explain.
- b. Please provide a copy of the contract between the Postal Service and the firm referred to in part (a) of this interrogatory.
- c. Please provide a copy of the Request for Proposals (RFP) or other document soliciting bids from firms interested in developing the World Wide Web-based software application.

RESPONSE:

- a. Confirmed.
- b. See USPS-LR-7/MC98-1.
- c. The requested RFP is embodied in USPS-LR-7/MC98-1, since the contract is a copy of the RFP with the blanks filled in.

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OCA/USPS-T1-14. Please refer to your testimony at page 6, lines 5-6. During the expanded (market) test period, please describe the means by which the Postal Service plans to provide equal access to all potential users in the three metropolitan areas constituting the geographic area of the market test, pursuant to 39 CFR 3001.162(h).

RESPONSE:

Mailing Online access will be provided via the World Wide Web. All potential users will have access via this universally available feature of the internet.

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OCA/USPS-T1-15. Please refer to your testimony at page 10, lines 15-18.

- a. Please explain the phrase "like printing and finishing options."
- b. Please explain the phrase "batch address file."
- c. Please confirm that two types of files will be transmitted to the commercial printers, 1) a print file containing documents having like printing and finishing options and 2) the batch address file. If you do not confirm, please explain.
- d. Please explain the process by which commercial printers will utilize the batch address file so that Mailing Online mail pieces will be "presorted to the maximum depth of sort."

RESPONSE:

- a. The Mailing Online "electronic job ticket" printing and finishing specifications (see my testimony at page 10, lines 6-8) are the determinants of "like printing and finishing options" for merging and batching.
- b. A "batch address file" is the address file component of the two parts necessary for a printer to produce mailpieces, i.e. documents and addresses. It contains information matching addresses to document files (for subsequent routing and delivery of printed documents) and batch identification information to allow the accurate batching of documents.
- c. Two types of files are transmitted: 1) individual document files, and 2) batch address files.
- d. Since all sortation occurs at the system level, prior to transmission to the printer, each batch address file is fully presorted upon its receipt by the printer.

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OCA/USPS-T1-16. Please refer to your testimony at page 10, lines 18-21. Please confirm that one finishing option for Mailing Online customers is mail pieces without envelopes. If you do not confirm, please explain.

RESPONSE:

Confirmed. A self-mailer option is expected to be introduced for the experimental period, but will not be available during the market test.

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OCA/USPS-T5-17 [sic]. Please refer to Exhibit USPS 1A, "Mailing Online Process Diagram." One of the boxes in that diagram is entitled "Mailing Online System Merge and Batch."

- a. One of the tasks under Merge and Batch is "Batches mailpieces with similar job characteristics." During the operations test, what is the maximum number of possible categories of batches? I.e., How many *different* categories of "job characteristics" are there? How is each category defined in the System software? Please provide a copy of the lines of code that perform this task.
- b. Please provide the following volume information from the operations test. Separately for each possible category of "job characteristics," provide (i) total volume to date, (ii) maximum batch volume to date, (iii) minimum batch volume to date, (iv) average volume per batch to date.
- c. One of the tasks under Merge and Batch is "Batches mailpieces by delivery destination." Please define "delivery destination." If this does not mean "entry facility," please explain. During the operations test, what is the maximum number of possible delivery destinations? How is each possible *delivery destination* defined in the System software? Please provide a copy of the lines of code that perform this task.
- d. Please provide the following volume information from the operations test. Separately for each possible "delivery destination," provide (i) total volume to date, (ii) maximum batch volume to date, (iii) minimum batch volume to date, (iv) average volume per batch to date.
- e. One of the tasks under Merge and Batch is "Presorts batches to finest level." During the operations test, is there a minimum size presort batch, e.g., one full tray? Does "finest level" mean presorting to the same depth as would the entry facility prior to dispatch? Does "finest level" mean presorting to the same depth as would a presort mailer depositing First-Class Mail at the entry facility? Please explain.
- f. During the operations test, did the System software use more than one sort scheme to "Presort[] batches to finest level"? E.g., did sort schemes vary by day of the week, day of the month, or season of the year? During the operations test, did the entry facility in Texas use more than one outgoing sort scheme? E.g., did sort schemes vary by day of the week, day of the month, or season of the year? Please explain how the sort scheme(s) used by the System software were matched or otherwise coordinated with the sort scheme(s) used at the entry facility in Texas.
- g. One of the tasks under Merge and Batch is "Transfers data files to print site servers." During the operations test, is there a cutoff time prior to which this task must be completed each day? If not, why not? If so, how is this cutoff time determined? If so, please provide a copy of the lines of code in the System software that enforce this cutoff time.

RESPONSE:



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- a. A precise answer to this question is difficult. I have calculated that during the operations test, for regular mail-merge mailing with on-line proofing, there are 75 possible categories of batches within each possible page count combination. The system software defines batches based upon page count, paper size, bindery options, plex options, spot color options and proofing options. Also, non-merge jobs are currently defined as separate batches, as are fax-back and mail-back proofing requests.

The code that determines the batch for a specified job, plus the delivery destinations based on the addressee ZIP Codes is reproduced below.

MainMenu.Label1.Caption = "Opening Job Template" DoEvents

Erase sData

iCnt = 0: QjobDoc = 0: QjobMail = 0

iFileNum = FreeFile

Open cJobInDir & sTextFile For Input As iFileNum Do While Not EOF(iFileNum)

iCnt = iCnt + 1

Input #iFileNum, sData(iCnt)

Loop

Close iFileNum

\*\*\*\*\*

Determine the eligible print sites for the job based on whether or not the ' job is spot color or B&W

\*\*\*\*\*

qStr = "color\_zip\_lo >= 000 "

If sData(7) = "CLRD" Then

sData(7) = "None"

qStr = "black\_zip\_lo >= 000 "

End If

gblSiteCnt = 0

Erase gblBatches

Set RdoJob = rdoNetPost.OpenResultset("SELECT \* FROM print\_site",  
rdOpenDynamic, rdConcurRowVer)

RdoJob.MoveFirst

Do While Not RdoJob.EOF

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```

gblSiteCnt = gblSiteCnt + 1
gblBatches(gblSiteCnt, 3) = RdoJob("print_site_code") &
Format$("000000")
gblBatches(gblSiteCnt, 4) = 0
gblBatches(gblSiteCnt, 5) = 0
gblBatches(gblSiteCnt, 6) = RdoJob("print_site") gblBatches(gblSiteCnt, 7) =
RdoJob("user_id") gblBatches(gblSiteCnt, 8) = RdoJob("password")
RdoJob.MoveNext
Loop
RdoJob.Close

```

\*\*\*\*\*

Determine the zip code (destination) ranges for each eligible print site

\*\*\*\*\*

```

For siteLoop = 1 To gblSiteCnt
Set RdoJob = rdoNetPost.OpenResultset("SELECT * FROM print_site_zips
WHERE print_site_code = " & Left$(gblBatches(siteLoop, 3), 2) & "",
rdOpenDynamic, rdConcurRowVer)
RdoJob.MoveFirst
zCntr = 0
Do While Not RdoJob.EOF
zCntr = zCntr + 1
If sData(7) = "None" Then
gblBZips(siteLoop, zCntr, 1) = RdoJob("black_zip_lo") gblBZips(siteLoop, zCntr,
2) = RdoJob("black_zip_hi")
Else
gblBZips(siteLoop, zCntr, 1) = RdoJob("color_zip_lo") gblBZips(siteLoop, zCntr,
2) = RdoJob("color_zip_hi")
End If
RdoJob.MoveNext
Loop
gblBZips(siteLoop, 0, 0) = zCntr
Next

```

\*\*\*\*\*

Determine the doc and mail id

\*\*\*\*\*

```

Set RdoJob = rdoNetPost.OpenResultset("select * from job where job_id = " &
Val(JobTemplate), rdOpenDynamic, rdConcurRowVer)

```

```

RdoJob.MoveFirst
QjobDoc = RdoJob("job_doc")
QjobMail = RdoJob("job_mail")
gblProof = RdoJob("Job_Proof")
gblMemID = RdoJob("Job_Emp")
gblTtlMail = RdoJob("Job_Page")

```

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RdoJob.Close

gblMailMerge = False

\*\*\*\*\*

Determine the whether the job is merge or non-merge and page count

\*\*\*\*\*

Set RdoJob = rdoNetPost.OpenResultset("select \* from doc where doc\_id = " &  
QjobDoc, rdOpenDynamic, rdConcurRowVer)

RdoJob.MoveFirst

QfileDoc = RdoJob("Doc\_Name")

gblJobApp = RdoJob("Doc\_App")

ImpCnt = RdoJob("Doc\_Page")

gblDocPgCnt = RdoJob("Doc\_Page")

If UCase\$(RdoJob("Doc\_Merge")) = "YES" Then

gblMailMerge = True

End If

RdoJob.Close

If gblDocPgCnt < 2 Then

gblDocPgCnt = 2

End If

\*\*\*\*\*

Determine the job plex

\*\*\*\*\*

If UCase\$(Mid\$(sData(6), 1, 3)) <> "ONE" Then

ImpCnt = CInt(ImpCnt / 2)

End If

\*\*\*\*\*

Set envelope size based on the page size and page count

\*\*\*\*\*

'Set envelope size based on the page size and page count sData(12) =

"White#10(9\*4)"

If ImpCnt > 5 Then

sData(12) = "White#?(82/4\*12)"

Else

If sData(9) = "11\*17" Then

If ImpCnt > 2 Then

sData(12) = "White#?(82/4\*12)"

End If

End If

End If

\*\*\*\*\*

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```
'If the job is to be sent to recipients on the mail list:
' check plex, mail class, paper size, color, binding, envelope style.
' envelope size, fold type, Merge vs Non-merge and Document page count '
' If the job is a mail merge find all open batches and use the corresponding '
Batch IDs if all characteristics mentioned above are the same
' Else create new Batch IDs for all print sites '
' If the job is a non-merge job
' create new Batch IDs for all print sites '
' If the job is a FAX BACK or MAIL BACK then create a unique set of Batch IDs '
for the job
```

\*\*\*\*\*

```
If UCase$(gblProof) = "VIEW ONLY" Then
If gblMailMerge Then
```

```
xSelStr = "Status = 'O' And MailClass = "" & sData(10) & _
"" And MailSize = "" And plex = "" & sData(6) & _ "" And size = "" & sData(9) & _
"" And color = "" & sData(7) & _
"" And binding = "" & sData(8) & _
"" And env_style = "" & sData(5) & _ "" And env_size = "" & sData(12) & _ "" And
fold = "" & sData(13) & _
"" And DocMerge = "" & gblMailMerge & _ "" And PageCnt = "" & ImpCnt & "" ;"
```

```
Set rsJob = dbpomdata.OpenRecordset("Select * From Batch Where " &
xSelStr)
```

```
If rsJob.RecordCount > 0 Then
rsJob.MoveFirst
Do While Not rsJob.EOF
For ILoop = 1 To gblSiteCnt
If Mid$(rsJob("Batch"), 1, 2) = Mid$(gblBatches(ILoop,
3), 1, 2) Then
gblBatches(ILoop, 3) = rsJob("Batch") gblBatches(ILoop, 5) = 1
ILoop = gblSiteCnt
End If
Next
rsJob.MoveNext
Loop
End If
rsJob.close
```

```
End If
End If
```

```
For ILoop = 1 To gblSiteCnt
If Val(Mid$(gblBatches(ILoop, 3), 3, 6)) = 0 Then
Set rsJob = dbpomdata.OpenRecordset("SELECT Batch From Batch WHERE
```

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```

Mid$(Batch,1,2) = "" & Mid$(gblBatches(iLoop, 3), 1, 2) & " ORDER BY Batch ;")
If rsJob.RecordCount > 0 Then
rsJob.MoveLast
gblBatches(iLoop, 3) = Mid$(gblBatches(iLoop, 3), 1, 2) &
Format$(Val(Mid$(rsJob("Batch"), 3, 6)) + 1, "000000")
Else
gblBatches(iLoop, 3) = Mid$(gblBatches(iLoop, 3), 1, 2) &
Format$(1, "000000")
End If
rsJob.Close
End If
Next

```

\*\*\*\*\*  
\*\*\*\*\*

- b. To the extent the requested information is available, it appears in USPS-LR-6/MC98-1.
- c. Address ZIP Codes are used to determine "delivery destination" which refers to the ranges of ZIP Codes assigned to respective print sites. Printing contractors will be required to deliver finished mail pieces to specified mail entry units. During the operations test, one physical print site receives all batches; however the system distinguishes two virtual print sites (to test ZIP Code routing) and two separate servers at the physical print site, each representing a range of ZIP Codes. The code that accomplishes these tasks is reproduced below.

\*\*\*\*\*  
' Determine the zip code (destination) ranges for each eligible print site  
\*\*\*\*\*

```

For siteLoop = 1 To gblSiteCnt
Set RdoJob = rdoNetPost.OpenResultset("SELECT * FROM print_site_zips
WHERE print_site_code = "" & Left$(gblBatches(siteLoop, 3), 2) & """,
rdOpenDynamic, rdConcurRowVer)
RdoJob.MoveFirst
zCntr = 0

```

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```

Do While Not RdoJob.EOF
zCntr = zCntr + 1
If sData(7) = "None" Then
gblBZips(siteLoop, zCntr, 1) = RdoJob("black_zip_lo") gblBZips(siteLoop, zCntr,
2) = RdoJob("black_zip_hi")
Else
gblBZips(siteLoop, zCntr, 1) = RdoJob("color_zip_lo") gblBZips(siteLoop, zCntr,
2) = RdoJob("color_zip_hi")
End If
RdoJob.MoveNext
Loop
gblBZips(siteLoop, 0, 0) = zCntr
Next

```

- d. To the extent the requested information is available, it appears in USPS-LR-6/MC98-1.
- e. Each batch is presorted individually regardless of volume. Using a commercial presort software module, each batch is analyzed for presort potential and handled accordingly, with whatever sortation possible being performed to the finest level according to standard Postal Service First-Class Mail classification rules
- f. The same commercial software was used to perform all sorts performed by the system software. I am unaware of more than one sort scheme being used. The mail entered at the Texas facility was not processed there. To simulate multiple print sites close to users' origination points, prepared mailings ("delivery destination" batches) have been drop shipped to the Tampa and Hartford plants. No coordination has been attempted between sort schemes at these facilities and the system sort.
- g. Data file transfers occur at two times:
  - 1. document print files are transferred immediately upon completion of a customer transaction,

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2. batched address files are transferred at a specified cutoff time each day. Currently this cutoff is 2:00 PM Eastern Time. The pertinent code is reproduced below.

\*\*\*\*\*  
\*\*\*\*\*

Code to enforce Cutoff Time.

\*\*\*\*\*

\*\*\*\*\* ' At midnight every day an ACCESS database is updated to indicate that the daily processes ' for the day have not been run. There are two daily processes - ' 1 - the daily maintenance program which runs at midnight AND ' 2 - the daily cutoff (1400 EST) which prepares the batches for compilation and ' distribution ' This code executes if the system time is greater than 1400 and the process has not ' been previously run (gbINPProc is 0). It runs only once a day.

```
If CompTime >= gbINPTime Then
If gbINPProc = "0" Then
Set xTmClock = dbpomdata.OpenRecordset("TmClock") xTmClock.MoveFirst
xTmClock.Edit
xTmClock("NP Sort Proc") = "1"
xTmClock.Update
xTmClock.Close
```

```
pwDate = Format$(Date, "yyyy/mm/dd") On Error Resume Next
FileCopy cLogDir & "pw.dat", cLogDir & "pw" & _
Mid$(pwDate, 6, 2) & Mid$(pwDate, 9, 2) & ".dat"
FileCopy cLogDir & "pwe.dat", cLogDir & "pw.dat" On Error GoTo 0
NPVal = Shell("c:\netpost\src\npmain\npmain.EXE", 4) DoEvents
For iLoop = 1 To 500 'Give NP SORT time to start and
DoEvents ' close out all active batches
Next
Unload Me
End
End If
End If
h. _____
```

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OCA/USPS-T1-18. Please refer to Exhibit USPS 1A, "Mailing Online Process Diagram." One of the boxes in that diagram is entitled "Job Approval And Payment Authorization." During the operations test, are Mailing Online customers informed prior to job approval when their jobs will be printed, entered into the mailstream, or dispatched from the entry facility? If not, why not? If so, please provide a copy of the lines of code in the System software that perform this task. Does the Postal Service offer any assurance or estimate of the probability that a particular job will be dispatched from the entry facility on the same day the job is approved? If not, why not? If so, what is the basis for this assurance or estimate?

**RESPONSE:**

Mailing Online customers are informed at the time of job submission, prior to final approval, what the expected mailing date will be for their job. This date is calculated based upon the system daily cutoff time of 2:00 PM ET, the current time, and the day of the week and date of the next postal business day. No information is provided at this time regarding dispatch from the entry facility. This is intended to keep current expectations regarding dispatch of First-Class Mail intact. The pertinent code is reproduced below.

**2) Cutoff Time**

```
*****
***** ' At midnight every day an ACCESS database is updated to indicate
that the daily processes ' for the day have not been run. There are two daily
processes - ' 1 - the daily maintenance program which runs at midnight AND '
2 - the daily cutoff (1400 EST) which prepares the batches for compilation and '
distribution ' This code executes if the system time is greater than 1400 and the
process has not ' been previously run (gbINPProc is 0). It runs only once a day.
```

```
If CompTime >= gbINPTime Then
If gbINPProc = "0" Then
Set xTmClock = dbpomdata.OpenRecordset("TmClock") xTmClock.MoveFirst
xTmClock.Edit
xTmClock("NPSort Proc") = "1"
xTmClock.Update
xTmClock.Close
```



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```
pwDate = Format$(Date, "yyyy/mm/dd") On Error Resume Next
FileCopy cLogDir & "pw.dat", cLogDir & "pw" & _
Mid$(pwDate, 6, 2) & Mid$(pwDate, 9, 2) & ".dat"
FileCopy cLogDir & "pwe.dat", cLogDir & "pw.dat" On Error GoTo 0
NPVal = Shell("c:\netpost\src\npmain\npmain.EXE", 4) DoEvents
For iLoop = 1 To 500      'Give NP SORT time to start and
DoEvents                ' close out all active batches
Next
Unload Me
End
End If
End If
```

---

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OCA/USPS-T1-19. Please refer to your testimony at page 10, lines 15-17. You state, "Where possible, files with like printing and finishing options will be merged and batched before transmission to the printer. Each batch address file is presorted to the maximum depth of sort . . . ."

- a. Please define the following terms as used in this statement: (i) "merged," (ii) "batched," (iii) "presorted," (iv) "maximum depth of sort."
- b. For the operation test period, please provide the following estimates.
  - i. Proportion of Mailing Online mailings that were "merged,"
  - ii. Proportion of Mailing Online volume that was "merged,"
  - iii. Proportion of Mailing Online mailings that were "batched,"
  - iv. Proportion of Mailing Online volume that was "batched,"
  - v. Proportion of Mailing Online mailings that were "presorted,"
  - vi. Proportion of Mailing Online volume that was "presorted,"
  - vii. Proportion of Mailing Online volume that received its first piece sort at the entry facility in Texas in an outgoing primary operation,
  - viii. Proportion of Mailing Online volume that received its first piece sort at the entry facility in Texas in an outgoing secondary operation,
  - ix. Proportion of Mailing Online volume that received its first piece sort at the entry facility in Texas in an incoming primary operation,
  - x. Proportion of Mailing Online volume that received its first piece sort at the entry facility in Texas in an incoming secondary operation,
  - xi. Proportion of Mailing Online volume that did not receive its first piece sort at the entry facility in Texas,
  - xii. Proportion of Mailing Online volume that received its first piece sort after dispatch from the entry facility in Texas. (If this proportion is not the same as the proportion requested in subpart xi. immediately above, please explain and reconcile mathematically.)
- c. For the market test period, please provide the following estimates.
  - i. Proportion of Mailing Online mailings that will be "merged,"
  - ii. Proportion of Mailing Online volume that will be "merged,"
  - iii. Proportion of Mailing Online mailings that will be "batched,"
  - iv. Proportion of Mailing Online volume that will be "batched,"
  - v. Proportion of Mailing Online mailings that will be "presorted,"
  - vi. Proportion of Mailing Online volume that will be "presorted,"
  - vii. Proportion of Mailing Online volume that will receive its first piece sort at the entry facility in an outgoing primary operation,
  - viii. Proportion of Mailing Online volume that will receive its first piece sort at the entry facility in an outgoing secondary operation,
  - ix. Proportion of Mailing Online volume that will receive its first piece sort at the entry facility in an incoming primary operation,
  - x. Proportion of Mailing Online volume that will receive its first piece sort at the entry facility in an incoming secondary operation.
  - xi. Proportion of Mailing Online volume that will not receive its first piece sort at the entry facility,

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- xii. Proportion of Mailing Online volume that will receive its first piece sort after dispatch from the entry facility. (If this proportion is not the same as the proportion requested in subpart xi. immediately above, please explain and reconcile mathematically.)
- d. For the experimental test period, please provide the following estimates.
  - i. Proportion of Mailing Online mailings that will be "merged,"
  - ii. Proportion of Mailing Online volume that will be "merged,"
  - iii. Proportion of Mailing Online mailings that will be "batched,"
  - iv. Proportion of Mailing Online volume that will be "batched,"
  - v. Proportion of Mailing Online mailings that will be "presorted,"
  - vi. Proportion of Mailing Online volume that will be "presorted,"
  - vii. Proportion of Mailing Online volume that will receive its first piece sort at the entry facility in an outgoing primary operation,
  - viii. Proportion of Mailing Online volume that will receive its first piece sort at the entry facility in an outgoing secondary operation,
  - ix. Proportion of Mailing Online volume that will receive its first piece sort at the entry facility in an incoming primary operation,
  - x. Proportion of Mailing Online volume that will receive its first piece sort at the entry facility in an incoming secondary operation.
  - xi. Proportion of Mailing Online volume that will not receive its first piece sort at the entry facility,
  - xii. Proportion of Mailing Online volume that will receive its first piece sort after dispatch from the entry facility. (If this proportion is not the same as the proportion requested in subpart xi. immediately above, please explain and reconcile mathematically.)
- e. For the operation test period, please provide the following estimates.
  - i. Proportion of Mailing Online volume that received all four of the above sorts: outgoing primary, outgoing secondary, incoming primary, and incoming secondary (OP, OS, IP, and IS),
  - ii. Proportion of Mailing Online volume that received only the following three sorts: OP, IP, and IS,
  - iii. Proportion of Mailing Online volume that received only the following three sorts: OP, OS, and IS,
  - iv. Proportion of Mailing Online volume that received only the following three sorts: OP, OS, and IP,
  - v. Proportion of Mailing Online volume that received only the following three sorts: OS, IP, and IS,
  - vi. Proportion of Mailing Online volume that received only the following two sorts: OP and OS,
  - vii. Proportion of Mailing Online volume that received only the following two sorts: OP and IP,
  - viii. Proportion of Mailing Online volume that received only the following two sorts: OP and IS,
  - ix. Proportion of Mailing Online volume that received only the following two sorts: OS and IP,

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- x. Proportion of Mailing Online volume that received only the following two sorts: OS and IS,
- xi. Proportion of Mailing Online volume that received only the following two sorts: IP and IS,
- xii. Proportion of Mailing Online volume that received only an OP sort:
- xiii. Proportion of Mailing Online volume that received only an OS sort:
- xiv. Proportion of Mailing Online volume that received only an IP sort:
- xv. Proportion of Mailing Online volume that received only an IS sort:
- f. For the market test period, please provide the following estimates.
  - i. Proportion of Mailing Online volume that will receive all four of the above sorts (OP, OS, IP, and IS),
  - ii. Proportion of Mailing Online volume that will receive only the following three sorts: OP, IP, and IS,
  - iii. Proportion of Mailing Online volume that will receive only the following three sorts: OP, OS, and IS,
  - iv. Proportion of Mailing Online volume that will receive only the following three sorts: OP, OS, and IP,
  - v. Proportion of Mailing Online volume that will receive only the following three sorts: OS, IP, and IS,
  - vi. Proportion of Mailing Online volume that will receive only the following two sorts: OP and OS,
  - vii. Proportion of Mailing Online volume that will receive only the following two sorts: OP and IP,
  - viii. Proportion of Mailing Online volume that will receive only the following two sorts: OP and IS,
  - ix. Proportion of Mailing Online volume that will receive only the following two sorts: OS and IP,
  - x. Proportion of Mailing Online volume that will receive only the following two sorts: OS and IS,
  - xi. Proportion of Mailing Online volume that will receive only the following two sorts: IP and IS,
  - xii. Proportion of Mailing Online volume that will receive only an OP sort:
  - xiii. Proportion of Mailing Online volume that will receive only an OS sort:
  - xiv. Proportion of Mailing Online volume that will receive only an IP sort:
  - xv. Proportion of Mailing Online volume that will receive only an IS sort:
- g. For the experimental test period, please provide the following estimates.
  - i. Proportion of Mailing Online volume that will receive all four of the above sorts (OP, OS, IP, and IS),
  - ii. Proportion of Mailing Online volume that will receive only the following three sorts: OP, IP, and IS,
  - iii. Proportion of Mailing Online volume that will receive only the following three sorts: OP, OS, and IS,

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- iv. Proportion of Mailing Online volume that will receive only the following three sorts: OP, IP, and IS,
- v. Proportion of Mailing Online volume that will receive only the following three sorts: OS, IP, and IS,
- vi. Proportion of Mailing Online volume that will receive only the following two sorts: OP and OS,
- vii. Proportion of Mailing Online volume that will receive only the following two sorts: OP and IP,
- viii. Proportion of Mailing Online volume that will receive only the following two sorts: OP and IS,
- ix. Proportion of Mailing Online volume that will receive only the following two sorts: OS and IP,
- x. Proportion of Mailing Online volume that will receive only the following two sorts: OS and IS,
- xi. Proportion of Mailing Online volume that will receive only the following two sorts: IP and IS,
- xii. Proportion of Mailing Online volume that will receive only an OP sort:
- xiii. Proportion of Mailing Online volume that will receive only an OS sort:
- xiv. Proportion of Mailing Online volume that will receive only an IP sort:
- xv. Proportion of Mailing Online volume that will receive only an IS sort:
- h. Please provide, separately for the operation, market, and experimental test periods, estimates of the downflow densities of Mailing Online volume, from acceptance through delivery.
- i. Please provide, separately for the operation, market, and experimental test periods, a description of all mail processing steps that Mailing Online pieces could pass through, from acceptance through first piece handling.
- j. During the experimental test period, will the Postal Service collect data responsive to this interrogatory? If not, why not?

RESPONSE:

- a. As used in my testimony, the following terms are defined:
  - i. "merged" means combined;
  - ii. "batched" means aggregated into a single file;
  - iii. "presorted" means to be sorted prior to entry; and
  - iv. "maximum depth of sort" means the greatest extent of sortation possible within a given batch.

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b. Operational test estimates:

i-vi. These proportions have not been calculated or estimated. The operations test is not intended to, nor should it, serve as a model or proxy for any usage patterns that could be observed during the market test or experiment. Moreover, details of post-entry mail processing will be wholly unrelated to requested Mailing Online fees, since they are based solely upon pre-mail costs. Once entered, I understand that Mailing Online pieces are handled in accord with their automation compatible characteristics.

vii-xi. None of the operational test volume has been sorted at the entry facility since it is promptly sent via Express Mail dropship to plants in Tampa and Hartford, depending upon the customer's location.

xii. All Mailing Online operational volume received its first piece sort after dispatch from the entry facility (due to drop shipment handling).

c. As explained in the response to part (b) of this interrogatory, no estimates are available for the market test period.

d-i. The dearth of available information precludes answering this question, which is why the Postal Service is requesting a market test and experiment in this proceeding. See also, my response to part (b), above.

j. Since the proposed Mailing Online fees are based solely upon pre-mail costs, and Mail Online pieces are processed in conformity with existing procedures and capabilities, there is no need to study these issues.

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*Collection of Mail Online mailpiece characteristics data will suffice for*  
informing any determination regarding the appropriate mail categories in  
which any permanent Mail Online mailpieces should be entered.

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**OCA/USPS-T1-22.** Please refer to the attached copy of the Federal Register notice of a new Postal Service system of records styled "Customer Programs-Customer Electronic Document Preparation and Delivery Service Records" (63 FR 28016-18, May 21, 1998).

- a. Please confirm that this new system of records relates to materials submitted by customers of the Mailing Online Service. If not, please explain.
- b. Please provide a copy or copies of the license agreement or agreements between the Postal Service and the commercial printers referred to in the notice under which the commercial printers will be operating when printing and mailing "Mailing Online" materials.
- c. The notice indicates the Postal Service will retain one copy of each address list for a period of 30 days and which will be retained longer than 30 days only at the customer's request. Does this procedure also apply to the master document submitted by the customer? If not, please explain.
- d. In cases where the customer requests the Postal Service to retain mailing lists for longer than 30 days, how long will such material be retained and what procedures will be followed to determine when and how to dispose of the information?
- e. In cases where the customer requests the Postal Service to retain master documents for longer than 30 days, how long will such material be retained and what procedures will be followed to determine when and how to dispose of the information?
- f. Will the commercial printers retain address lists or master documents for longer than 30 days? If so how long will such material be retained and what procedures will be followed to determine when and how to dispose of the information?
- g. Please confirm that inasmuch as no comments on the notice were received, the proposal to establish a system of records as provided in the notice became effective June 30, 1998. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. USPS-LR-5/MC98-1 constitutes the entire agreement between the Postal Service and the commercial printers referred to in the notice.
- c. Currently, the default retention period for both documents and mailing lists submitted by customers is 30 days.

MC98-1



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- d-e. A system enhancement to be implemented for the market test will allow users to extend either retention period for an additional 30 days, at their option. As I understand the maintenance process, it occurs thusly: when first placed in the database, files are tagged with an expiration date; each day at a specified time a system routine which checks expiration dates automatically runs and deletes files due for deletion using standard file deletion procedures.
- f. Commercial printers are contractually required to delete all Mailing Online files upon completion of the job. No files will be retained by the printers any longer than is necessary to assure successful completion of their daily work.
- g. Partially confirmed. One comment was received from a certain David B. Popkin. That comment was acknowledged, and the system of records is now being maintained.

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OCA/USPS-T1-23. Please refer to your testimony at page 1, footnote 2. You state, "The Postal Service will provide full service access via the World Wide Web, using browser functions in lieu of user-installed software."

- a. Please describe in detail how a Mailing Online customer would transmit a Word document "via the World Wide Web, using browser functions in lieu of user-installed software" during (i) the operations test period, (ii) the market test period, (iii) the experimental period, (iv) the post-experiment period.
- b. Please reconcile your testimony with the following. "The Postal Service's preferred objective for this experiment is to have it recommended by the Commission by the end of November, 1998. This would allow the Postal Service to explore the possibility that major software developers could integrate Mailing Online into impending updates of software in order to make the service widely and easily available . . . ." Motion of the USPS for Expedition . . . , July 15, 1998. In particular, why is such integration necessary if "full service access via the World Wide Web" is available "using browser functions in lieu of user-installed software"?
- c. Please explain how "integrat[ing] Mailing Online into impending updates of software [would] make the service [more] widely and easily available."

RESPONSE:

- a. (i-iii) Using the built-in file transfer capability of standard browser software, the Mailing Online Web server receives files selected for upload by users from content resident on their local drives or network. This is accomplished via a series of Hyper Text Markup Language (HTML) pages which the user views and interacts with while online using the World Wide Web. This process is enabled by the capabilities of the browser and therefore does not require additional software such as might be used in a point-to-point file transfer.  
  
(iv) Unknown.
- b-c. Given the fact that the internet is just an access channel, and the World Wide Web is only a graphical interface to the internet, it is important for destinations on the internet to have effective "signposts". Unlike a PC

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application which retains and reloads all user information and settings, an internet application effectively disappears each time the user signs off.

Although getting to and navigating the World Wide Web is as simple as "point and click", a user must first know how to get to a specific destination the first time, and then must remember how to return. The "point and click" hyper-linking characteristic has prompted an integration of World Wide Web functionality into many desktop applications such as word processors and even operating systems, e.g. Windows 98. Since Mailing Online access is only available via the World Wide Web, and since its functions compliment but do not replace a user's desktop applications, having "point and click" access to Mailing Online conveniently embedded in the applications themselves, and perhaps even in the desktop operating system as well, will certainly make the service more widely and easily available.

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**OCA/USPS-T1-24.** Please refer to Exhibit 1 to your response to interrogatory OCA/USPS-T1-10.

- a. For each date on which more than one transaction occurred, please provide the number of different mailers who transmitted on that date and the volume transmitted on that date by mailer.
- b. Please provide the total number of different mailers who have utilized Mailing Online during the period covered by Exhibit 1.
- c. For each separate mailer who has utilized Mailing Online during the period covered by Exhibit 1, please provide the total number of transactions that occurred during the period covered by Exhibit 1 and the dates on which those transactions occurred. (It is not necessary to identify mailers; merely differentiate them.)
- d. For each separate mailer who has utilized Mailing Online during the period covered by Exhibit 1, please provide the total number of transactions that occurred in each calendar month during the period covered by Exhibit 1.
- e. For each separate mailer who has utilized Mailing Online during the period covered by Exhibit 1, please provide the average number of transactions per calendar month during the period covered by Exhibit 1.

**RESPONSE.**

Answers to each of these questions are provided in the Attachment to Response to OCA/USPS-T1-24. The body of the Attachment contains five pages. One of these reports on operations test activity in Hartford, while the other four report on activity in Tampa. Please note that these latter four pages consist of a single table physically arrayed across all four pages, with columns representing each operations test customer and each row representing dates.

## Attachment to Response to OCA/USPS-T1-24, Page 1

Tampa Market	Customer_ID								
Submit Date	Data	102753531	336035201	336053810	336062533	336131223	336154416	336241207	797380048
3/19/98	Sum of Jobs	0	0	0	0	1	0	0	0
	Sum of Total_No_Pages	0	0	0	0	9	0	0	0
	Sum of Total_No_Env	0	0	0	0	8	0	0	0
3/20/98	Sum of Jobs	0	0	1	0	0	0	0	0
	Sum of Total_No_Pages	0	0	3320	0	0	0	0	0
	Sum of Total_No_Env	0	0	1660	0	0	0	0	0
3/24/98	Sum of Jobs	0	0	0	0	0	0	1	0
	Sum of Total_No_Pages	0	0	0	0	0	0	10	0
	Sum of Total_No_Env	0	0	0	0	0	0	10	0
3/27/98	Sum of Jobs	0	0	0	1	0	0	0	0
	Sum of Total_No_Pages	0	0	0	2	0	0	0	0
	Sum of Total_No_Env	0	0	0	2	0	0	0	0
4/6/98	Sum of Jobs	0	0	1	0	0	0	0	0
	Sum of Total_No_Pages	0	0	238	0	0	0	0	0
	Sum of Total_No_Env	0	0	119	0	0	0	0	0
4/10/98	Sum of Jobs	0	1	0	0	0	0	0	0
	Sum of Total_No_Pages	0	1070	0	0	0	0	0	0
	Sum of Total_No_Env	0	535	0	0	0	0	0	0
4/13/98	Sum of Jobs	0	0	0	0	0	0	1	0
	Sum of Total_No_Pages	0	0	0	0	0	0	3662	0
	Sum of Total_No_Env	0	0	0	0	0	0	1831	0
4/20/98	Sum of Jobs	0	0	1	0	0	1	0	1
	Sum of Total_No_Pages	0	0	2804	0	0	999	0	3800
	Sum of Total_No_Env	0	0	1302	0	0	999	0	3500
4/21/98	Sum of Jobs	0	1	0	0	0	0	0	0
	Sum of Total_No_Pages	0	356	0	0	0	0	0	0
	Sum of Total_No_Env	0	88	0	0	0	0	0	0
4/22/98	Sum of Jobs	0	1	0	0	0	0	0	0
	Sum of Total_No_Pages	0	1593	0	0	0	0	0	0
	Sum of Total_No_Env	0	531	0	0	0	0	0	0
4/29/98	Sum of Jobs	0	1	0	0	0	0	0	0
	Sum of Total_No_Pages	0	1527	0	0	0	0	0	0
	Sum of Total_No_Env	0	509	0	0	0	0	0	0
5/2/98	Sum of Jobs	0	1	0	0	0	0	0	0
	Sum of Total_No_Pages	0	282	0	0	0	0	0	0
	Sum of Total_No_Env	0	84	0	0	0	0	0	0
5/5/98	Sum of Jobs	0	0	0	1	0	0	0	0
	Sum of Total_No_Pages	0	0	0	9	0	0	0	0
	Sum of Total_No_Env	0	0	0	3	0	0	0	0
5/8/98	Sum of Jobs	0	0	0	1	0	0	0	0
	Sum of Total_No_Pages	0	0	0	83	0	0	0	0
	Sum of Total_No_Env	0	0	0	31	0	0	0	0
5/20/98	Sum of Jobs	0	4	0	0	0	0	0	0
	Sum of Total_No_Pages	0	8721	0	0	0	0	0	0
	Sum of Total_No_Env	0	1577	0	0	0	0	0	0
5/26/98	Sum of Jobs	0	1	0	2	0	0	0	0
	Sum of Total_No_Pages	0	2038	0	12	0	0	0	0
	Sum of Total_No_Env	0	509	0	6	0	0	0	0
5/29/98	Sum of Jobs	0	1	0	0	0	0	0	0
	Sum of Total_No_Pages	0	272	0	0	0	0	0	0
	Sum of Total_No_Env	0	68	0	0	0	0	0	0
6/1/98	Sum of Jobs	0	0	0	0	0	1	0	0
	Sum of Total_No_Pages	0	0	0	0	0	1272	0	0
	Sum of Total_No_Env	0	0	0	0	0	1272	0	0
08-Jun-1998	Sum of Jobs	0	1	0	0	0	0	0	0
	Sum of Total_No_Pages	0	54	0	0	0	0	0	0
	Sum of Total_No_Env	0	54	0	0	0	0	0	0
09-Jun-1998	Sum of Jobs	0	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0	0
11-Jun-1998	Sum of Jobs	0	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0	0
17-Jun-1998	Sum of Jobs	1	0	0	0	0	0	0	0
	Sum of Total_No_Pages	280	0	0	0	0	0	0	0
	Sum of Total_No_Env	280	0	0	0	0	0	0	0
26-Jun-1998	Sum of Jobs	0	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0	0

## Attachment to Response to OCA/USPS-T1-24, Page 2

	Sum of Total_No_Env	0	0	0	0	0	0	0
.7-Jun-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
01-Jul-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
02-Jul-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
07-Jul-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
08-Jul-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
09-Jul-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
14-Jul-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
21-Jul-1998	Sum of Jobs	0	1	0	0	0	0	0
	Sum of Total_No_Pages	0	58	0	0	0	0	0
	Sum of Total_No_Env	0	68	0	0	0	0	0
23-Jul-1998	Sum of Jobs	0	1	0	0	0	0	0
	Sum of Total_No_Pages	0	188	0	0	0	0	0
	Sum of Total_No_Env	0	47	0	0	0	0	0
26-Jul-1998	Sum of Jobs	0	0	1	0	0	0	0
	Sum of Total_No_Pages	0	0	3972	0	0	0	0
	Sum of Total_No_Env	0	0	1324	0	0	0	0
29-Jul-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
30-Jul-1998	Sum of Jobs	0	0	0	0	0	0	0
	Sum of Total_No_Pages	0	0	0	0	0	0	0
	Sum of Total_No_Env	0	0	0	0	0	0	0
Total Sum of Jobs		1	14	4	5	1	2	1
Total Sum of Total_No_Pages		280	14157	10134	116	9	2271	3672
Total Sum of Total_No_Env		280	4071	4405	42	9	2271	3600
Transactions By Month								
March		0	0	1	1	1	0	1
April		0	4	2	0	0	1	1
May		0	7	0	4	0	0	0
June		1	1	0	0	0	1	0
July		0	2	1	0	0	0	0
Transactions/Mo		0.20	2.80	0.80	1.00	0.20	0.40	0.20

## Attachment to Response to OCA/USPS-T1-24, Page 3

											COUNTS	
13006099	813007863	813008304	813002130	336053810	813008304	813007883	797380046	813004188	336183802	Grand Total	# Customers per day	
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	9		
0	0	0	0	0	0	0	0	0	0	9		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	3320		
0	0	0	0	0	0	0	0	0	0	1660		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	10		
0	0	0	0	0	0	0	0	0	0	10		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	2		
0	0	0	0	0	0	0	0	0	0	2		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	238		
0	0	0	0	0	0	0	0	0	0	119		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	1070		
0	0	0	0	0	0	0	0	0	0	535		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	3882		
0	0	0	0	0	0	0	0	0	0	1831		
0	0	0	0	0	0	0	0	0	0	3	3	
0	0	0	0	0	0	0	0	0	0	7203		
0	0	0	0	0	0	0	0	0	0	5801		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	356		
0	0	0	0	0	0	0	0	0	0	89		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	1593		
0	0	0	0	0	0	0	0	0	0	631		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	1527		
0	0	0	0	0	0	0	0	0	0	509		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	282		
0	0	0	0	0	0	0	0	0	0	64		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	9		
0	0	0	0	0	0	0	0	0	0	3		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	93		
0	0	0	0	0	0	0	0	0	0	31		
0	0	0	0	0	0	0	0	0	0	4	1	
0	0	0	0	0	0	0	0	0	0	8721		
0	0	0	0	0	0	0	0	0	0	1577		
0	0	0	0	0	0	0	0	0	0	3	2	
0	0	0	0	0	0	0	0	0	0	2048		
0	0	0	0	0	0	0	0	0	0	515		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	272		
0	0	0	0	0	0	0	0	0	0	68		
0	0	0	0	0	0	0	0	0	0	1	1	
0	0	0	0	0	0	0	0	0	0	1272		
0	0	0	0	0	0	0	0	0	0	1272		
0	0	2	0	0	0	0	0	0	0	3	2	
0	0	-3	0	0	0	0	0	0	0	46		
0	0	-2	0	0	0	0	0	0	0	52		
0	3	0	0	0	0	0	0	0	0	3	1	
0	14	0	0	0	0	0	0	0	0	14		
0	9	0	0	0	0	0	0	0	0	9		
1	1	1	0	0	0	0	0	0	0	3	3	
188	2	-4	0	0	0	0	0	0	0	188		
188	2	-1	0	0	0	0	0	0	0	189		
2	1	1	0	0	0	0	0	0	0	5	4	
244	6	20	0	0	0	0	0	0	0	550		
172	6	5	0	0	0	0	0	0	0	463		
0	0	0	1	0	0	0	0	0	0	1	1	
0	0	0	9	0	0	0	0	0	0	9		

## Attachment to Response to OCA/USPS-T1-24, Page 4

0	0	0	3	0	0	0	0	0	0	3	
0	0	0	0	1	0	0	0	0	0	1	1
0	0	0	0	2588	0	0	0	0	0	2588	
0	0	0	0	1293	0	0	0	0	0	1293	
0	0	0	1	0	0	0	0	0	0	1	1
0	0	0	937	0	0	0	0	0	0	937	
0	0	0	937	0	0	0	0	0	0	937	
0	0	0	0	0	1	0	0	0	0	1	1
0	0	0	0	0	4508	0	0	0	0	4508	
0	0	0	0	0	1142	0	0	0	0	1142	
0	0	0	0	0	0	3	1	0	0	4	2
0	0	0	0	0	0	11	5336	0	0	6347	
0	0	0	0	0	0	11	2868	0	0	2879	
0	0	0	0	0	0	0	1	1	0	2	2
0	0	0	0	0	0	0	3676	2178	0	5854	
0	0	0	0	0	0	0	1838	2178	0	4016	
0	0	0	0	0	0	0	0	1	0	1	1
0	0	0	0	0	0	0	0	2178	0	2178	
0	0	0	0	0	0	0	0	2178	0	2178	
0	0	1	0	0	0	0	0	0	0	1	1
0	0	4544	0	0	0	0	0	0	0	4544	
0	0	1136	0	0	0	0	0	0	0	1136	
0	0	0	0	0	0	0	0	0	0	1	1
0	0	0	0	0	0	0	0	0	0	58	
0	0	0	0	0	0	0	0	0	0	58	
1	0	0	0	0	0	0	0	0	0	2	2
1240	0	0	0	0	0	0	0	0	0	1428	
310	0	0	0	0	0	0	0	0	0	357	
0	0	0	0	0	0	0	0	0	0	1	1
0	0	0	0	0	0	0	0	0	0	3972	
0	0	0	0	0	0	0	0	0	0	1324	
0	0	0	0	0	0	0	0	0	2	2	1
0	0	0	0	0	0	0	0	0	9980	9980	
0	0	0	0	0	0	0	0	0	4990	4990	
0	0	0	0	0	1	0	0	0	0	1	1
0	0	0	0	0	4864	0	0	0	0	4864	
0	0	0	0	0	1168	0	0	0	0	1168	
4	5	5	2	1	2	3	2	2	2	58	18
1672	22	4552	948	2588	9232	11	9012	4356	9980	76808	
670	17	1138	940	1293	2308	11	4508	4356	4990	38748	
0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0		
3	5	4	1	1	0	0	0	0	0		
1	0	1	1	0	2	3	2	2	2		
0.80	1.00	1.00	0.40	0.20	0.40	0.60	0.40	0.40	0.40		



## Attachment to Response to OCA/USPS-T1-24, Page 5

Hardford Market	Customer_ID	8600022607	8600037115	8600077999	8600125003	8600180951	8600184453	8600189001	860011427	860017995	Grand Total	COUNTS
Submit Date	860001101											
5/3/98	0	1	0	0	0	0	0	0	0	0	1	1
	Sum of Jobs	130	0	0	0	0	0	0	0	0	130	
	Sum of Total No. Pages	65	0	0	0	0	0	0	0	0	65	
5/5/98	0	0	0	1	0	0	0	0	0	0	1	1
	Sum of Jobs	0	0	1	0	0	0	0	0	0	1	
	Sum of Total No. Pages	0	0	2	0	0	0	0	0	0	2	
5/7/98	0	0	0	0	0	0	0	0	0	0	0	1
	Sum of Jobs	0	0	0	0	0	0	0	0	0	0	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
5/18/98	0	0	27	0	0	0	0	0	0	0	27	1
	Sum of Jobs	0	27	0	0	0	0	0	0	0	27	
	Sum of Total No. Pages	0	27	0	0	0	0	0	0	0	27	
5/21/98	26	0	0	2	0	0	0	0	0	0	2	1
	Sum of Jobs	0	0	2	0	0	0	0	0	0	2	
	Sum of Total No. Pages	0	0	2487	0	0	0	0	0	0	2487	
5/23/98	14	0	0	0	0	0	0	0	0	0	0	1
	Sum of Jobs	0	0	0	0	0	0	0	0	0	0	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
5/25/98	0	1304	0	0	0	0	0	0	0	0	1304	1
	Sum of Jobs	1304	0	0	0	0	0	0	0	0	1304	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
5/23/99	0	0	0	2	0	0	0	0	0	0	2	1
	Sum of Jobs	0	0	2	0	0	0	0	0	0	2	
	Sum of Total No. Pages	0	0	316	0	0	0	0	0	0	316	
06-Jun-1998	0	0	0	159	0	0	0	0	0	0	159	2
	Sum of Jobs	0	0	159	0	0	0	0	0	0	159	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
10-Jun-1998	0	96	0	0	442	0	0	0	0	0	538	1
	Sum of Jobs	96	0	0	442	0	0	0	0	0	538	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
17-Jun-1998	0	0	0	0	996	0	0	0	0	0	996	1
	Sum of Jobs	0	0	0	996	0	0	0	0	0	996	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
22-Jun-1998	0	0	0	0	0	39	0	0	0	0	39	1
	Sum of Jobs	0	0	0	0	39	0	0	0	0	39	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
25-Jun-1998	0	0	0	0	0	0	0	0	0	0	0	1
	Sum of Jobs	0	0	0	0	0	0	0	0	0	0	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
07-Jul-1998	0	0	0	0	0	0	0	4527	0	0	4527	1
	Sum of Jobs	0	0	0	0	0	0	4527	0	0	4527	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
08-Jul-1998	0	0	0	0	0	0	0	1509	0	0	1509	1
	Sum of Jobs	0	0	0	0	0	0	1509	0	0	1509	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
14-Jul-1998	0	0	0	0	0	0	0	0	272	0	272	1
	Sum of Jobs	0	0	0	0	0	0	0	272	0	272	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
21-Jul-1998	0	0	0	0	0	0	0	0	744	0	744	1
	Sum of Jobs	0	0	0	0	0	0	0	744	0	744	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
30-Jul-1998	0	0	0	0	0	0	0	0	0	0	0	2
	Sum of Jobs	0	0	0	0	0	0	0	0	0	0	
	Sum of Total No. Pages	0	0	0	0	0	0	0	0	0	0	
Total Sum of Jobs	2	3	1	5	5	45	12	4527	1010	33	11778	10
Total Sum of Total No. Pages	26	1532	27	2805	1704	30	6	1509	1010	33	8453	
Transactions By Month	14	1467	27	2947	1704	30	6	1509	1010	33	8453	
May	0	0	0	0	0	0	0	0	0	0	0	
June	0	0	0	0	0	0	0	0	0	0	0	
July	0	0	0	0	0	0	0	0	0	0	0	
Transactions/Mth	0.67	1.00	0.33	1.67	1.67	0.67	0.67	0.33	0.67	0.33	0.33	

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OCA/USPS-T1-25. Please refer to your response to interrogatory OCA/USPS-T1-3(b)-(f). You state, "Mailing Online mail has been entered through the Dallas, Texas P&DC Business Mail Entry Unit (BMEU). However, primary processing was not performed at this plant since the mail was prepared for immediate drop shipping to plants at Tampa, Florida and/or Hartford, Connecticut."

- a. Please define "drop shipping" as used here.
- b. Please confirm that some shipments to Tampa contained "calendars to customers in Chicago and other cities around the country . . . ." USPS-T-7 at 2, line 4. If you do not confirm, please explain.
- c. Does the Dallas P&DC routinely prepare dispatches to Tampa and Hartford as part of its outgoing sort plan? If not, to where would Dallas routinely dispatch pieces destined for Tampa or Hartford?
- d. You state "that no exceptional handling was requested" for Mailing Online mail entered through the Dallas P&DC. Please define "exceptional handling."
- e. You state that Mailing Online mail "was prepared in pouches labeled for drop shipment." Please describe all transportation received by these pouches, including the origin and destination of each leg, from the time the pouches are dispatched from the Dallas P&DC.

**RESPONSE:**

- a. Drop shipping refers here to the enclosure of prepared mailings within pre-labeled Express Mail pouches prior to acceptance at a local Business Mail Entry Unit. The pouches are sealed after local acceptance processing and dispatched via Express Mail transportation to another office for "open and distribute" handling, meaning that the pouches are opened at the destination facility and the enclosed mail is entered into the processing stream as appropriate for its class and makeup.
- b. I can only confirm that Witness Wilcox so testifies in USPS-T-7.
- c. I have no knowledge of the sort plans at the Dallas, Texas P&DC. Such knowledge is immaterial to the Mailing Online operations test.

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- d. For this purpose, it refers to any handling outside of the usual or any request beyond the ordinary course of business as defined by an entry unit's normal operating procedures.
- e. Transportation for the Express Mail drop shipments from Dallas to Tampa and Hartford are detailed on the attached Express Mail Service Leg forms, Attachments 1 & 2.

U.S. POSTAL SERVICE EXPRESS MAIL SERVICE LEG					2a. ND PU [ ]	3. 1st Ship 05/01/98	4. Cancel / /
G/X G	City Code 200	Agmt.No. 494	Leg No. 089	Int'l	2b. Reship [ ]	5. Chg Date 05/04/98	Items 7a
FROM: MANAGER OF MARKETING DALLAS DISTRICT 951 W BETHEL RD COPPELL TX 75099-9996					17. TO: MANAGER-DISTRIBUTION & OPERATIONS "OPEN & DISTRIBUTE" 141 WESTON ST HARTFORD CT 06101-9702		
Firm Representative Phone EXPEDITED SRV SPEC (214) 760-4640					Firm Representative Phone EXPEDITED SRV SPEC		
7a. Pickup between 1130-1230					18a. Delivery between		
7b. By: 75240					18b. By:		
B. Customer tender before: To: [ ] P.O. [ ] AMF Name: Zip + 4 Code :					19. Customer claim after: 0130 To: [ X ] P.O. [ ] AMF Name: HARTFORD CT Zip + 4 Code: 06101-9702		
9. Mailed	Mon X	Tue X	Wed X	Thu X	Fri X	Sat X	Sun
Delivered	X	X	X	X	X	X	
10. FREQUENCY CODE Mailing Delivery Service K7 K7 22 Exception to established frequency					20. Pickup chg waiver Del. chg waiver [ ] [ X ]		
12. Service less than weekly					21. EMCA established at:  WASHINGTON DC Phone: EMCA Chargeback Code:		
13. USPS Notes PICK UP ADDRESS:  XEROX DTC 4490 ALPHA RD DALLAS TX 75244-4505  XEROX WILL CALL SPRING VALLEY WHEN SATURDAY PICK UP IS NEEDED.					22. Express Mail Zone:  23. Agency Control No.: 411 Sub-Control No.: 02548		
24. ROUTING INFORMATION							
DEPART					ARRIVE		
Place Time					Place Time		
NTMPC 1405 750VS372					DFW 1405		
DFW 1720 AA1890					BDL 2		
SAME-DAY							
SERVICE							

OPTIONAL FORM 38 (7-92)

## FAX TRANSMITTAL

Page 2

From	
Phone	
Fax	

U.S. POSTAL SERVICE EXPRESS MAIL SERVICE LEG					2d. No. [ ]	3d. 1st. Date 03/10/98	4d. Office / /
G/X 6	City Code 200	Agmt. No. 494	Leg No. 088	Int'l	2b. Reship [ ]	5. Chg Date 05/04/98	Items 7a
FROM: MANAGER OF MARKETING DALLAS DISTRICT 951 W BETHEL RD COPPELL TX 75099-9996					17. TO: MANAGER-DISTRIBUTION & OPERATIONS "OPEN & DISTRIBUTE" 5201 WEST SPRUCE ST TAMPA FL 33630-9722		
Firm Representative Phone EXPEDITED SRV SPEC (214) 760-4640					Firm Representative Phone EXPEDITED SRV SPEC (202) 636-1401		
7a. Pickup between 1130-1230					18a. Delivery between -		
7b. By: 75240					18b. By:		
8. Customer tender before: To: [ ] P.O. [ ] AMF Name: Zip + 4 Code :					19. Customer claim after: 2359 To: [ X ] P.O. [ ] AMF Name: TAMPA FL Zip + 4 Code: 33630-9722		
9. Mailed	Mon	Tue	Wed	Thu	Fri	Sat	Sun
	X	X	X	X	X	X	
Delivered	X	X	X	X	X	X	
10. FREQUENCY CODE Mailing Delivery Service K7 K7 22					20. Pickup chg waiver Del. chg waiver [ ] [ X ]		
...Exception to established frequency					21. EMCA established at:  Phone:  EMCA Chargeback Code:		
12. Service less than weekly					22. Express Mail Zone:  23. Agency Control No.: 411  Sub-Control No.: 02548		
13. USPS Notes PICK UP ADDRESS:  XEROX DTC 4490 ALPHA RD DALLAS TX 75244-4503  XEROX WILL CALL SPRING VALLEY WHEN SATURDAY PICKUP IS NEEDED.					24. ROUTING INFORMATION DEPART ARR. Place Time Place NTMPC 1405 750VB372 DFW DFW 1920 DL930 TPA  SAME-DAY  SERVICE		
14. SIC 7399		15. Mkt No.					
Account Rep: BUSINESS CTR							
25. Signature: DIANA FISHER							

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OCA/USPS-T1-26. Please refer to your response to OCA/USPS-T1-2. Please explain the rationale for having the Postal Service hold the permits on which the mailings are submitted.

RESPONSE:

Two factors influenced this decision: (1) since the Postal Service is collecting the postage directly from Mailing Online customers, it will have funds in hand when the transaction is complete. It would not make sense, nor would it be cost effective, to transfer these postage funds to a third party only to receive them again when the mail is entered some 24 hours later. (2) Since the files are being split and routed based on ZIP Codes, and then batched according to print site destination, postage paid for one customer transaction will potentially represent multiple entry points. The consequent accounting would represent a formidable challenge if a centralized accounting system were not being used, and the only logical holder of such a centralized account is the Postal Service since all other parties are site specific vendors or customers.

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OCA/USPS-T1-27. Please refer to your response to OCA/USPS-T1-3(d).  
Please provide a copy of the pages which will have prices entered upon them,  
and any other pages that are changed, from USPS-LR-5/MC98-1 once  
signatures are affixed.

RESPONSE:

The completed and signed contract, including prices, will be filed as a Library

Reference immediately upon award. Award is expected to be made within days.

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OCA/USPS-T1-28. Please refer to your response to OCA/USPS-T1-11(a) and (b).

- a. Please identify the "portions" of the three stated metropolitan areas that are part of the market test area.
- b. Please explain whether the "portions" of the three stated metropolitan areas that are part of the market test are defined in terms of geography, organization, or some other manner. Please describe the "portions" in detail.
- e. Please explain whether the "review" of the geographic areas suitable for the test expansion consisted of a market survey, a report prepared by or for the Postal Service, or some other analysis. Please describe the review in detail.

**RESPONSE:**

- a. See USPS-LR-9/MC98-1 for a complete listing of ZIP Codes within the three metropolitan areas. Please note also that the current two operations test areas will continue into the market test.
- b. The portions chosen represent defined marketing areas known as Designated Marketing Areas (DMAs). This method of delineation allows some degree of control over media marketing.
- c. Our review involved defining the characteristics of high potential candidates for the PostOffice Online market test. These characteristics were then set forth as factors suitable for analysis. These factors are:
  - i. Index of Small Businesses/Square Mile
  - ii. Index of Small Businesses in High Potential Industries (Wholesale, Financial, Services)
  - iii. Index of Work-at-Homes/Square Mile
  - iv. Index of USPS Expedited (Express + Priority) per Small Business
  - v. Index of Percent of Population Internet Enabled



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The suitable geographic areas were scored by Price Waterhouse LLP using these factors and a series of fairly contiguous DMAs were chosen which we thought would be likely to provide the several thousand viable and interested candidate users we sought.

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**OCA/USPS-T1-29. Please refer to your response to OCA/USPS-T1-12.**

- a. Please explain how the number of market test participants will be "limited to several thousand."
  - i. Does the Postal Service presently possess, or is it in the process of preparing, a list of "several thousand" market test participants? If so, please provide the list.
  - ii. Will the several thousand market test participants be "limited" by their geographic location? Please explain.
  - iii. Will the several thousand market test participants be "limited" as a consequence of their association with one or more organizations? If so, please name the organization and provide the list of participants.
- b. Please identify and provide the costs associated with "informing potential customers or advertising the availability of Mailing Online service during the expanded (market) test period."
- c. Please identify the table(s) in the testimony of witness Seckar, and the attachment(s) and page number(s) in the testimony of witness Stirewalt, containing the costs of "informing potential customers or advertising the availability of Mailing Online service during the expanded (market) test period."

**RESPONSE:**

a. First, the area of the test is geographically bounded as explained in my Response to OCA/USPS-T1-28 above; second, parties interested in participating will be asked a series of qualifying questions prior to registration. See my Response to DBP/USPS-T1-3(c).

Those providing answers consistent with our established criteria will be permitted to register and become users of the PostOffice Online (POL) services. A limitation of 5000 active registrants has been programmed into the system; an active registrant is defined by having either just registered or performed some POL transaction within the last 30 days. Inactive registrants will be dropped after 30 days of inactivity and new participants allowed to register to fill those slots.

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- i. No list exists.
  - ii. Yes, participants must provide an address within the market test area as part of the registration process.
  - iii. No, participation will be not be based in any way on organizational affiliation.
- b. Redirected to the Postal Service.
  - c. Redirected to the Postal Service.

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OCA/USPS-T1-30. Please refer to your testimony at page 1, lines 11-12. In the year 2001, please identify how many 5-digit ZIP Codes will be within the geographic area of each commercial print site.

RESPONSE:

Procedures for determining exact boundaries have not been established.

Determinations are likely to be based on demonstrated destinating volume.

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**OCA/USPS-T1-31.** Please refer to your testimony at page 2, line 7, concerning address hygiene.

- a. Please explain the phrase "address hygiene."
- b. Please describe the activities of the computer network control center to provide "address hygiene" for Mailing Online customers.

**RESPONSE:**

- a. In the context of my testimony, "address hygiene" refers to the validation, standardization and ZIP+4 Code appending process performed by the Mailing Online network control center in processing customer address files.
- b. See my Response to MASA/USPS-T5-8. As I understand it, the Mailing Online system uses the USPS Address Management System (AMS) database to accomplish the following process:
  - i. Compare complete address records to the current national database;
  - ii. validate, and modify if necessary and possible, the individual elements of address records such as street spelling and ZIP Code;
  - iii. validate each address's conformance, or lack of;
  - iv. assign ZIP+4 Codes and carrier route identification to valid addresses, and;
  - v. identify specific problems with unverifiable address records if possible and tag them with return codes.

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**OCA/USPS-T1-32.** Please refer to your testimony at page 9, lines 18-20.

- a. Please provide the internet address to be used by Mailing Online customers during the expanded (market) test.
- b. Also, please provide the internet address currently in use during the operations test. Witness Wilcox refers to it as "PostOffice Online. See response to interrogatory OCA/USPS-T7-5.

**RESPONSE:**

- a. <http://www.postofficeonline.com>
- b. <http://www.postofficeonline.com/dtpo>

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**OCA/USPS-T1-33.** Please refer to your testimony at pages 9 and 10, lines 10-20, and 1-10, respectively.

- a. Please confirm that during the expended [sic] (market) test, an individual customer, located within one (or more) of the three metropolitan areas, that seeks to use the Mailing Online service for a one-time mailing, will be able to do so. If you do not confirm, please explain.
- b. Please confirm that during the expanded (market) test, an individual customer, located within one (or more) of the three metropolitan areas, that seeks to use the Mailing Online service for a one-time mailing consisting of a quantity of one, will be able to do so. If you do not confirm, please explain.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.

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**OCA/USPS-T1-34.** Please refer to your testimony at page 10, lines 2-5, where it states that Mailing Online customers "will be notified of addresses that cannot be matched with the Postal Service's Address Management System database and are therefore being purged from the list."

- a. Please confirm that during the operational test phase, the Postal Service did not offer the service feature described above to Mailing Online customers. If you do not confirm, please explain.
- b. Please confirm that during the expanded (market) test, the Postal Service plans to offer the service feature described above to Mailing Online customers. If you do not confirm, please explain.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.



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**OCA/USPS-T1-35.** Please refer to your testimony at page 10, lines 2-5, where it states that Mailing Online customers "will be notified of addresses that cannot be matched with the Postal Service's Address Management System database and are therefore being purged from the list." Please explain how this service feature described above differs from the special service

- a. ZIP Coding of Mailing Lists; and,
- b. Correction of Mailing Lists.

**RESPONSE:**

- a. If this question refers to the Diskette Coding service referred to in my Response to MASA/USPS-T5-8, the Mailing Online (MOL) address hygiene feature differs in several ways: 1) Diskette Coding requires the use of physical media for list submission; 2) a specific address hygiene service for lists is not currently offered as a distinct service within PostOffice Online, and is available only in conjunction with submission of a mailing list for creating a MOL mailing; 3) in MOL, the customer's standardized, ZIP+4 Coded list is not returned in a database format as it is in Diskette Coding; a viewable and/or printable list of unverifiable addresses is automatically returned online and verified addresses can then be used to create a mailing but are only accessible as a viewable PDF document; and 4) Diskette Coding is a one-time only service, MOL has no such limits.
- b. "Correction of Mailing Lists" is a hard-copy-based list correction service offered by the Postal Service. Like Diskette Coding, and unlike the address hygiene feature of MOL, it deals with physical media only, in this instance paper – cards and pages. In addition, it differs in these ways: 1)

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a fee is charged for each correction provided, 2) a labor-intensive physical review of these mailing lists is performed at each office involved; and 3) only physical records are used in lieu of the AMS database.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
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**OCA/USPS-T1-36.** Please refer to your testimony at page 10, lines 2-5, where it states that Mailing Online customers "will be notified of addresses that cannot be matched with the Postal Service's Address Management System database and are therefore being purged from the list."

- a. Please confirm that Mailing Online customers will be charged for the service feature described above. If you do not confirm, please explain.
- b. Please confirm that the Postal Service will return the corrected mailing list, or the names being purged from the list, to Mailing Online customers. If you do not confirm, please explain.

**RESPONSE:**

- a. Not confirmed. As explained in my testimony at page 2, lines 16-18, customers are charged postage plus a fee based upon printing and production options. These fees are explained in the testimony of Witness Plunkett.
- b. Confirmed that Mailing Online Customers will receive a viewable and/or printable list of unverifiable addresses via a PDF rendering online, these are the addresses being purged from the list.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
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**OCA/USPS-T1-37.** Please refer to your testimony at page 10, lines 2-5.

- a. Please confirm that during the expanded (market) test, some Mailing Online customers may submit a document for the sole purpose of determining premailing fees, without completing the transaction and making payment for the Mailing Online service. If you do not confirm, please explain.
- b. Please confirm that the activities of some Mailing Online customers referred to in part (a) of this interrogatory will involve costs to the Postal Service for which it will receive no revenues. If you do not confirm, please explain.
- c. Please provide an estimate of the
  - i. number of Mailing Online customers described in part (a) of this interrogatory;
  - ii. number of occurrences for the activities described in part (a) of this interrogatory; and,
  - iii. costs associated with Mailing Online customers described in part (a) of this interrogatory.
- d. Please identify where the costs associated with Mailing Online customers described in part (a) of this interrogatory have been accounted for in the testimonies of witnesses Seckar and Stirewalt.

**RESPONSE:**

- a. Confirmed. Any supplier must expect that customers will want to browse and must be prepared to accommodate them.
- b. Not confirmed. It is unclear whether any measurable marginal costs would be incurred by the Postal Service in this scenario. System resources required for this activity must be in place and operational in any case and in my understanding such usage as described does not constitute a measurable incremental load.
- c.
  - i-ii. I know of no way to estimate these numbers.
  - iii. Not applicable.

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- d. I understand that, while not accounted for in a separate and distinct line item, these costs are included implicitly in witness Stirewalt's estimation of peak load necessities.

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**OCA/USPS-T1-38.** Please refer to your testimony at pages 5 and 6, lines 19-20, and 1-4, respectively.

- a. Please confirm that potential Mailing Online customers will be able to access the Postal Service's Mailing Online World Wide Web site from anywhere in the
  - i. United States; and
  - ii. world.If you do not confirm, please explain.
- b. Please explain the rationale for limiting the geographic scope, as opposed to the number of participants, during the expanded (market) test to the three metropolitan areas of New York, Boston and Philadelphia.

**RESPONSE:**

- a. i-ii. Confirmed. The Mailing Online Web site will be accessible from anywhere full internet access is available.
- b. No opposition exists; both the number of participants and the geographic scope are limited during the market test. The reason for limiting the geographic scope was to establish and maintain some control over marketing activities and facilitate measurability. See my Response to OCA/USPS-T1-28 (b).

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**OCA/USPS-T1-39.** Please refer to your testimony at pages 5 and 6, lines 19-20, and 1-4, respectively. Isn't it correct that potential customers outside the United States, e.g., in Europe, Australia, etc., with internet access, and the ability to make payment for Mailing Online via credit card, will be able to access the Postal Service's Post Office Online site and have their mailpieces originate in the United States, rather than in the nation in which the customer is located?

- a. If your answer is negative, please explain why the Postal Service would not wish to have such international business.
- b. If your answer is negative, please explain how the Postal Service would prevent such international usage.
- c. If your answer is positive, does such international usage violate any of the Postal Service's international postal agreements? Please explain. (If you are not able to answer this question, please redirect it to another witness with the ability to provide an answer or to the Postal Service, as an institution, for an answer).
- d. If your answer is positive, isn't it correct that usage by customers residing or doing business outside of the United States might have the effect of diverting postal revenues from the postal department in the nation in which the customer is located to the United States Postal Service? Please explain.

**RESPONSE:**

During the expanded (market) test described in my testimony as referenced above, only customers in the specific areas of the northeast United States described in USPS-LR-9/MC98-1 will be able to register and use the PostOffice Online. As currently planned, the experimental service following the market test would open registration to anyone able to access the Web site. This would include customers outside the United States. In fact, anyone able to access the Web site and provide an acceptable payment could use Mailing Online. This is no different than the RelayOne Web service currently offered by Royal Mail and Microsoft Network.

- a. Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
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- b. Not applicable.
- c. I am advised by counsel that the answer is no treaty or similar agreement or obligation would be violated. For purposes of MOL, that is all I need to know.
- d. I suppose anything is a possibility, but I really do not know. We have no experience with international users of MOL, and since its focus is on small, locally destinating mailings, it is not clear we should spend time contemplating it.



RESPONSE OF WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,  
REDIRECTED FROM UNITED STATES POSTAL SERVICE  
OCA/USPS-1. The following interrogatory refers to USPS-LR-2/MC98-1, page 31, where the following statement appears: "... [T]he Postal Service provided us with an estimate of the percentage of the eligible universe who they believe would be aware of NetPost ...." Please explain how each of the five "awareness adjustment factors" was derived. Cite all sources used in developing the percentage factors and provide copies of each source not previously filed in this docket.

RESPONSE:

A great deal of discussion preceded the provision of "awareness adjustment factors" to the researchers. After consulting both in-house and outside marketing experts, it became clear that no significant body of information or knowledge exists on awareness factors for internet products and services; there is insufficient data from which to establish conservative baselines. We therefore took a best guess based upon that inferential or anecdotal knowledge we possessed at the time.

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

OCA/USPS-2. The following interrogatory refers to USPS-LR-2/MC98-1, page 31, where the following statement appears: "... [T]he Postal Service provided us with an estimate of the percentage of the eligible universe whom they believe would have compatible hardware and software platforms ...." Please explain how each of the five estimates for "access to compatible hardware and software adjustment factors" was derived. Cite all sources used in developing the factors and provide copies of each source not previously filed in this docket.

RESPONSE:

This estimate was provided in a telephone conference with National Analysts.

The factor was derived from establishing what constituted "compatible hardware and software platforms"; and then searching trade references to find reasonably reliable estimates of how many businesses would have access to them in each of the years. Specifically which sources were used is unknown at this time.

RESPONSE OF WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,  
REDIRECTED FROM UNITED STATES POSTAL SERVICE  
OCA/USPS-3. The following interrogatory refers to USPS-LR-2/MC98-1, page  
32, where the following statement appears: "The actual number of businesses  
with Internet access over the next five years was supplied to us by the Postal  
Service." Please explain how each of the 5 estimates for the "Internet access  
adjustment factor" was derived. Cite all sources used in developing the factors  
and provide copies of each source not previously filed in this docket.

RESPONSE:

This estimate was provided in a telephone conference with National Analysts.

The factor was derived from establishing what constituted "internet access"; and  
then finding reasonably reliable estimates of how many businesses would have  
access in each of the years. Specifically which sources were used is unknown at  
this time.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,  
REDIRECTED FROM UNITED STATES POSTAL SERVICE  
OCA/USPS-4. The following interrogatory refers to the Postal Service's Mailing  
Online Service (MOS) offering.

- a. For each type of print option offered, will all Postal Service contract printers have identical print capabilities? Please explain.
- b. If your response to part "a." of this interrogatory is not affirmative, how will the Postal Service direct different print options to the various contract printers?
- c. What recourse does an MOS customer have if a contract printer makes an error and a document is "stuffed" into the wrong envelope?
- d. What recourse does an MOS customer have if the Postal Service makes a data transmission error and a document is "stuffed" into the wrong envelope?
- e. Referring to parts "c." and "d." of this interrogatory, what liability does the Postal Service anticipate it has if an error is made by either the Postal Service or one of its contract printers?

RESPONSE:

- a. Each print site will be required to support a minimum number of identical print capabilities. Initial print options are quite limited and are presumed at this time to represent a baseline set of capabilities. As customer demands become more apparent and as printing technology advances, we expect to evaluate this approach and may decide to situate specialized capabilities at one or more print sites.
- b. Although the capability is not required at this time, system design allows automatic routing of jobs based upon specific printing requirements as well as destination ZIP Codes.
- c-d. See my Response to DFC/USPS-T1-5.
- e. The Postal Service will monitor and ensure quality performance in all aspects of Mailing Online service. The Postal Service's contract printers are required to investigate and correct errors found to be their fault. This includes reprinting materials not conforming to job and proof

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
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specifications. See USPS-LR-5/MC98-1, 1.2.6 (B). Errors reported that  
are found to be other than printer error will be investigated and corrected  
at Postal Service expense. Credits or refunds will be considered as  
appropriate.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,  
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**OCA/USPS-5.** The following interrogatory refers to USPS-LR-2/MC98-1, page 37 and Table 19a, page 38. "The number of businesses with Internet access was provided to us by the Postal Service." For Table 19a, please show the derivation of each number. Give citations to page, column and row (if applicable) to source documents for all figures. Provide copies of all documents not previously filed in this docket.

**RESPONSE:**

See my Response to OCA-USPS-3. I now believe that these numbers were obtained via telephone consultation with an industry-specific research organization recommended as being usually reliable by the Headquarters Market Research department. The organization was the Yankee Group.

MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE,  
REDIRECTED FROM WITNESS ROTHSCHILD

**OCA/USPS-T4-33.** Please refer to your response to OCA/USPS-T4-8.

- a. When was the decision made that the quantitative phase of the NetPost study be submitted as testimony in this docket?
- b. In your response you state, "Our goal ... was to provide an indication of whether there was sufficient interest to justify further evaluation of NetPost." Based upon the response rate to the quantitative survey, is it your opinion that there is sufficient public interest to justify continued evaluation of NetPost? Please explain the rationale for your response.

**RESPONSE:**

- a. The quantitative study was initiated to provide basic information for technical design and business case planning. The Postal Service needed to quantify the size of the possible volume represented by implementing the concept of Mailing Online service. Investment in technical research and development required both justification and some basis for design scaling. This research provided an idea of the scale of a fully implemented national service offering. When it became clear in the fall of 1997 that Mailing Online was a viable concept for the Postal Service to pursue, the decision was made to seek authority for a market test and an experimental classification. At that point the quantitative research was evaluated and deemed substantially sufficient for the limited purposes of these filings.
- b. The question presumes a correlation between the response rate to a complex research survey instrument and public interest in the subject of that survey. The specific indicator sought here was not of a general public interest, but rather the taking of a measurement of an intent to translate

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
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REDIRECTED FROM WITNESS ROTHSCHILD

interest into action. We believed that public interest in this service had been demonstrated sufficiently by focus group participants to justify continued evaluation. We sought here to quantify the interest more specifically as projected mail volume for business planning and technical research and development.



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FROM WITNESS PLUNKETT

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.

**RESPONSE:**

- a. The sort plan used is that which is provided in the commercial presort software module integrated into the Mailing Online system.

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TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED  
FROM WITNESS PLUNKETT

- b. Mailing Online mail has been entered through the Dallas, Texas P&DC Business Mail Entry Unit (BMEU). However, primary processing was not performed at this plant since the mail was prepared for immediate drop shipping to plants at Tampa, Florida and/or Hartford, Connecticut.
- c-e. As explained above and in my response to OCA/USPS-T5-17, the mail was drop shipped to other facilities. I have no knowledge of sorts received by the mail at those facilities and since the essence of Mailing Online is electronic induction of mail, no reason to inquire. However, I do know that no exceptional handling was requested.
- f. I have no knowledge of the containerization of the mail beyond that it was prepared in pouches labeled for drop shipment.
- g. I have no knowledge of any tray consolidation prior to drop shipment dispatch from the Dallas, Texas P&DC.
- h. To the extent deemed desirable and necessary for operational analysis, sort and dispatch data will be collected at the facilities where Mailing Online is entered during the market test and experimental periods.
- i-k. The available information regarding Mailing Online activity appears as Exhibit 1 to Response to OCA/USPS-T1-10.

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OCA/USPS-T5-14. Please refer to your testimony at page 13, lines 9-11. You state that "the Postal Service has been conducting an operations test during which customers have received free printing services . . . ."

- a. Have these "free printing services" ever been performed on site at a postal facility. If so, please identify that facility and describe its physical relationship to the facility referred to in interrogatory OCA/USPS-T5-3(b).
- b. Please provide the total Postal Service expenditures to date on "free printing services."
- c. Have these "free printing services" ever been performed off site at a nonpostal facility. If so, please identify that facility and describe its physical relationship to the facility referred to in interrogatory OCA/USPS-T5-3(b).
- d. Has the "operations test" ever involved the transportation of Mailing Online pieces between a printing site and the facility referred to in interrogatory OCA/USPS-T5-3(b)? If so, please identify the form(s) of transportation utilized (contract highway intra SCF, VSD, private printer vehicle, etc.).
- d. Has the "operations test" ever involved the transportation of Mailing Online pieces between a printing site and the facility referred to in interrogatory OCA/USPS-T5-3(b)? If so, please identify the form(s) of transportation utilized (contract highway intra SCF, VSD, private printer vehicle, etc.).
- e. Please provide the total Postal Service expenditures to date on the transportation services referred to in part (d) of this interrogatory.
- f. Since the commencement of the operational test period, on how many days have Mailing Online pieces been transported to the facility referred to in part (b) of interrogatory OCA/USPS-T5-3? On how many days have there been no transportation runs?
- g. Please provide a frequency distribution showing the number of days on which 0, 1, 2, etc., transportation runs of Mailing Online pieces have been made to the facility referred to in part (b) of interrogatory OCA/USPS-T5-3 since the commencement of the operational test period.
- h. Please provide a tabulation showing the volume of Mailing Online pieces broken down by number of transportation runs 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 interrogatory OCA/USPS-T5-3 on days when 1, 2, 3, etc., transportation runs were made.
- i. During the "operations test," have Mailing Online pieces been entered through a Bulk Mail Acceptance Unit? If not, please describe precisely how Mailing Online pieces have entered the mailstream at the facility referred to in interrogatory OCA/USPS-T5-3(b). Please describe all documents created or exchanged during the entry process and provide examples of such documents.
- j. Please provide copies of all documents relating to the "operations test." (See instructions for definitions of "all documents" and "relating to." The OCA is particularly interested in documents describing or evaluating the "operations test" or any portion thereof.)

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- k. Was any evaluation of the "operations test" made prior to the decision to proceed to a market test? If not, why not? If so, please provide a copy of the evaluation.
- l. Has the feasibility of Mailing Online been reevaluated since the commencement of the "operations test"? If not, why not? If so, please provide copies of all documents relating to such reevaluation. (See instructions for definitions of "all documents" and "referring to.")

RESPONSE:

- a. No printing services have been performed at a postal facility.
- b. Based on bills received and paid to date, total Postal Service expenditure on printing has been \$7991.53.
- c. Printing services have been performed at the Xerox Dallas Document Technical Center (DTC) in Farmer's Branch, Texas. This facility is located within the same metropolitan area as the facility referred to in interrogatory OCA/USPS-T5-3(b).
- d. For the most part Mailing Online pieces have been transported to the facility referred to in interrogatory OCA/USPS-T-5-3(b) by Postal Service employees using postal vehicles. It is my understanding that these have been primarily, if not exclusively, carrier delivery vehicles.
- e. Postal Service expenditures on these transportation services have not been calculated.
- f-h. The available information regarding Mailing Online activity appears as USPS-LR-6/MC98-1 and Exhibit to Response to OCA/USPS-T1-10. It is my understanding that on days when mail has been printed, one run takes place; on days when no mail exists, no run occurs.

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FROM WITNESS PLUNKETT

- i. Confirmed that Mailing Online mail has been entered through the Dallas, Texas Business Mail Entry Unit (BMEU). Documents submitted with the mail consist of USPS Forms 3600, an example of which is attached as Exhibit 1 to this response
- j. Due to an extremely rapid development effort, most evaluation of the operational test has been verbal. However, USPS-LR-Y/MC98-1 contains weekly reports from PriceWaterhouseCoopers which informed the discussion.
- k. The plan to conduct a market test subsequent to the operational test was made early in the planning stages of Mailing Online. Ongoing reviews of operations test results have been conducted with the understanding that such a schedule would occur unless substantial problems were encountered. Since such problems have not occurred, to my knowledge a formal, documented evaluation does not exist.
- l. In keeping with its purpose, evaluations of the operations test feasibility have been limited to confirmations that the technical solution was operational and that users continued to use the system. This is confirmed by a review of USPS-LR-7/MC98-1. To my knowledge a formal, documented evaluation does not exist.

## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T5-14

Post3600.rpt  
STATEMENT OF POSTAGE with Permit Imprints

First-Class Mail

Entry Point: (1) Local post office, DALLAS P&DC, TX 95099-9993			
NETPOST			
Presort: (2) 1C/STD_A, Single Piece			
USPS-NETPOST			
=====			
Post Office of Mailing		Mailing Date	Pr
Process Category		Federal Agency Cost Code	
DALLAS P&DC TX 95099-9993		10-Mar-90	
-----			
X) Letter (DMM C050)		Statement Sequence No.	
] Flat (DMM C050)		USPS Authorized Mailing TN Code(s)	
100		0001	
] Automated Flat			
-----			
(DMM C820)			
Name and Address of		Telephone Number	Receipt No.
] Permit Holder		(202) 268-3436	
(DMM C050)			
(Include ZIP Code)			
USPS-NETPOST			Weight of Single Piece
0.0200 lbs			
LEE GARVEY			
475 L'ENFANT PLAZA, SW			
WASHINGTON, DC 20260		Total Pieces	T
Dun & Bradstreet No.			18
0.3600			
OTAS Cust. Ref. ID			
-----			
Name and Address of Individual or		Name and Address of Mail	
ling Agent		Prepared Under DMM (Check one)	
Organization for which Mailing is Prepared			

## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T5-14

Post3600.rpt

<input type="checkbox"/> M130 (Letters, flats, parcels)		
<input type="checkbox"/> M130 (Upgradable letters)		
<input type="checkbox"/> M810 (Automation letters)		
<input type="checkbox"/> M820 (Automation flats)		
Dun & Bradstreet No. _____	Dun & Bradstreet No. _____	

---

Container & Tray	1-FLAT Trays	2-FLAT Trays
0 Ttl Ltr Trays	1	0
Quantities Flat trays	0	Sacks
Other		Pallet

---

o For automation rate flats (DMM C820) go to Part A.      Part A      \$

---

o For automation rate flats (DMM C820) go to Part B.      Part B      \$

---

o For nonautomation rate flats (DMM C820) other than cards, go to Part C.      Part C      \$ 5.760

---

o For postal cards and postcards (DMM E100), go to Part D.      Part D      \$

---

<input type="checkbox"/> Additional Postage Payment (State reasons)	
No. Pieces	Rate/Piece
<input type="checkbox"/> Special Service (Specify)	
x	= \$

---

TOTAL POSTAGE ----> \$ 5.76 ✓

PS FORM 3600-R, July 1996 Facsimile

Financial Document - Forward To Finance Office

The signatory of a mailing certifies that it will be liable for and a  
 agree to pay, subject to appeals prescribed by postal laws  
 and regulations, any revenue deficiencies assessed on this mailing.  
 (If this form is signed by an agent, the agent certifies

## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T5-14

Post3600.rpt

that it is authorized to sign this statement, that the certification binds the agent and the mailer, and that both the mailer and the agent will be liable for and agree to pay any deficiencies).

The submission of a false, fictitious, or fraudulent statement may result in imprisonment of up to 5 years and a fine of up to \$10,000 (18 USC 1001). In addition, a civil penalty of up to \$5,000 and an additional assessment of twice the amount falsely claimed may be imposed (31 USC 3802).

☐ For Enclosed Reply Pieces (Automation rate only) (Effective January 1, 1997): I certify that any business reply, courtesy reply or metered reply letter-size cards or envelopes, enclosed in the pieces described above, bear the correct facing identification mark (FIM) and barcode.

☐ For Updated Addresses (Presorted and automation rate only) (Effective January 1, 1997): I certify that the addresses appearing on the pieces described above have been updated within 6 months of the date of this mailing using a USPS-approved address update tool.

☐ For ZIP Codes (Presort rate only) (Effective October 1, 1996): I certify that the ZIP Codes appearing on pieces in the mailing described above have been verified and corrected where necessary within 12 months of the date of this mailing using a USPS-approved method.

I hereby certify that all information furnished on this form is accurate and truthful, that this mailing meets all applicable CASS/MACS standards for address and barcode accuracy, and that the material presented qualifies for the rates of postage claimed.

Signature of Permit Holder or Agent (Both principal and agent are liable for any postage deficiency incurred) Telephone No.

X

(202) 268-1414

Single Piece Weight 0 2 3 3 lbs | Are figures at left adjusted from mailer's entries? ☐ Yes ☒ No



## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T5-14

POST3600.rpt

Total Pieces	<u>18</u>	If "Yes" Reason
Total Weight	<u>.4194</u>	
Total Postage	<u>5.76</u>	
<input type="checkbox"/> Presort Verification Not Scheduled <input type="checkbox"/> Contact By (Initials)		Date Mailed
<input type="checkbox"/> Presort Verification Performed as Scheduled		
I CERTIFY that this mailing has been inspected concerning: 1) eligibility for postage rate claimed; 2) proper preparation (and presort where required); 3) proper completion of postage statement; and 4) payment of the required annual fee.		
Signature of Weigher <i>Don King</i>		Round Stamp (Presorted) MAR 11 1998 NORTH TEXAS, TX 75099
Time <u>1475</u> AM <input checked="" type="radio"/> PM		
S FORM 3600-R, July 1996 Facsimile Financial Document - Forward To Finance Office		
Form 3600-R -- First Class Mail -- Permit Imprint 1 oz. Pieces		
Postage Computation		
Presort/ort/		Pres
Automation	Net Count	Auto
mation	Net Count	
Discounts	Rate (Pcs)	Charge
ounts	Rate (Pcs)	Charge

## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T5-14

Post3600.rpt				Part
Part A - Automation Rates--Letters (DMM C810)				
- Automation Rates--Flats (DMM C820)				
Carrier Route	0.230 x	pcs. = \$		
	0.270 x	pcs. = \$		3/5
5 - Digit	0.238 x	pcs. = \$		
c	0.290 x	pcs. = \$		Basi
3 - Digit	0.254 x	pcs. = \$		
Standard Surcharge				Nons
(If Applicable)				(I
Basic	0.261 x	pcs. = \$		
	0.050 x	pcs. = \$		
-----				
Total - Part A (Carry to front of form)		\$		Tota
1 - Part B (Carry to front of form)		\$		
-----				
Part C - Nonautomation Rates--Other Than Cards				Part
D - Postal Cards and Postcards				
-----				
Automation *				Auto
Presorted	0.295 x	pcs. = \$		C

PS FORM 3600-R, July 1996 Facsimile (Reverse)  
Financial Document - Forward To Finance Office

## EXHIBIT 1 TO RESPONSE TO OCA/USPS-T5-14

] Single List		Coding Accuracy Support System (CASS) Report	
[X] Multiple Lists			
S O F T W A R E	CASS CERTIFICATE INFORMATION		
	A1.	CASS CERTIFIED COMPANY NAME United States Postal Service	
	C	Software Name, Version, and Date of Certification	
	A	Address Matching System 01-Jan-1998	
	S	Configuration	
L	B1. LIST PROCESSOR	B2. Date Processed	B3. Date of Zip+4 Data
I	U.S. Postal Service	3/10/98	1/1/98
S	B4. ADDRESS LIST NAME	B5. Number of Lists	B6. Total Addresses
T	CASS STAGE II	1	22
O	CASS OUTPUT RATING		PERCENT OF TOTAL ADDRESSES
U	C1. RECORDS ZIP+4 CODED	TOTAL CODED	
P	C2. RECORDS 5 DIGIT CODED	18	72
T	C3. RECORDS CR RT CODED	0	
M A	D1. SIGNATURE OF MAILER		D2. NAME & ADDRESS OF MAILER
	I certify that the mailing submitted with this form has been ZIP+4 coded (as indicated above) using CASS certified software meeting all requirements of Domestic Mail Manual A0930.		XEROX Farmer's Branch, TX
E R			D3. DATE SIGNED
			f

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

1. For purposes of this question a "mailing" will mean the physical presentation of Mailing Online pieces to a postal facility by a Mailing Online printer.
  - a. Please confirm that a mailing will not have to conform to the DMM makeup requirements for the rate categories involved.
  - b. If a. is confirmed, please list the DMM makeup requirements that will be waived or modified for Mailing Online pieces.
  - c. Will each mailing be subject to the same cut off times imposed by the postal facility on other customers (e.g., a 7:00 PM cut off time for acceptance of First-Class automation mail.)
  - d. Please confirm that, in the Experimental Phase, nonprofit organizations sending less than 200 pieces could use Mailing Online and receive the same postage rate (excluding printing) as a nonprofit organization sending 200 pieces?

RESPONSE:

- a. Although specific DMM regulations have yet to be drafted, this question is confirmed to the extent noted in response to part (b). In all other respects, the makeup requirements are expected to be the same for Mailing Online (MOL) pieces and non-MOL pieces. In addition, there might need to be some minor adjustments to the manifest mailing system requirements to reflect the manner of entry of MOL pieces; whether this will be necessary and what the particular modifications might be have yet to be determined.
- b. If Mailing Online service is recommended as requested, the DMM minimum quantity requirement for a mailing would be modified. To be consistent with the requested DMCS language Mailing Online pieces would not be required to meet the 500-piece minimum for First-Class automation rate mailings or the 200-piece minimum for Standard Mail automation rate mailings. Furthermore, the requirement that Standard

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Mail be addressed for delivery within the service area of the BMC (or auxiliary service facility (ASF) or sectional center facility (SCF)) at which it is entered in order to obtain the destination BMC discount would also not be applicable, as indicated in the proposed DMCS language

- c. It should also be noted that although the rates applicable to Mailing Online pieces are proposed to be limited to the basic automation rates, the presorting requirements applicable to Mailing Online pieces would remain the same as the presort requirements for all other automation mail. As a result, depending on the number of pieces and presort density of an individual mailing, there may be Mailing Online pieces required to be prepared in a manner that would ordinarily allow qualification for a lower 5-digit, 3-digit, or 3/5-digit automation presort rate, although they would still pay the basic automation rates (less the DBMC discount for Standard Mail) as indicated in the proposed DMCS language. Yes, commercial printers preparing Mailing Online jobs are required to enter mailings no later than the cut-off time specified by the designated Business Mail Entry Unit. See USPS-LR5-MC98-1.
- d. Confirmed.

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

2. Is the Postal Service aware of other providers of services similar to Mailing Online that include the ability to receive items in electronic form, digitally produce products ready for mailing that satisfy the automation makeup requirements, and submit the products to a postal facility for mailing at the lowest applicable postage.
  - a. If so, please identify and briefly describe each.
  - b. If so, please describe how each service differs from what the Postal Service is proposing.

RESPONSE:

a-b. Although I am unable to provide a comprehensive listing of other providers I will try to describe the landscape as I see it. The ability to receive files electronically and digitally print and produce automation-compatible mail pieces for submission to a post office can most accurately be defined as a continuum. At the low end, all suppliers of printing or graphic arts services send and receive files electronically as a regular practice. Component parts of mail pieces such as graphic files and text content are transferred daily via e-mail and the internet by almost everyone involved in mail production. Mailing lists can even be readily obtained over the internet. These electronic parts are often assembled and re-transmitted before being converted to physical components of mail pieces for subsequent re-assembly and preparation for submission to a post office.

At the high end, the electronic transmission of complete mailings including lists, data and document templates describes what takes place in many large organizations preparing monthly invoices at a data center for transmittal to a dedicated printing and mailing facility. Corporations such as AT&T use this

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

method to achieve mail production site efficiencies, sending multiple business segment's invoices to a central location rather than maintaining multiple mailing operations.

Several companies also specialize in providing outsourcing for this high end work. Output Technologies, Inc. for example services the financial industry. International Billing Services, Inc. services the cable TV industry. It is my understanding that these companies receive most, if not all, of the input for mail piece creation electronically. They then print, prepare and sort mailings for the lowest applicable postage rate. These companies are dealing for the most part with very large and/or complex computer files, often using direct point to point electronic connections to the customer's computer and performing the services on a regular schedule.

A more recent category exists in the middle of this continuum, service providers catering to smaller mailers using personal computers (PCs). Pitney Bowes' DirectNET is an example of this kind of service, although many commercial printers offer such services independently. Client software is usually provided to enable the customer to send, on demand, simple PC files which are received electronically by the service provider, to be printed and prepared as a single mailing.

As I understand them, the broad differences between the proposed Mailing Online and all other services is: 1) an exclusive use of a browser and the World Wide Web function of the internet as an interface; 2) a flat rate of



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY  
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automation level postage regardless of quantity or ZIP density; 3) a focus on the relatively small mailer and current non-mailer (see my testimony at page 13, lines 1-7).

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

3. Please confirm that the Postal Service will not supply Mailing Online customers with mailing lists.

RESPONSE:

Confirmed. We do believe, however, that a clear need exists for Mailing Online customers to have access to information about where to obtain mailing lists easily. The Postal Service may seek to facilitate communications between customers and list suppliers in an online environment.

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

4. Please discuss the applicability of the fees listed in DMCS Schedule 1000 to Mailing Online. How many "offices of mailing" will exist for First-Class and Standard A Mailing Online pieces:
- a. during the market test?
  - b. during the experiment?

RESPONSE:

- a. During the market test, printing contractors are required to deliver all Mailing Online mailings to the Business Mail Entry Unit of a specified plant. That post office, which will be indicated in the permit imprint, is the office of mailing. Thus, there would be only one office of mailing for each printer, of which we expect to have no more than two during the market test.
- b. For simplicity and logistical efficiency it is our intent to keep the number of entry points to a minimum. During the experiment we will test different scenarios, but I would expect that no more than two offices of mailing would be required for each contracted printer.

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

5. Does the Postal Service intend Mailing Online to extend to Cards (Compare Request Attachment A2, § 981.22, with Attachment B2, note 3).

RESPONSE:

The Postal Service intends Mailing Online to extend to Cards during the experimental version of Mailing Online, but not the market test. See Notice of United States Postal Service of Errata to Attachments A and B to Request, filed August 5, 1998, which clarifies the Postal Service's DMCS proposal in this respect.

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

3 Okay. Since there is nothing there, as I  
4 mentioned earlier, there were indications during the  
5 prehearing conference that MASA and OCA, as well as Pitney  
6 Bowes, might cross examine the witness. Does any other  
7 participant want to cross examine Witness Garvey at this  
8 point?

9 Now, I had initially planned to start with MASA,  
10 but counsel has agreed that OCA will start, to be followed  
11 by MASA and then Pitney Bowes.

12 Mr. Costich.

13 MR. COSTICH: Thank you, Mr. Presiding Officer.

14 CROSS EXAMINATION

15 BY MR. COSTICH:

16 Q Good morning, Mr. Garvey.

17 A Good morning.

18 Q My name is Rand Costich. I'll be cross examining  
19 you on behalf of the OCA this morning.

20 Could you turn to your response to interrogatory  
21 OCA/USPS-T5-14, which was redirected to you from Witness  
22 Plunkett.

23 A I have it.

24 Q Could you look at your response to part J of that  
25 interrogatory.

1 A Yes.

2 Q Here, you were asked for documents evaluating the  
3 operations test; is that correct?

4 A Yes.

5 Q And you responded that most evaluations were  
6 verbal?

7 A That's correct.

8 Q Can you give me some examples of verbal  
9 evaluations of the operations test? Were there phone calls?  
10 Meetings? Conversations?

11 A The group of people that was working on the  
12 project had a generally weekly meeting where we would get  
13 together and talk about issues and problems that might have  
14 come up during the test.

15 COMMISSIONER LeBLANC: Mr. Garvey, could you  
16 please speak up --

17 THE WITNESS: Sorry.

18 COMMISSIONER LeBLANC: -- and pull that microphone  
19 a little closer? We're having trouble hearing you. Thank  
20 you.

21 BY MR. COSTICH:

22 Q Did you make any reports or give any briefings to  
23 superiors concerning the progress of the operations test?

24 A Reports, no; briefings I think were implicit in  
25 the meetings that we had. We briefed each other, one

1 another, about our particular aspects of what we knew was  
2 going on in the operations test.

3 Q So the meetings included your superiors?

4 A Yes.

5 Q Could you describe the reasons for those  
6 briefings?

7 A I think it is probably standard practice that when  
8 you have a project that's an experiment or a learning  
9 exercise, that you want to learn from it, and to learn from  
10 it, you need to share the information and the learning  
11 that's gone on during the project.

12 Q Do you recall any significant snags developing  
13 during the operations test?

14 A Significant snags. Could you --

15 Q For example, did you have any trouble with the  
16 servers at the print site?

17 A I think that there were a number of technical  
18 problems that came up that would be expected in a test like  
19 this, but the term significant I'm not sure applies to any  
20 of them.

21 Q Nothing unexpected or --

22 A Oh, no, there were things that were unexpected,  
23 certainly. If we had expected them, we could have dealt  
24 with them before they happened.

25 Q But specifically with respect to the servers at

1 the print site, do you recall any problems developing there?

2 A On -- I can't number the occasions, but on a  
3 couple of occasions, the servers at the print site, which  
4 are effectively FTP servers -- they receive transmissions  
5 from the computer control center -- something happened with  
6 the FTP transfer and they were not effectively receiving the  
7 FTP transfers, yes.

8 Q You wouldn't call that a crash of the servers,  
9 would you?

10 A I wouldn't know how to define crash in that sense  
11 of an FTP server, but it was a problem with receipt, and in  
12 my terms, it doesn't matter whether it crashed or not, it  
13 had a problem receiving the files.

14 Q Was there any trouble with the servers at San  
15 Mateo?

16 A Yes.

17 Q Do you recall what those problems were?

18 A I'm not a technical expert, but the problems  
19 involved the servers not responding properly and not doing  
20 the things that they were supposed to do.

21 Q Do you recall any trouble with data reporting  
22 systems for Mailing Online?

23 A Could you define the question a little more --

24 Q In one of your interrogatory responses, you  
25 submitted some documents that have a title Mailing Online



1 Report from Price Waterhouse. Do you recall those?

2 A Yes.

3 Q Did you have any trouble generating those reports,  
4 do you recall?

5 A The reports that were submitted are actually data  
6 which has been -- I don't want to say necessarily re-keyed,  
7 but reentered into the reports that were submitted by Price  
8 Waterhouse. They are generated by the system in an  
9 automatic sense. I think some of the code for that was  
10 submitted in my interrogatories. But there were occasions,  
11 yes, when the data from -- that was necessary to generate  
12 those reports didn't come out of the system, but it comes on  
13 a daily basis, so when it didn't come, we knew and were able  
14 to fix it.

15 Q Can you explain what caused the delay in  
16 commencing the market test?

17 A You mean the delay until October 1?

18 Q Yes.

19 A I don't believe I can explain all of the factors,  
20 but it was a combination of things, development --  
21 unexpected development delays, equipment order delays. It  
22 was a combination of enough things that we felt that it was  
23 wise to put off the beginning of the test.

24 Q Will the verbal evaluations that you described in  
25 your response to T5-14(j) continue during the market test?

1           A     I would presume so, yes.

2           Q     Will there be any written evaluations during the  
3 market test?

4           A     I can't say for certain that there will be, but I  
5 can say that there might be.

6           Q     Do you expect to be involved in evaluating the  
7 market test?

8           A     Yes.

9           Q     And will you be reporting to your superiors on the  
10 progress of the market test?

11          A     Yes.

12          Q     Is there going to be a fairly regular schedule for  
13 you to report progress with the development of Mailing  
14 Online to your superiors?

15          A     Well, as I mentioned, we have a practice of having  
16 regular meetings to discuss this, and with that in mind, I  
17 would say yes to that question.

18          Q     Can you commit to providing the Commission with  
19 regular progress reports during the market test?

20          A     I can commit to providing the Commission with the  
21 reports similar to the ones that have been provided so far  
22 that we intend to continue generating during the market  
23 test.

24          Q     If a significant snag were to develop during the  
25 market test, would you be reporting that to the Commission

1 immediately?

2 A Once again, that depends upon the definition of  
3 significant. I would say that if it were a significant snag  
4 that caused the test to come to a stop, temporarily or  
5 permanently, we would certainly report that to the  
6 Commission immediately and it would be explicit in the  
7 reports that the Commission would receive.

8 Q Could you look at the second sentence of your  
9 response to T5-14(j). There's a reference there to a  
10 Library Reference Y. Do you see that?

11 A Yes, I do.

12 Q Should that be Library Reference 6?

13 A Yes, it should.

14 Q And if you could look down to your response to  
15 part L of that interrogatory, in the second sentence,  
16 there's a reference to Library Reference 7; do you see that?

17 A Yes.

18 Q Should that also be 6? Library Reference 7 is the  
19 net post --

20 A Right.

21 Q -- research and development contract.

22 A Yes, it should be 6.

23 Q Thank you.

24 Could you turn to your response to interrogatory  
25 OCA/USPS-T5-3. That was also redirected to you from Witness

1 Plunkett.

2 A Okay.

3 Q In particular, would you look at your response to  
4 part H of that interrogatory. And here, you state that sort  
5 and dispatch data will be collected at Mailing Online entry  
6 facilities to the extent deemed desirable and necessary for  
7 operational analysis.

8 A Correct.

9 Q Who determines whether such data are desirable and  
10 necessary for operational analysis?

11 A My intent in the language here is to refer to the  
12 operations group at the Postal Service who we have informed  
13 of the existence of this test, and it will be up to them to  
14 determine whether or not they feel that analysis is  
15 necessary.

16 So far, given the nature of the fact that the mail  
17 coming into the system differs -- is no different than any  
18 other mail in the way that it's coming into the system, the  
19 operations people have not chosen to evaluate this. We  
20 leave the door open for them to do that should they choose  
21 to do so.

22 Q From your own point of view, do you think such  
23 data would be desirable or necessary during the market test?

24 A From my point of view, I don't believe that it  
25 would help me make informed decisions about my role in the

1 development, no.

2 Q Is one of the operational assumptions behind  
3 Mailing Online that lots of relatively small jobs can be  
4 consolidated for purposes of presorting?

5 A I'm sorry, could you repeat that question?

6 Q Is it one of the operational assumptions behind  
7 Mailing Online that lots of relatively small jobs can be  
8 consolidated for purposes of presorting?

9 A Yes.

10 Q Don't you think that assumption should be verified  
11 as early as possible in the development process?

12 A Yes.

13 Q Isn't one of the reasons for restricting the  
14 geographic scope of the market test to ensure that most of  
15 the volume of Mailing Online will destinate in a relatively  
16 small area?

17 A No, it's not. The geographic scope limitation is  
18 designed to deal with originating -- in other words, with  
19 the location of the customers. It has nothing to do with  
20 the destination of the mail.

21 Q You have no expectations with respect to  
22 destination of the mail during the market test?

23 A No, I didn't say that. What we know about  
24 destinating mail is that the majority of originating mail  
25 that comes into a particular facility that's produced

1 locally actually destinate locally. We're not certain that  
2 that will be the case with Mailing Online customers. You  
3 can make an assumption that similar characteristics will  
4 exist with Mailing Online customers, but it's not an  
5 assumption that we verified and it's not important to the  
6 test.

7 Q It's not important to the test to determine  
8 whether it will, in fact, be possible to batch a lot of jobs  
9 and achieve a high depth of presorting?

10 A Of the market test, no. The market test will be  
11 designed to test the ability to technically batch jobs, to  
12 combine different users' jobs, and to prove that we can, in  
13 act, produce batches that will then be presorted.

14 The density and level of presort that would occur  
15 in a national scaled system will not be present or testable  
16 in that environment.

17 Q Could you turn to your response to OCA/USPS-T1-17.  
18 That's the one where you corrected the numbering earlier.

19 A Okay.

20 Q In your response to part A of that interrogatory,  
21 you state that there are 75 possible ways to split up  
22 Mailing Online volume before presorting; is that correct?

23 A During the operations test, yes, it is correct.

24 Q You can't do the presorting first and then the job  
25 batching later, right?

1           A     Can you clarify that question a little more? What  
2 do you mean?

3           Q     It would just be physically impossible to presort  
4 addresses and then segregate the different types of jobs and  
5 preserve the presort.

6           A     Given the current configuration of the system,  
7 yes. We have intentionally segregated all different types  
8 of possible finishing combinations to facilitate getting  
9 this done at the printers.

10                  My knowledge of the technical end of printing is  
11 not great, but I know that there are possible ways in which  
12 you can combine different page counts and different in-line  
13 finishing operations to facilitate reducing the number of  
14 batches, and as we go forward with this in a technical  
15 sense, we intend to investigate those possibilities.

16           Q     Are there also going to be more job options during  
17 the market test than there were during the operations test?

18           A     Yes, there will be.

19           Q     There was only one envelope size available during  
20 the operations test; is that correct?

21           A     No. There are two envelope sizes and the system  
22 actually chooses the envelope size. It's either letter or  
23 flat.

24           Q     During the market test, are there going to be more  
25 than 75 ways of splitting up jobs before the presorting

1 occurs?

2 A Yes.

3 Q Isn't it the case that if you split up a given  
4 volume prior to presorting, you significantly reduce the  
5 value of the presorting that you do accomplish?

6 A Once again, the definition of significant would  
7 change my answer somewhat, but yes, it does certainly reduce  
8 the value of presorting. If you reduce the overall volume  
9 of what you're presorting, then the presort that comes out  
10 can't be as deep.

11 Q Isn't it the case that an entry facility needs to  
12 receive full trays ready for incoming processing if the  
13 presorting is to be of any value to that facility?

14 A I've never actually worked in mail processing  
15 operations, so I don't know what the incremental value of a  
16 full tray is, but getting mail to the -- as deeply into the  
17 operation as possible is the objective of operational  
18 efficiency as I understand it.

19 Q One of the job splits that you mention is page  
20 size; is that correct?

21 A Yes.

22 Q And you actually collect data on that split, don't  
23 you?

24 A Yes, we do.

25 Q And you'll be able to provide that during the



1 market test; is that correct?

2 A That will be provided as part of the reports that  
3 we intend to submit; yes.

4 Q Another split you mention is bindery options; is  
5 that correct?

6 A Yes.

7 Q Were bindery options offered during the operations  
8 test?

9 A They were. The customer had the choice of a  
10 single bindery option, and that was stapling.

11 Q But there's no data on that in Library Reference  
12 6?

13 A I don't know that for a fact. I'm sorry.

14 Q Do you know whether such data is in fact being  
15 collected even if it's not being reported?

16 A Yes.

17 Q Could it be reported if it's not being reported  
18 yet?

19 A I -- yes, I would assume so; yes.

20 Q Another split you mention is plex options; is that  
21 correct?

22 A That is correct.

23 Q What's the difference between Simplex and Duplex?

24 A Simplex prints on one side of a page, and duplex  
25 prints on both sides of a page.

1 Q And data on that split are being collected;  
2 correct?

3 A That is correct; yes.

4 Q And they will continue to be collected during the  
5 market test?

6 A Yes.

7 Q Can you explain how you came up with that number  
8 75 in your response to part A?

9 A Yes, I can. I spoke with the technical designer  
10 of the system, and we together took a -- I think it's called  
11 the permutations possible given the number of different  
12 choices that the customer is given, and that's the number we  
13 came up with.

14 Q If one of the splits is the plex option -- there's  
15 only two options there, right?

16 A Only two sides to a piece of paper; yes.

17 Q Doesn't that mean that the number of total  
18 possible splits that you got should have been an even  
19 number?

20 A It's possible. I'm sorry, I don't have my  
21 calculation in front of me, but --

22 Q Is there some way you could check that and provide  
23 an answer?

24 A Yes.

25 MR. COSTICH: Do we need a date on that, Mr.

1 Presiding Officer?

2 COMMISSIONER LeBLANC: Mr. Hollies, when's the  
3 soonest we can get that back?

4 MR. HOLLIES: Perhaps the witness can let us know.  
5 There's a fair load of interrogatories pending. We're  
6 working on them with all dispatch. But I think this is one  
7 that's relatively simple and should be a matter of a few  
8 days. Is that reasonable, Mr. Garvey?

9 COMMISSIONER LeBLANC: Mr. Garvey, by the end of  
10 the week at the latest?

11 THE WITNESS: That will be fine.

12 COMMISSIONER LeBLANC: Fine. Mr. Costich, by  
13 Friday be all right?

14 MR. COSTICH: Yes. Thank you, Mr. Presiding  
15 Officer.

16 COMMISSIONER LeBLANC: Thank you. Please proceed.

17 BY MR. COSTICH:

18 Q When a customer submits a job for Mailing Online,  
19 the customer receives back a price quote for the job; is  
20 that correct?

21 A That is correct; yes.

22 Q Do the data exist to determine which of the 75 or  
23 whatever the correct number is job types a particular job is  
24 at the time it's submitted?

25 A Can you rephrase that slightly? I'm not sure I

1 understand.

2 Q At the time a customer receives a price quote for  
3 a job, do the data exist at that point to determine which of  
4 the job types it is?

5 A Well, yes, since the job types are defined by the  
6 choices that the customer makes in creating the job ticket,  
7 the customer is in fact defining which of those 75 they  
8 belong with.

9 Q Would it be correct to say that the information  
10 needed to generate a price quote is the same information  
11 needed to determine the job type?

12 A Yes.

13 Q Does the system software label each job as it is  
14 created with respect to job type?

15 A In a sense, yes, it does, because the batching  
16 process takes similar job types and combines them in the  
17 system to be processed at the end of the day as a batch. So  
18 I would have to say that yes, it has to do that.

19 Q So the system knows whether there are jobs that  
20 can be batched at any time.

21 A Well, yes, it's defining the characteristics of  
22 each job as it's created, and then those characteristics  
23 define the batch to which it belongs.

24 Q Is there any existing data base from which one  
25 could extract the number of and volume by job type by date?

1           A     I don't know the answer to that, but I don't  
2 believe that the job ID that's given to something during the  
3 day relates to in any way a characteristic that you could go  
4 back and identify as being part of one of those 75  
5 groupings.

6           Q     So during the day the system does know all of the  
7 different job types, but at the end of the day it doesn't?

8           A     No, it does at the end of the day when it does its  
9 batching, but I'm not certain that you could -- and once  
10 again I'm not a system designer here, but I'm not certain  
11 that you could go back after the fact and based upon the  
12 information that -- the residual information in the system  
13 categorize those batches.

14          Q     If that information doesn't exist as residual  
15 information right now, would it be possible nevertheless to  
16 write software that would preserve that information?

17          A     I can say that it's possible to write software  
18 ~~for~~<sup>For</sup> anything, I think.

19          Q     Has any batching of jobs actually occurring during  
20 the operations test?

21          A     Has any batching of jobs -- yes, it has.

22          Q     And how were you able to determine that?

23          A     During -- well, we could go to a systems level for  
24 that day and look at the job characteristics for all the  
25 jobs during the day and the jobs with similar

1 characteristics will have been batched. And I can't tell  
2 you at this point how many, but the report that was  
3 submitted -- I forget which interrogatory -- but that  
4 outlines all of the customers' jobs during the day would  
5 give you some clue to that, I think.

6 Q But isn't that the residual information that you  
7 earlier indicated probably doesn't reside in the system  
8 after the day is over?

9 A It is part of the -- yes, that is the residual  
10 information that resides at the -- in terms of volume of the  
11 customer, that they submitted during the day and the  
12 characteristics. But what I was referring to the batch  
13 characteristics, I don't believe are identified as one of  
14 the 75 that we identified in this answer (a).

15 Q What I am trying to get at here is how you  
16 personally would verify that batching is, in fact, occurring  
17 during the operations test.

18 A It would be a manual process for me to do that.

19 Q Manual in the sense of observing what is printed  
20 out or manual in the sense of asking for specific data from  
21 some database?

22 A Manual in the sense of looking at the jobs  
23 submitted during the day and then the outcome at the print  
24 site.

25 Q So you would actually have to see what was printed

1 to verify that batching had occurred?

2 A What I would do would be to look at the postal  
3 report that was generated at the print site with the jobs  
4 that day.

5 Q And that would indicate how many different  
6 customers had their jobs batched?

7 A Yes.

8 Q Could you look at Part G of that interrogatory,  
9 T1-17?

10 A Okay.

11 Q Here you say that print image files are  
12 transmitted to print sites as soon as a transaction is  
13 completed, is that correct?

14 A Yes.

15 Q When you say a transaction is completed, does this  
16 mean that the addresses have already been cleaned, the  
17 customer has proofed the copy, and the customer has approved  
18 payment?

19 A If you are talking about the operational system  
20 that is in place now, no. The address cleansing currently  
21 occurs after the transaction is approved by the customer.  
22 In ~~that~~<sup>the</sup> market test, we have modified the system and it will  
23 change to the address hygiene occurring before the  
24 transaction is completed.

25 Q So during the operations test, you are charging

1 the customers for the total number of pieces they submit on  
2 their address list, even if some of them are not good  
3 addresses?

4 A That is correct.

5 Q But during the market test, that is not the way it  
6 is going to work?

7 A That is correct.

8 Q Is it correct that by the time a customer  
9 completes a transaction, the system software has had time to  
10 create both the print image and the address file and has  
11 batched the address file with any other similar jobs?

12 A No, that is not correct. The system, during the  
13 transaction, creates an image which the customer reviews,  
14 proofs online. That currently is a PDF image. The print  
15 file that is currently sent during the operations test to  
16 the printer is a postscript file. That is generated after  
17 the fact. The address list, if I am remembering your  
18 question correctly, you said an address list that could then  
19 be batched immediately. And, as I have indicated in my  
20 responses here, the batching occurs after the fact, at the  
21 end of the day.

22 Q So the batching is not an incremental or accruing  
23 process during the day, it just happens all at once at the  
24 cutoff time?

25 A That's correct.



1           Q     If the batching occurs at the cutoff time, do you  
2     run into any problems if a lot of customers try to approve  
3     jobs just before the cutoff time?

4           A     Well, I can't answer that question hypothetically,  
5     because we haven't run into<sup>it</sup> yet. But we have tried to build  
6     a delay into the time from which the cutoff occurs until we  
7     have to do the transmission, so that we have got some slack  
8     in there. We will obviously be learning that -- the answer  
9     to that question during the market test.

10          Q     Now, the cutoff time is 2:00, is that correct?

11          A     That is correct, yes.

12          Q     P.M., Eastern Standard Time?

13          A     Correct.

14          Q     But the contract with the printers specifies a  
15     cutoff of 8:00 p.m., Eastern Time, is that correct? And  
16     this is the slack you are talking about?

17          A     I don't believe the contract refers to it as a  
18     cutoff, it refers to it as the latest possible time at which  
19     they would receive files.

20          Q     Okay. So the Postal Service is reserving itself  
21     up to six hours to do the batching and transmitting to the  
22     print site, is that correct?

23          A     At the moment, yes.

24          Q     And is that -- do you plan to continue that?

25          A     Frankly, we don't know. It is -- we feel that

1 that is a safe cushion. What we would like to do would be  
2 able to move the batching process later in the day so that  
3 customers will be able to submit files as late in the day as  
4 possible. But we don't want to run into a situation where  
5 we are -- we have too little time. So right now we have set  
6 it with enough slack to allow us to work with it.

7 Q Is there an automatic transmission of batched  
8 address files?

9 A It is automatic in the sense that the system  
10 software is written with an automated trigger to do that,  
11 yes.

12 Q And the trigger goes off at 2:00 p.m., Eastern  
13 Standard Time, is that correct?

14 A That is correct, yeah.

15 Q So I am having a little trouble understanding how  
16 you work this slack time between 2:00 and 8:00. If the  
17 system automatically does it at 2:00, how is there any slack  
18 that allows you to hold off until 8:00 to do the  
19 transmission?

20 A Well, the batching process and the combining and  
21 the creating of presort files occurs -- begins at 2:00 p.m.  
22 and it doesn't obviously occur in an instant, it takes some  
23 time.

24 Q So the automatic nature is the start of the  
25 process at 2:00 p.m.?

1 A Yes.

2 Q But there is no specific time when the actual  
3 transmission to the print site has to occur?

4 A No. No, the transmission to the print site, as I  
5 understand it, occurs after the batching process is  
6 complete.

7 Q Does somebody have to manually effectuate that?

8 A No.

9 Q So the system will do it automatically?

10 A Yes.

11 Q But not necessarily right at 2:00 p.m.?

12 A It will begin the process at 2:00 p.m. When it  
13 finishes is dependent upon how much processing time it takes  
14 to complete the batching and presorting process.

15 Q When the transmission of the address -- the <sup>batched</sup> ~~batch~~  
16 ~~to~~ address lists occurs, does the print site have everything  
17 it needs to go to work?

18 A Yes, it does.

19 Q Could you refer to your response to  
20 OCA/USPS-T1-18.

21 A I have it.

22 Q This interrogatory deals with how customers are  
23 informed of when their job will be mailed; is that correct?

24 A Yes.

25 Q Now the cutoff time for beginning the address file

1 batching process is 2 p.m.; right?

2 A That's correct.

3 Q Do you have any sense of how long that has taken  
4 at most during the operations test?

5 A I don't, and as I mentioned, the files that we've  
6 processed so far have been extremely small, and I would  
7 assume it's a very small piece of time, but I have no idea  
8 what it is.

9 Q If that's in fact the case, a very small amount of  
10 time to batch those addresses and transmit them to the print  
11 site, why wouldn't the mailing date be the same as that  
12 transmission date?

13 A As I think I've indicated in my interrogatory  
14 responses, <sup>here, sir</sup> ~~the~~ the contract with the printer indicated that  
15 they did not have to have it in the mail the same day. If  
16 they chose to, that would be up to them. We didn't specify  
17 that it had to go in the mail the next day, but that was the  
18 soonest that they were expected to have it.

19 Q When you say the next day, you mean the next  
20 business day?

21 A Business day. Correct; yes.

22 Q So the system software essentially assumes that  
23 the mailing is always going to occur the next business day;  
24 is that correct?

25 A I don't believe the system software has to make

1 any assumptions about when the mailing is going to occur.  
2 It simply sends the batch files and the postal reports and  
3 it's done with it.

4 Q But the system does inform the customer of the  
5 expected mailing date; correct?

6 A That's correct; yes.

7 Q So how does the system come up with that expected  
8 mailing date?

9 A It tells the customer what the expectation should  
10 be based upon the requirements placed upon the printer, and  
11 that is the next business day in the mail.

12 Q So in your response where you say the system uses  
13 the time of day, that really doesn't enter into it, does it?  
14 It's just going to -- the expected mailing date's going to  
15 be the next business day; right?

16 A I think the intent of that time of day was to  
17 indicate if a customer was on in the middle of the night and  
18 it was unclear what the next business day was that the  
19 system would use the time of <sup>day</sup>~~dates~~ to inform the customer of  
20 what the expected day of mailing was.

21 Q If the customer's on in the middle of the night --

22 A Yes.

23 Q The system would know that it wasn't going to  
24 transmit the address file until sometime after 2:00 p.m. the  
25 next afternoon, right?

1 A Correct; yes.

2 Q And then the actual mailing date would be the next  
3 business day after that.

4 A Right, and I'm understanding your question now, I  
5 think. If it's after 2:00 p.m. on a given day, then it is  
6 not the next business day, it's the next business day after  
7 the next business day.

8 Q So if someone submits a job at 2:15 p.m. Eastern  
9 Standard Time, it's basically going to be two more days  
10 before it's in the mail; is that right? Two more business  
11 days.

12 A Well, it would be the day after the day after  
13 today; yes.

14 Q 23 hours and 45 minutes plus another 24 hours,  
15 something like that?

16 A Um-hum. Yes.

17 Q Is the Postal Service responsible for installing a  
18 server at print sites?

19 A Yes, it's in the contract.

20 Q One server per print site?

21 A The intent is to install one server per print site  
22 with a hot backup on site. In other words, a server that  
23 has been prepared with the identical software configuration  
24 that would be in place in case of a failure of the primary  
25 server.

1 Q So you could have one server but two separate  
2 software systems running on that one server?

3 A No, there's only one server running at a time.  
4 The other one is a cold box sitting in the corner that if  
5 the first one breaks, you bring the other one over and plug  
6 it in.

7 Q So that would be a manual process, not an  
8 automatic switchover?

9 A That's correct, currently.

10 Q Is that going to change during the market test?

11 A No.

12 Q Who is responsible for bringing a print-site  
13 server back up if it goes down?

14 A Are we talking about during the operations test,  
15 the market test, or something else?

16 Q Well, let's do the operations test first.

17 A Okay. During the operations test at the print  
18 site in Dallas we've worked with the technical people on  
19 site at the Xerox DTC, and any problems that we've had with  
20 the server have been able to be dealt with by them. It  
21 involved basically rebooting or restarting the server.

22 Q And during the market test you're going to have  
23 another print site operating; correct?

24 A That is correct.

25 Q And who will be responsible for bringing the

1 server up at that site if it goes down?

2 A We intend on employing somewhat the same process  
3 of first dealing with the technical people on the print site  
4 to see if a simple rebooting would suffice. If not, we have  
5 engaged the participation, shall we say, of the local postal  
6 IS people, and if necessary we would get them on the phone  
7 and talk about what to do next. But the reason for  
8 providing a hot backup is that if something happens, we want  
9 the people at the print site to be able to deal with the  
10 problem in a quick and efficient way, and then we'll deal  
11 with how to replace that broken server as a secondary  
12 matter.

13 Q During the operations test, are there two servers  
14 at the Texas print site?

15 A Yes, there are.

16 Q And one simulates a server in Tampa, and one  
17 simulates a server in Hartford; is that correct?

18 A Yes, and I believe that's covered in my  
19 interrogatory responses.

20 Q Has either of those servers ever crashed during  
21 the market -- I mean during the operations test?

22 A I can't say specifically that either one or the  
23 other or both have crashed. I know that we've had to  
24 restart them.

25 Q Do you have any sense of how frequently that has



1 occurred?

2 A I don't, but I can say I think that it's  
3 infrequently.

4 Q Are any records kept of those types of situations?

5 A I don't know specifically. I think that in the  
6 help desk records we might be able to glean that  
7 information, but I don't ~~know~~<sup>know</sup> where I could specifically put  
8 my finger on that number.

9 Q Could you refer to your response to Interrogatory  
10 OCA/USPS-T1-6?

11 A I have it.

12 Q In part B of your response you state that  
13 equipment and network outages will be tracked; is that  
14 correct?

15 A Yes.

16 Q And has this, in fact, been done during the  
17 operations test?

18 A At the data center, yes.

19 Q And this will also be done during the market test?

20 A Yes.

21 Q If a server goes down at a print site, is that an  
22 example of an equipment outage?

23 A Yes.

24 Q So in fact, there should be records fairly easily  
25 accessible of those kinds of events?

1           A     Well, the records referred to here are kept at the  
2     data center specific to the equipment at the data center.  
3     One could make the assumption that if the people at the data  
4     center were involved in what was being done to reboot the  
5     server at the print site, then they might have logged it in  
6     as part of their records. But there is no requirement that  
7     if the printer -- the print site does something to the  
8     server, reboots it for instance, that they report that to  
9     the data center.

10          Q     Will the Postal Service be tracking the causes of  
11     equipment outages during the market test?

12          A     I would say yes. I'm not responsible for the  
13     technical process, but I -- it would be my guess that it  
14     would be a valuable piece of information to have.

15          Q     Do you know whether the Postal Service will be  
16     evaluating whether it needs to increase system redundancy  
17     during the market test?

18          A     The market test is designed to provide us with a  
19     variety of information having to do with technical design.  
20     Redundancy would certainly be one of those. It's part of,  
21     as I understand it, good system design to make sure that you  
22     have sufficient redundancy. So yes, I would assume so,  
23     although I haven't seen it as part of a plan.

24          Q     Could you refer to your response to interrogatory  
25     OCA/USPS-T1-24.

1 A Yes.

2 Q This response provides a breakdown of Mailing  
3 Online volume by city, by mailer, by date; is that correct?

4 A Yes.

5 Q Could you look at pages 3 and 4 of the attachment  
6 to that response.

7 A Yes.

8 Q The next to the last column on those pages  
9 contains total jobs, total pages, and total pieces by date  
10 for Tampa; is that correct?

11 A Yes.

12 Q As one looks down that column, one can find a day  
13 on which exactly two pieces were printed; is that correct?

14 A Yes.

15 Q And one can find a day on which 4,990 pieces were  
16 printed; is that correct?

17 A I don't see that specific number, but I wouldn't  
18 question it.

19 Q On page 4, seventh number up from the bottom.

20 A Yes.

21 Q And there's a lot of variation between those two  
22 daily volumes; isn't there?

23 A Yes.

24 Q What was the source of these numbers?

25 A The system reports.

1 Q By system reports, you mean the Mailing Online  
2 reports that Price Waterhouse prepares?

3 A Well, again, the Price Waterhouse reports are  
4 prepared from data which is generated by the system  
5 automatically and sent to Price Waterhouse.

6 Q And the Postal Service is continuing to collect  
7 that kind of data?

8 A Yes.

9 Q And that kind of data will be collected during the  
10 market test?

11 A Yes, it will.

12 Q Could you look at the last row of numbers on pages  
13 2 and 4 of the attachment?

14 A Okay.

15 Q These are average transactions per month by mailer  
16 over a four-month period; is that correct?

17 A Yes.

18 Q Is it possible to develop a weighted average of  
19 those numbers?

20 A What do you mean by weighted average?

21 Q A single number that represents the average  
22 transactions per month.

23 A Of all customers?

24 Q Right.

25 A Certainly.

1 Q And that average would be somewhere between .2 and  
2 2.8; is that correct?

3 A I can't question that, but it looks like it might  
4 be accurate, yes.

5 Q And the smallest number is .2 and the biggest  
6 number is 2.8 in that row?

7 A Uh-huh.

8 Q Is that a yes?

9 A I'm sorry. Yes.

10 Q Could you refer to your response to interrogatory  
11 OCA/USPS-T1-12.

12 A I have it.

13 Q Could you look at your response to part C of that  
14 interrogatory.

15 A Yes.

16 Q And you state that advertising costs for Mailing  
17 Online during the market test have been included in the cost  
18 estimates of Witnesses Seckar and Stirewalt; is that  
19 correct?

20 MR. HOLLIES: Objection to the question. That  
21 misstates the response.

22 COMMISSIONER LeBLANC: Mr. Costich, do you care to  
23 repeat it?

24 MR. COSTICH: Perhaps the witness could read the  
25 entire response.

1 THE WITNESS: It is my understanding that as  
2 appropriate, these costs have been included.

3 BY MR. COSTICH:

4 Q These costs being advertising costs for Mailing  
5 Online during the market test?

6 A That's what the question refers to, yes.

7 Q Could you tell me what you mean by "as  
8 appropriate"?

9 A Well, I wasn't involved in calculating the costs of  
10 Witness Seckar or Witness Stirewalt, and it is my  
11 understanding that if appropriate or as appropriate, they  
12 included those costs in their calculations.

13 Q Well, what's the basis for your understanding?

14 A The comprehensiveness of their work.

15 Q Do you understand that there are actually  
16 advertising costs included in their work?

17 A I haven't seen advertising costs in their work.

18 Q And there aren't any, are there?

19 A I don't know that for a fact.

20 Q But you understood that to be a fact; is that  
21 correct?

22 A I understood what? I'm sorry.

23 Q You understood that there were advertising costs  
24 included in their work; is that correct?

25 A As appropriate, yes.

1 Q And as appropriate means not at all, correct?

2 A I don't know that.

3 MR. COSTICH: Mr. Presiding Officer, at this time,  
4 I would like to pass out a document that consists of some  
5 excerpts from Library Reference 6 of the Postal Service.

6 COMMISSIONER LeBLANC: Mr. Costich, we get  
7 started, this might be a good time to take a break. How  
8 much more do you have?

9 MR. COSTICH: Ten or 15 minutes.

10 COMMISSIONER LeBLANC: Then we'll move on, then.  
11 Thank you. Keep going.

12 BY MR. COSTICH:

13 Q The document that has been distributed contains  
14 all of the pages from Library Reference 6 that say program  
15 total at the top. So what has been removed are pages that  
16 refer either to Tampa or Hartford.

17 Mr. Garvey, could you look at the first page of  
18 those excerpts.

19 A I have it.

20 Q And that page is entitled Mailing Online Report  
21 Program Total For the Period 3/10/98 to 4/4/98; is that  
22 correct?

23 A It is.

24 Q Do you know how reports like this are generated?

25 A I don't understand the question.

1           Q     Is there an underlying database from which these  
2 reports are constructed?

3           A     The information for these reports is sent  
4 automatically by the Mailing Online system as a data file  
5 and as a set of Word, Microsoft Word formatted reports to  
6 Price Waterhouse Coopers. They extract information, and I  
7 don't know exactly how they do this, either from the data  
8 file and/or from the Word documents and they generate this  
9 report.

10          Q     But the basic data are generated automatically by  
11 the system software?

12          A     That is correct.

13          Q     And that data file, would that contain sufficient  
14 volume breakdown to come up with those 75 different job  
15 types that we discussed earlier?

16          A     The underlying data file would, yes, I think. I'm  
17 not certain of that.

18               MR. COSTICH: Can we get that nailed down, Mr.  
19 Presiding Officer?

20               COMMISSIONER LeBLANC: Mr. Garvey, do you have any  
21 objections? Can you do that in a relatively short period of  
22 time, or what time table are we looking at here?

23               THE WITNESS: It might be a matter of a couple of  
24 days. I'm not certain of that. It would require --

25               COMMISSIONER LeBLANC: Well, let's shoot for the



1 same Friday finishing schedule here. If it's going to be  
2 more than that, Mr. Hollies, if you can put that in writing,  
3 get back to us at a time that would be appropriate for all.

4 MR. HOLLIES: Sir, if I understand you correctly,  
5 you're looking for us to file a response by Friday, or if  
6 it's not available at that point, to let you know when it  
7 will be?

8 COMMISSIONER LeBLANC: That's correct.

9 MR. HOLLIES: We can do that.

10 COMMISSIONER LeBLANC: Mr. Costich, is that okay?

11 MR. COSTICH: Yes. Thank you, Mr. Presiding  
12 Officer.

13 COMMISSIONER LeBLANC: Thank you.

14 BY MR. COSTICH:

15 Q The reports in Library Reference 6 show both  
16 average pages per job to date and average pieces per job to  
17 date; is that correct?

18 A Yes, they do.

19 Q So one could calculate average pages per piece by  
20 dividing one by the other?

21 A You could.

22 Q Could you turn to the first report for accounting  
23 period 9? I think that's the fifth page in.

24 A I have it.

25 Q Do you see at the top where it says includes

1 transactions with incomplete data?

2 A I do, yes.

3 Q Do you know why some transactions would have  
4 incomplete data?

5 A I don't know precisely why this is included here,  
6 but some of the problems that we've had with the system have  
7 involved data perhaps not being reported correctly by the  
8 system or information -- spurious information being part of  
9 that because of a system problem that was corrected after  
10 the fact.

11 Q The problem wouldn't be due to problems during the  
12 actual transaction with the customer?

13 A I don't think the incomplete data would be due to  
14 problems during the transaction with the customer.

15 Q Problems with the software that creates the data  
16 file?

17 A Certainly, yes.

18 Q Are the reports generated by software or are they  
19 manually typed up?

20 A These reports?

21 Q The ones in LR6, yes.

22 A I don't know specifically how Price Waterhouse  
23 generates these reports. It would appear to me that they're  
24 using a spreadsheet software program from the format of the  
25 reports. I doubt that they type them.

1 Q Commercial software like Excel or Access?

2 A That would be my guess.

3 Q So whatever the cause of the incomplete data, it's  
4 probably not the software that's being used to create these  
5 reports?

6 A No. The fact that they have included this  
7 notation on the report would indicate to me that they're  
8 being thorough in their data collection, and they have  
9 indicated here that they don't have all of the data  
10 intentionally.

11 Q Can you verify that there are four separate  
12 reports for accounting period 9 included in this package?

13 A I can.

14 Q And all of them say "includes transactions with  
15 incomplete data"?

16 A Actually, only the first three say that.

17 Q Right you are. Can you verify that there are four  
18 separate reports for accounting period 10?

19 A I can, yes.

20 Q And two of them say incomplete data and two don't,  
21 is that right?

22 A That is correct, yes.

23 Q Is there any different between the two reports  
24 that don't say incomplete data?

25 A Any difference other than not having that

1 notation?

2 Q Any difference in any of the numbers on those two  
3 different reports?

4 MR. HOLLIES: Excuse me. If Mr. Costich is asking  
5 for a point for point comparison on all of these numbers  
6 across four different pages, perhaps this is the time for  
7 that break.

8 CHAIRMAN LeBLANC: Mr. Costich, clarification.

9 MR. COSTICH: We don't have to do that. The  
10 reports will speak for themselves at briefing time.

11 BY MR. COSTICH:

12 Q Can you verify that there are three -- no, that  
13 there are four reports for accounting period 11?

14 A I can, yes.

15 Q And none of them says incomplete data, right?

16 A None of them do, no. That is correct.

17 Q And all of them are different, correct? I mean  
18 you can look down the column of number of jobs in a second  
19 and see that everyone is different, is that correct?

20 A That is true.

21 Q Are you getting any Mailing Online reports yet  
22 that you would consider accurate?

23 A To the degree possible with the information  
24 provided, albeit ~~it~~ incomplete, I would consider these  
25 reports accurate, given the information that has been input

1 to them.

2 Q Four different reports for accounting period 11,  
3 none of them say incomplete data, all of them are different,  
4 they are all accurate, is that what you are saying?

5 A I am saying that my assumption is that Price  
6 Waterhouse Coopers has taken the information given to them  
7 and input it correctly into their work sheets. I may be  
8 misunderstanding your question.

9 Q Well, which one of these four reports for  
10 accounting period 11 would you use if you had any reason to  
11 look for a report from accounting period 11?

12 A Oh, I see, they all say the same dates, that's  
13 your point. A very good question. I don't have an answer  
14 for you.

15 Q Are there any more of these reports for accounting  
16 period 11?

17 A It would be my suspicion that what has happened  
18 here is that the date on the report has not been changed,  
19 although it is a weekly report. It says that it is an AP  
20 report. If you look at the top of each page, you will see  
21 the draft date is different at the top of each page, and  
22 that would indicate to me that it has been generated on a  
23 weekly basis, so these are weekly reports with an incorrect  
24 header.

25 Q Incorrect header in terms of the period of time

1 covered?

2 A That's correct.

3 Q So the one with the biggest number of jobs would  
4 perhaps be the correct one?

5 A That would be a good assumption to make.

6 Q But there aren't any more of these lying around  
7 somewhere that might be even more current?

8 A Not to my knowledge.

9 MR. HOLLIES: I think a little explanation might  
10 help this discussion. The reports are weekly and  
11 cumulative, and they are all, I think, equally accurate.  
12 But we could cover this on redirect if necessary.

13 MR. COSTICH: That's all of my questions, Mr.  
14 Presiding Officer.

15 CHAIRMAN LeBLANC: Thank you, Mr. Costich.

16 I think we will take a break here, ladies and  
17 gentlemen. My watch is obviously different than that clock  
18 up there, but as the clock goes up there, we will take ten.  
19 We will resume, be here ten after 11:00 according to the  
20 clock on the wall.

21 [Recess.]

22 CHAIRMAN LeBLANC: Mr. Reporter, we can go back on  
23 the record now.

24 Mr. Bush, I believe you are next, sir, for MASA.

25 MR. BUSH: Thank you, Mr. Presiding Officer.

## CROSS-EXAMINATION

BY MR. BUSH:

Q Good morning, Mr. Garvey. My name is Graham Bush, and I will be asking you some questions on behalf of the Mail Advertising Service Association International.

A Good morning.

Q First of all, the market test is scheduled to begin on October 1st, correct?

A That is correct.

Q Do you foresee any risk that that date would move later in time?

A There is always an element of risk. I believe at this time that that date will stay in place.

Q Are any of the factors that caused it to move to August 1st still issues that have not been resolved?

A Not to my knowledge.

Q So you have solved your equipment order delay problem, whatever that was? You have to give an oral answer.

A I am thinking. The market test is a market test of the ~~Postoffice~~ <sup>PostOffice</sup> Online and there are components to the ~~Postoffice~~ <sup>PostOffice</sup> Online other than Mailing Online and, to my knowledge, all of the problems with all of the elements involved in this market test have come together for October 1, yes.

1           Q     When is the next Board of Governors meeting  
2     scheduled?

3           A     As I understand it, it is October 5th or 6th,  
4     perhaps 5th and 6th.

5           MR. HOLLIES: That is a matter of public record.  
6     The board meets monthly and at this point the next meeting  
7     would be in September.

8           MR. BUSH: Are you -- the next meeting would be in  
9     September?

10          MR. HOLLIES: They generally meet the first week  
11     of a month. I mean there are variations. The July meeting  
12     is sometimes in the end of June to accommodate July 4th, and  
13     other things can happen, but there's one scheduled for both  
14     September and October.

15          MR. BUSH: I understand. Thank you, Mr. Hollies.

16          BY MR. BUSH:

17          Q     Assuming that there is a recommended decision from  
18     the Commission on the market test after the September board  
19     meeting but before the October board meeting, are you aware  
20     of any plans by which the Commissioners would be able to  
21     adopt or approve the recommended decision in time to  
22     implement the market test on October 1st?

23          MR. HOLLIES: Objection as to the form of the  
24     question. There are no Commissioners who are members of the  
25     Board of Governors.



1 MR. BUSH: I'm sorry, I misspoke. If I said that,  
2 I don't remember saying that. But if I said that, I  
3 misspoke.

4 BY MR. BUSH:

5 Q Are you aware of any plans by which the Governors  
6 would be able to meet and approve a recommended decision  
7 from this Commission, if there is one, in time to implement  
8 a market test on October 1st?

9 A I understand that the Board of Governors does not  
10 have to have a formal meeting to make a decision, that there  
11 is a process by which a decision can be handed down by the  
12 Board of Governors at a time other than a formal meeting.

13 Q All right. Now, under the current proposal, the  
14 market test would extend for three months, is that correct?

15 A Through December, yes.

16 Q October, November and December. And if the Postal  
17 Service has its way, that would be followed immediately in  
18 January by the experimental program?

19 A Yes.

20 Q If the Commission decides to defer consideration  
21 of the experimental request such that there would be no  
22 recommended decision in time to implement an experimental  
23 program in January, is it the Postal Service's intention, so  
24 far as you know, to extend the market test beyond the end of  
25 December?

1 A So far as I know, yes.

2 Q And if the market test were to terminate in  
3 December without an experimental test following it in  
4 January, would that cause any disruption or harm to the  
5 program as you see it?

6 A It would -- yes, it would, in a variety of ways.  
7 It would end the learning process and the development  
8 process. It would change the dynamics of the <sup>Postoffice</sup>~~Postoffice~~  
9 Online implementation of which it is a part, and it would  
10 certainly affect the customers who had signed on for the  
11 service.

12 Q Would it also implicate the minimum price of the  
13 contract -- I forget what the Library Reference is, I think  
14 it is Library Reference 11 -- that has been entered into by  
15 the Postal Service?

16 A I'm sorry, I don't understand. Would you --

17 Q Well, as I understand it, that contract has a  
18 minimum price, or a minimum guaranteed price to the  
19 contractor, is that correct?

20 A Yes, it does.

21 Q And I am asking if the market test is terminated  
22 at the end of December, is it your understanding of the  
23 contract that the minimum price, to the extent it hadn't  
24 been earned by that time, would still have to be paid?

25 A If you will review the contract, it includes

1 language to the effect that if the -- if we do not get the  
2 recommended decision, that we would use the contract for  
3 other printing purposes to facilitate Postal Service's  
4 printing.

5 Q Okay. So it wouldn't be a total loss, you'd just  
6 have to use the balance of the contract price to get other  
7 services.

8 A That is correct.

9 Q Let me ask you to take a look at interrogatory  
10 answer to MASA/USPS-T/3-2.

11 Do you have that?

12 A I'm sorry, that's a redirect, yes.

13 Q That's true, it is redirected from Witness  
14 Stirewalt.

15 A I have it.

16 Q That question inquired about marketing efforts  
17 that the Postal Service plans to employ with respect to  
18 Mailing Online, and you indicated that during the market  
19 test the Postal Service will be testing specific approaches  
20 and techniques, and you're referring in your answer there to  
21 specific marketing approaches and techniques; correct?

22 A Yes.

23 Q And that the results of these tests will guide  
24 marketing planning efforts for the experiment; correct?

25 A Yes.

1           Q     Can you please describe for me all the ways in  
2     which you will gather information about different marketing  
3     approaches and techniques during the market test?

4           A     I can't describe them all to you, but in general  
5     it's my understanding that the ad agency that the Postal  
6     Service is working with to do this has a marketing plan that  
7     includes a variety of different devices and ways in which we  
8     will market the Postoffice Online, and this will be done in  
9     different geographic or demographic areas, and we'll measure  
10    the results of the response rate in those areas to find out  
11    the effectiveness of different techniques.

12          Q     What kind of advertising media are under  
13    consideration for use during the market test?

14          A     I may not be naming all of them, but trade media,  
15    limited cable, radio, newspapers.

16          Q     What is the name of the advertising agency?

17          A     It's Young and Rubicam.

18          Q     Is there a plan for collecting data with respect  
19    to the effectiveness of the different marketing approaches?

20          A     I can't say for certain, but I would assume that  
21    there is; yes.

22          Q     Okay. Who would know that?

23          A     The advertising agency certainly would, and the  
24    department that I work with has a manager who deals  
25    specifically with those issues.

1 Q Okay. To your knowledge is there any mechanism by  
2 which the ad agency will be reporting to the Postal Service  
3 people responsible for Mailing Online the results of their  
4 testing of different marketing and advertising media?

5 A I would certainly hope so. I don't know  
6 specifically, no. As I said, that's not my role in this  
7 project.

8 Q And I'm sorry, who is the person who has direct  
9 responsibility for that aspect of things, marketing and  
10 advertising at the Postal Service?

11 A His name is Joe Kaminski.

12 MR. BUSH: Mr. Presiding Officer, would it be  
13 possible to get from the Postal Service an indication from  
14 the person who does know how the results of this survey of  
15 advertising and marketing will be reported and at what  
16 times, in what time frame?

17 COMMISSIONER LeBLANC: Mr. Hollies?

18 MR. HOLLIES: I don't believe there's been any  
19 indication that there's going to be a survey, but taking the  
20 substance of the question rather than the words, I don't  
21 know that that information is in any way relevant to an  
22 issue in this case. If there were some showing to the  
23 contrary, that might be a reason for perhaps providing the  
24 information in the context of this case, but it is in  
25 essence commercially sensitive information, and I don't

1 believe -- as I don't believe it bears on any issues in this  
2 case, it wouldn't be the kind of thing that is ordinarily  
3 made a part of a public record.

4 MR. BUSH: Well, I don't know -- still have this  
5 on -- I don't know whether this is the time to take up the  
6 argument about this or whether, Mr. Presiding Officer, you'd  
7 like to do this on briefs, but briefly --

8 COMMISSIONER LeBLANC: What is it in specific that  
9 you want?

10 MR. BUSH: Well -- we have interrogatory answers  
11 in the record now that suggest that (a) none of the  
12 advertising expenses or marketing expenses will be taken  
13 into account in costs -- have been taken into account or  
14 will be taken into account in terms of costing. One of the  
15 reasons for that is because anything that is being done is  
16 being done only on <sup>PostOffice</sup> ~~Postoffice~~ Online, and therefore it's an  
17 institutional cost. I'm not agreeing with that, but that's  
18 what we've been told.

19 Now we've been told that in fact other advertising  
20 media are being tested, that there's an ad agency that's  
21 been hired presumably at some expense to do the tests, and  
22 that in fact they may well try other advertising media and  
23 mechanism of marketing. So I think it is directly relevant  
24 to at least costing, and it's also relevant to how they're  
25 going to be trying to roll this product out, and so it may

1 well be relevant to some of the other issues in the case.

2 COMMISSIONER LeBLANC: But you're asking for Mr.  
3 Garvey to do what, or are you asking for the Postal Service  
4 institution to do something?

5 MR. BUSH: Well, I guess I'm not hung up on  
6 exactly procedurally how they do it. If it's more  
7 convenient to have the Postal Service do it institutionally,  
8 that's fine with me, but this witness has identified the  
9 person who has responsibility for the reporting of this  
10 information, and the testing of different marketing and  
11 advertising methods, and either he -- it's okay with me if  
12 he gets it from his colleague and gives it to us, or can do  
13 it as an institutional answer, and I'm perfectly willing to  
14 address the confidentiality concerns with a protective order  
15 if those are really --

16 COMMISSIONER LeBLANC: Why don't we -- if I can  
17 ask you to put that in writing and we'll take it under  
18 consideration here and get back with you as soon as possible  
19 on it. And we can deal with all the issues hopefully in one  
20 form.

21 MR. BUSH: All right. Thank you, Mr. Presiding  
22 Officer.

23 BY MR. BUSH:

24 Q Mr. Garvey, let me ask you to turn to your answer  
25 to MASA-USPS-T1-6, please.

1           A     I have it.

2           Q     Now, that interrogatory asks some questions about  
3     qualification criteria and other factors that would make  
4     Mailing Online undesirable for long-run printers, as you  
5     have defined long run and short run.

6                     You have identified a number of factors, and then  
7     in subsection C, you said that, and I'm quoting, "We will be  
8     evaluating these factors during the market test and the  
9     experiment to better understand their impact on the target  
10    customers for Mailing Online."

11                    Now, I would like you to tell the Commission what  
12    precisely you will be doing during the market test to  
13    evaluate these factors.

14           A     The factors that we will be evaluating will be the  
15    choices that we've made in configuring Mailing Online as it  
16    currently exists, many of which are, as part of the answer  
17    to part A, what limits the customer's utility of Mailing  
18    Online.

19                    We want to make sure that we are on target with  
20    the choices that we've chosen to give the customer in this  
21    target segment that we're working to attract to Mailing  
22    Online, the small office, home office customer. We're not  
23    certain that what we've chosen to include in Mailing Online  
24    is what will suit the needs of that market.

25                    Since we have said that those are conditions which



1 answer your question here, we will be evaluating those  
2 things and perhaps change them if necessary.

3 Q And what data will you gather during the market  
4 test that will enable you to evaluate those factors?

5 A It will be mostly qualitative in nature, getting  
6 interviews and surveys and responses back from select  
7 customers. But also, we'll be evaluating the choices that  
8 the customers make in creating their jobs. If we have put a  
9 selection on the system that no one uses, obviously we've  
10 made a bad selection.

11 Q With respect to the qualitative aspect of things,  
12 have you retained a consultant to conduct interviews or  
13 obtained data from the customers that are using these  
14 --Mailing Online during the market test?

15 A We have not for the market test, no. During the  
16 operations test, we have done some questionnaires, some  
17 small questionnaires, but nothing -- as I understand it, we  
18 do not have anything in place for the market test.

19 Q During the market test -- maybe I misunderstood  
20 you. I thought that you had testified that during the  
21 market test, you would be collecting qualitative information  
22 in the form of interviews and maybe questionnaires from the  
23 customers using --

24 A That is correct.

25 Q -- Mailing Online.

1           How do you plan to go about that? First of all,  
2       with Postal Service personnel?

3           A     I think we will be using a variety of techniques,  
4       some of -- Postal Service personnel, but also probably  
5       consultant help. And your question was, do we have a  
6       vehicle in place to do that, and my answer was no, to my  
7       knowledge, we don't.

8           Q     Are you in discussions with any consultant to have  
9       it in place by October 1st?

10          A     None that I'm privy to, although I would guess  
11       that they're in the making, yes.

12          Q     Is there any internal planning at the Postal  
13       Service going on with respect to how to gather qualitative  
14       information about customer reaction to various features of  
15       the service being offered during the market test?

16          A     As part of the overall ~~Post Office online~~ <sup>Post Office Online</sup> plan,  
17       yes, indeed, I think that there is, although, as I said, I  
18       don't know that there is a specific vehicle in place to  
19       gather the qualitative data I refer to.

20          Q     With respect to the quantitative data, you  
21       described a situation in which perhaps one of the features  
22       hypothetically wouldn't be used at all, and therefore it  
23       would make sense to drop it.

24                Do you have any other -- aside from no usage, do  
25       you have any other standard to measure whether the usage is

1 sufficient to warrant dropping it?

2 A We have not established the criteria for dropping  
3 something, no.

4 Q And have you -- do you plan as part of this  
5 evaluation of the different features that are offered to  
6 consider features that are not offered and get any data on  
7 whether they should be offered and would be attractive to  
8 customers of Mailing Online if they were?

9 A Certainly. I think we would be remiss if we  
10 didn't in terms of responding to customer requirements.

11 Q And how do you plan to go about gathering that  
12 information?

13 A We intend to -- well, obviously as part of the  
14 qualitative survey, but we also intend to have a feedback  
15 mechanism within the system where people can send e-mail or  
16 -- send e-mail to the system, as it were, with suggestions.

17 Q Do you plan to keep a record of whatever e-mail  
18 messages you get on that subject?

19 A Yes.

20 Q Is it possible for you -- withdrawn.

21 Is there any reason why the Postal Service would  
22 not be able to supply to the Commission and the parties the  
23 data that it obtains with respect to the desirability of the  
24 features offered and other features that might be offered  
25 but are not now?

1           A     In a market sensitive perspective of sharing data  
2     that is not complete and is not analyzed -- I'm sorry, I  
3     don't know the answer to the question. I feel that sharing  
4     raw data that fuels decisions that -- business decisions  
5     that we make that might be misconstrued would not -- I don't  
6     know. I don't know how to answer that. I would say that I  
7     wouldn't want to, but there might be valid reasons in this  
8     setting to inform the Commission to do so.

9           Q     You believe and anticipate that you will obtain  
10    information about these features that will be sufficiently  
11    reliable that you could make decisions based on that data?

12          A     I don't know what we'll get. When we get it,  
13    we'll know. But the decisions we make and the inferences we  
14    can make about customer requirements based upon that will be  
15    dependent upon what it looks like and how many people  
16    respond and what their reasons are for responding, and  
17    that's part of the evaluation process that I refer to in  
18    talking about raw data versus decisions that we make based  
19    upon that data.

20          Q     You will take the raw data and you will make some  
21    judgment about whether or not it tells you something that  
22    you think you can rely on in formulating your product; is  
23    that not right?

24          A     That is correct, and that's what we've done  
25    already in having had focus groups. Prior to even coming up

1 with a ~~design~~<sup>designer</sup> for Mailing Online, we listened to the voice  
2 of the customer and ~~design~~<sup>designed</sup> it based upon what we heard them  
3 say.

4 Q And your principal reason for being reluctant to  
5 share it with the Commission and the parties is the  
6 possibility that it might be misinterpreted?

7 A I'm not sure that -- well, misinterpreted is  
8 perhaps one word for it, but I think the term  
9 second-guessing comes most to my mind.

10 Q All right. Let me ask you to take a look at your  
11 answer to DFC/USPS-T5-2. That is redirected from Witness  
12 Plunkett to you.

13 A I have it.

14 Q Now, that answer states that early in the market  
15 test, the Mailing Online system will be modified to use the  
16 ~~fast forward~~<sup>FASTforward</sup> system to check addresses for address change  
17 status.

18 My question to you first is, is there any plan to  
19 be able to collect or plan to collect data on how often the  
20 ~~fast forward~~<sup>FASTforward</sup> system is used? For example, every time it's  
21 used with respect to any mailing, will there be a record  
22 that it has been used?

23 A In the sense that the system keeps records of what  
24 it does, yes.

25 Q Okay. And does the ~~fast forward~~<sup>FASTforward</sup> system result in

1 an actual change of the address as opposed to a rejection of  
2 the piece for mailing?

3 A Yes.

4 Q And is there anticipated to be any charge for  
5 that?

6 A There is not.

7 Q Okay. Is the changed address given back to the  
8 mailer?

9 A No, there's not -- it is not.

10 Q And once the ~~fast forward~~ <sup>FAST Forward</sup> system is in place, is  
11 that the system that will be used for checking addresses or  
12 is there any other system that will be used for checking  
13 addresses for Mailing Online pieces?

14 A At this time, our plan is to continue to use the  
15 ~~fast forward~~ <sup>FAST Forward</sup> system. If technical evaluation discovers or  
16 finds something that's better, we would not be adverse to  
17 using something better.

18 Q And is there any reason why the usage of the ~~fast~~ <sup>FAST</sup>  
19 forward system in connection with Mailing Online during the  
20 market test could not be reported as part of the data report  
21 to the Commission?

22 A Not to my knowledge.

23 Q Let me ask you to take a look at your answer to  
24 MASA/USPS-T3-3, and that is also redirected from Stirewalt.  
25 Apparently I asked the wrong people most of these questions.

1 COMMISSIONER LeBLANC: Mr. Bush, could you repeat  
2 the number for the Commission? Commissioner Goldway didn't  
3 hear you. I didn't either.

4 MR. BUSH: Sorry. MASA/USPS-T3-3.

5 COMMISSIONER LeBLANC: Thank you.

6 THE WITNESS: I have it.

7 BY MR. BUSH:

8 Q Now, this answer describes the, in certain  
9 respects, the use of the Help Desk. I guess my first  
10 question is, what records will be kept during the market  
11 test of the frequency and duration of the use of the Help  
12 Desk by Mailing Online customers?

13 A I believe that there is an interrogatory response  
14 that answers that. But the number of calls, the nature of  
15 the calls, and how frequently individual customers,  
16 particular individual customers have called will be  
17 recorded.

18 Q I'm sorry, how frequently? I didn't hear the last  
19 part of that.

20 A How frequently individual customers call -- in  
21 other words, whether there are repeat calls from the same  
22 customers.

23 Q And do you make a distinction in the use of the  
24 Help Desk between technical inquiries and other types of  
25 inquiries?

1           A     The Help Desk personnel record a reason for the  
2     call and they indicate in words -- they say it was a call  
3     about a technical problem or a call about what can I do with  
4     the document. So yes, in that sense, those records are  
5     kept.

6           Q     And are the technical types of questions referred  
7     to somebody else to handle?

8           A     No. The Help Desk handles all calls that are  
9     appropriate for the Help Desk. If they receive calls that  
10    are asking questions about specific application software --

11          Q     Right.

12          A     -- or something that is not part of the Mailing  
13    Online system, then they will tell the customer to call  
14    someone else. So I guess the answer to your question is  
15    yes, they refer calls, but not just technical calls;  
16    anything that does not fall within their purview, they --

17          Q     Okay. And does the Help Desk -- is the Help Desk  
18    dedicated to Mailing Online or is it for --

19          A     No. The Help Desk is a ~~Post Office~~ <sup>Post Office</sup> ~~Online~~ <sup>Online</sup> help  
20    desk.

21          Q     So I take it it would be possible to get some  
22    information about the extent to which the ~~Post Office~~ <sup>Post Office</sup> ~~Online~~ <sup>Online</sup>  
23    help desk is used by Mailing Online customers as opposed to  
24    other ~~Post Office~~ <sup>Post Office</sup> online customers from the data that you're  
25    keeping on the Help Desk usage?



1           A     It would be possible, yes.

2           Q     Okay. And can that data be provided to the  
3 Commission in connection with the market test?

4           A     It could. It's not currently formatted in a way  
5 that would segment Mailing Online from anything else. But  
6 it's possible that that could be done.

7           Q     And do you have any view on how frequently that  
8 data could be reported? I recognize first of all you have  
9 to figure out how to format it, but is it something that  
10 could be reported weekly or would that be difficult to do?

11          A     I think weekly would be difficult to do.  
12 Currently what's happening is that there's a roll-up, I  
13 think, done once an AP, but I can find out.

14               MR. BUSH: Mr. Presiding Officer, could we have a  
15 date by which we would get that information?

16               COMMISSIONER LeBLANC: I apologize. I was talking  
17 to my colleague. What was the specific question?

18               MR. BUSH: The specific question is just some  
19 information on how frequently we could get the data on the  
20 usage of the Help Desk, and I think the witness said it was  
21 -- he thinks it's currently kept on an AP basis, but he  
22 would get back to us and let us know.

23               MR. HOLLIES: If I might address this briefly,  
24 what's going on now is an operations test, and what is about  
25 to be undergone is the market test. And we have taken a

1 position in our reply to the OCA's request that additional  
2 information be collected and reported as to what we can  
3 report and with what frequency we can report it. That was  
4 something that was prepared by counsel and not the witness.  
5 But we have taken a position on that and I think that we  
6 should try and stand by that position.

7 If you're asking for something in addition, well,  
8 fine, let's have that articulated and we'll see what we can  
9 do.

10 MR. BUSH: Well, I'm really not so interested, Mr.  
11 Hollies, in your legal position as I am in what it's  
12 possible to do. This is an operational witness, not a  
13 lawyer -- or maybe he is a lawyer, I don't know, but he's  
14 not appearing as a lawyer -- and he can tell us what it's  
15 possible to do and the Commission can make the decision  
16 whether they'll adopt your legal position or some other  
17 legal position.

18 COMMISSIONER LeBLANC: Mr. Garvey, do you have any  
19 objections to getting back with us by Friday?

20 THE WITNESS: With the understanding that the  
21 information that's currently being gathered and produced is  
22 not segmented or specific to Mailing Online.

23 COMMISSIONER LeBLANC: Mr. Bush?

24 MR. BUSH: Well, I guess what that suggests to me  
25 is that we need another little piece of information here,

1 which is how it could be segmented given that it isn't now,  
2 and what, if any, problems there are in doing that.

3 COMMISSIONER LeBLANC: Mr. Garvey, what we've got  
4 here is a clarification and we want to get the record as  
5 broad as we can here. So research that, and if there is a  
6 problem, get back -- counsel, can you get back with us, from  
7 just the marketing side, not the legal side now, which is  
8 what Mr. Bush is asking for here?

9 MR. HOLLIES: We can certainly get back to you.  
10 We have promised what we can do in the pleading that has  
11 been filed. We have said we can provide this class of  
12 information. Whether Mr. Garvey will be in a position to  
13 resolve these practical problems between now and Friday  
14 remains to be seen, but we can certainly, as we promised in  
15 connection with the previous request, provide what has been  
16 requested by Friday or explain our position on that and, if  
17 appropriate, when it might be available.

18 COMMISSIONER LeBLANC: If you will, do that for  
19 us, and you let the Commission be the judge as to whether or  
20 not we need some further information. If we do, we can ask  
21 it in a POIR, notice of inquiry, or we can get -- work up  
22 some questions through that means, if possible.

23 MR. VOLNER: May I interject, Commissioner?

24 COMMISSIONER LeBLANC: Mr. Volner?

25 MR. VOLNER: These three or four items now that

1 are going to be gotten back to on Friday, I want to  
2 understand that it's going to be in some sort of evidentiary  
3 form so that it can be entered into the record and not  
4 representations of counsel, because we're going to come to a  
5 briefing stage at some point and the legal issues will be  
6 resolved at the briefing stage, but if this stuff is not on  
7 the record --

8 COMMISSIONER LeBLANC: Well, it is my  
9 understanding, and I want to clarify the record here, that  
10 it will be evidentiary responses. Now, if there is a  
11 problem with that down the road, then we can handle it in  
12 the briefs or whatever, but this is my understanding, that  
13 it will be handled in an evidentiary form.

14 MR. VOLNER: Thank you.

15 CHAIRMAN LeBLANC: Mr. Bush, please proceed.

16 MR. BUSH: Thank you, Mr. Presiding Officer.

17 BY MR. BUSH:

18 Q Mr. Garvey, please take a look at your response to  
19 MASA/USPS-T5-10. It is another interrogatory redirected  
20 this time from Mr. Plunkett.

21 A I have it.

22 Q I would like to ask you to take a look at  
23 subsection (b) of your answer, in which you state that we  
24 predict -- well, actually, let me read the whole sentence.  
25 "If Mailing Online succeeds in attracting the numbers of

1 users we seek, we predict that large volumes of locally  
2 destinating mail will flow through the MOL system and allow  
3 high densities and levels of sort beyond those required for  
4 the requested basic automation rate."

5 You then say, "We will test this hypothesis during  
6 the market test and experimental service periods." How will  
7 you test this hypothesis during the market test?

8 A I think that the market test will represent a  
9 small proxy of what we might expect to see during the  
10 experiment. And to the extent that it does that, we will be  
11 able to see some kind of density formulation. I don't  
12 believe that it will inform us fully or completely about  
13 what we need to know, that is obvious, but it will, because  
14 of the relatively large number of users, compared to what we  
15 have experienced during the operations test anyway, we will  
16 get some better than we have today of whether this is true.

17 Q And what are the types of data that you will  
18 collect and rely on in testing the hypothesis, as you have  
19 stated it here?

20 A Well, the mailings that come out of the market  
21 test will be, as this answer tells you, will be processed  
22 through presort software, and the reports that come out of  
23 that presort software will indicate how -- what levels of  
24 density and what level of sortation we were able to achieve.  
25 And if, even with the small numbers of users that we see in

1 the market test, we start achieving better rates than the  
2 basic automation rates, we will know that we are probably on  
3 track.

4 Q So the sortation software you are using is capable  
5 of generating reports with respect to each -- is it with  
6 respect to each mailing?

7 A Yeah.

8 Q And where does it generate that, at what point in  
9 the process is it generating the report, once you have  
10 batched it for -- to send it to the printer?

11 A Yes. Once the cutoff time has occurred, and the  
12 batching process has occurred, the batch is run through the  
13 presort software and that batch becomes an individual  
14 mailing. Reports are generated as they are today in any  
15 mailing operation that uses such software for the submission  
16 of those mailings.

17 Q If I understood a prior answer of yours to Mr.  
18 Costich's question, those reports would not enable you to  
19 say how many different customers' mailings had been batched  
20 together, is that right?

21 A That particular report would not, that is correct.

22 Q And I gather that, other than through a manual  
23 process, it would be pretty difficult to come up with that  
24 information, how many customers have been batched together?

25 A To my understanding right now, yes, that is the

1 case.

2 Q But I take it, it would be possible to get the  
3 reports on the level of sortation, the depth of sortation  
4 that was being achieved, because that is generated as a  
5 matter of course?

6 A In the mailing statements, yes.

7 Q Okay. And how frequently can that data be  
8 reported to the Commission? Weekly? Or would it be  
9 difficult to do it weekly?

10 A The mailing statements will be submitted at the  
11 place of mailing in Massachusetts. We have required the  
12 print site to retain copies of the mailing statements and  
13 mailing statements, as they are today, will be kept at the  
14 Office of Acceptance.

15 It had been my plan to get those -- copies of  
16 those statements periodically from the print side, but the  
17 frequency with which I got them, or wished to get them, had  
18 not been indicated to the printer yet.

19 Q Isn't the sortation software run in connection  
20 with batching by the Postal Service?

21 A In San Mateo, at the Data Center, that is correct.

22 Q So, therefore, isn't the data on the level of  
23 sortation right there in San Mateo?

24 A The report is sent along with the batch to the  
25 printer in Massachusetts.

1           Q     But can't a copy of the report stay in San Mateo  
2     and then be given to the Commission?

3           A     It's possible, I don't know that.

4           MR. BUSH: I hesitate to add, Mr. Presiding  
5     Officer, to the list of things that we are getting on  
6     Friday, but could we get an answer to the operational  
7     question, whether there is any real reason they can't get it  
8     to us directly from the Postal Service, as opposed to having  
9     to send it to out to a printer and then re-collect it?  
10    Which is apparently the process that has been described.

11          CHAIRMAN LeBLANC: I am unclear on the question  
12    that you are asking here. What is it that you are looking  
13    for?

14          MR. BUSH: As I understand it, the depth of  
15    sortation is contained in a report that is generated once  
16    the mailings are batched and sent out to the printer, and  
17    that is done at San Mateo. There are mailing statements  
18    that are sent, apparently, and I haven't explored in great  
19    detail how, but are sent off to the printer. But they are  
20    mailing statements that I guess are generated by the  
21    sortation software. And I am simply asking why we have to  
22    send -- the Postal Service sends it to the mailer -- or the  
23    printer, and then we have to get it back from the printer in  
24    order to report it to us. Why can't we simply get a copy of  
25    it before it is sent to the printer and have it reported it?



1 And he says he doesn't really know why not, which is fair,  
2 but I am asking why -- can we find out definitively by  
3 Friday?

4 CHAIRMAN LeBLANC: I think that is a fair  
5 question. Mr. Garvey, do you have any problem with at least  
6 trying to unearth the answer to the question for us?

7 THE WITNESS: No, I can do that.

8 CHAIRMAN LeBLANC: Thank you very much. By  
9 Friday. Evidentiary form, as Mr. Volner would say.

10 Mr. Bush.

11 MR. BUSH: Thank you, Mr. Presiding Officer.

12 BY MR. BUSH:

13 Q Will there be any information reported to the  
14 Postal Service about the entry of -- actually, withdraw. I  
15 withdraw that question, it is not relevant to the market  
16 test. All right, is there any plan during the market test  
17 to collect information on -- I'm going to ask this question  
18 generally first, but I do have some specific followup  
19 questions. So the general question is on job  
20 characteristics, and I would include in that two things.  
21 One, the 75 <sup>or</sup> ~~of~~ maybe it's more characteristics that we've --  
22 you've already testified about. And the other is -- has to  
23 do with the different categories of uses that you've -- I  
24 think you've described in your testimony that you think  
25 Mailing Online is likely to be used for, like invoices and

1 ad mail and newsletters and things like that. So is there  
2 any plan to collect information on both of those categories  
3 of data?

4 A For the former, yes. In the reports that we're  
5 providing now you'll see that the batch characteristics, the  
6 job characteristics of batches are reported. For the latter  
7 it is not -- specifically and definitely not our intent to  
8 gather information on specific customers' mailings. It's  
9 not our role to do so. However, in the qualitative  
10 information we intend to continue to ask customers what they  
11 would find the Mailing Online system useful for and what  
12 technical characteristics of it enable them to do the kind  
13 of mailings that they desire to do.

14 Q Is there any reason why in the form that has to be  
15 filled out by a mailer using Mailing Online you could not  
16 add to that some questions that would collect the  
17 information about what types of material is being mailed in  
18 the five categories that you've identified with maybe a  
19 miscellaneous category? So in other words, anybody who's  
20 using Mailing Online would also have to answer a series of  
21 questions the thrust of which would be is this a newsletter,  
22 is it ad mail, is it whatever, or maybe if it's none of the  
23 above.

24 A I think there's a very good reason why we wouldn't  
25 do that, and that it would be intrusive and it's not a

1 qualifying factor, which is what those questions you're  
2 referring to are in terms of the narrowing down of the kind  
3 of people we want to participate in the market test. We  
4 really don't care what they use the system -- what kind of  
5 mail they use the system to generate. That's their  
6 business, not ours.

7 Q You have stated in your testimony what different  
8 categories of uses you believe Mailing Online will be used  
9 by customers for, and this information if you could gather  
10 it would be useful to test your supposition or hypothesis  
11 that these are the categories of mailers that will use the  
12 service.

13 A That is correct; yes.

14 Q Okay. And there's no technical reason why you  
15 couldn't add a block that would collect that information  
16 from the users during the market test, is there?

17 A There's not a technical reason, but I think  
18 there's a very valid business reason, in that it appears to  
19 be intrusive and invasive to the customers signing up to ask  
20 them that, especially in a qualifying questionnaire, and as  
21 I indicated, we would ask them that in surveys or in  
22 interviews to get some idea of what they wish to volunteer,  
23 but we wouldn't in any way imply to the customer that they  
24 have to tell us what they're mailing before they use the  
25 system.

1 Q If you made the question voluntary, would it be  
2 less intrusive?

3 A Certainly it would, but the questionnaire you're  
4 referring to is not a voluntary questionnaire. It's  
5 required.

6 Q Do you plan to collect information during the  
7 market test on whether particular mailings are to a focused  
8 geographical area or whether they're from one geographical  
9 area to a lot of multiple geographical areas around the  
10 country? Will you be able to tell us how the jobs break  
11 down on that criterion?

12 A We're hoping to be able to come up with some  
13 information on that. We haven't exactly figured out how  
14 yet, but it would be valuable information for us to have.

15 Q Okay. Is that something that you're trying to  
16 come up with by the time the market test is implemented?

17 A It's what I guess I would call a subgoal. The  
18 value of that information during the market test is not of a  
19 high value to us. It would be nice to have interesting  
20 information, but it's not something that we will have a  
21 problem <sup>with</sup> if we don't have it.

22 Q Okay. Will any part of the test data that you  
23 gather, whatever it turns out to be, in your view have any  
24 statistical validity?

25 A I'm not a statistician. I know that the

1 information that we gather will be valid for analysis within  
2 the parameters of the market test, given that we have a  
3 group of customers who have been chosen on a specific group  
4 of characteristics within a specific geographic area and who  
5 are using a system that is not totally proven.

6 Q Well, do you have any plans to do any tests of  
7 statistical reliability with respect to any subset of the  
8 data that will be collected during the market test?

9 A For instance, what kind of test?

10 Q Any -- well, are you going to look at standard  
11 deviation?

12 A I personally don't plan to.

13 Q Do you plan to retain anybody to do it, Mr.  
14 Garvey? Is that part of your plan during the market test,  
15 or is the statistical reliability of this data something  
16 that really doesn't concern you?

17 A The statistical reliability within the framework  
18 of the fact that it's a market test and the data is  
19 unreliable in a national sense from the very beginning is  
20 important to me.

21 Q Are you going to do anything to test or make any  
22 determination of whether the early users during the market  
23 test period are representative of the group of users you  
24 anticipate during the experimental test?

25 A Well, the qualifying factors themselves reflect

1 somewhat of that desire, yes, the fact that we have  
2 requested that people be a small business and be willing to  
3 mail multiple-piece mailings indicates that we have some  
4 desire to get some reflection out of the market test of what  
5 we expect the major group of users during the experimental  
6 service to be.

7 Q You recognize that just because you have certain  
8 qualifying criteria, all the people who might qualify for it  
9 or categories of mailers who might qualify for it might for  
10 whatever reason not participate in the market test.

11 A That would be true.

12 Q All right. And do you have any plans to do either  
13 a quantitative or qualitative analysis of the pool of people  
14 who are participating in the market test to see whether or  
15 not it's representative of the pool of people that are  
16 likely to use the service when it becomes more mature in the  
17 experimental test?

18 A I think in the interviews and surveys that we do  
19 we'll do some analysis of that sort, but I think such an  
20 analysis is much better suited to the experimental service.

21 Q Do you any plan to -- and by "you" in this  
22 question I am talking about the Postal Service, whether it  
23 is by you personally or anybody -- to do a new volume  
24 estimate for the experimental test, based on any information  
25 you gathered during the market test?

1           A     A new volume estimate for the market test based  
2 upon what we gathered?

3           Q     No. For the experimental test.

4           A     For the experimental test. Obviously, we will be  
5 analyzing the data that we gather during the market test.  
6 Some of that will be valuable in giving us some indication  
7 of whether estimates that we have made of individual  
8 customer usage are on target. I think, in a very broad  
9 sense, we will be able to validate some of our estimates of  
10 what the experimental service will look like. But it won't  
11 be a perfect opportunity for us to do that. So, yes, but  
12 they will not replace what we have already. They will  
13 augment the estimates that we have already.

14          Q     Well, so I take it that you don't plan to do a new  
15 volume estimate. That much seems to be clear.

16          A     No, we will do new volume estimates but they will  
17 not replace what we have already. They will augment our  
18 understanding of what we have done already, which represents  
19 the nationally-scaled service that we intend to implement.

20          Q     All right. So it is conceivable that the new  
21 volume estimates could modify in some respects the existing  
22 volume estimates for the experimental test that are in the  
23 record now?

24          A     It is conceivable, yes.

25          Q     And is that something that you plan and anticipate

1 will be done based on the volume evidence that you gather  
2 during the market test?

3 A If it appears to be necessary, yes. If we get  
4 some data that indicates that we are way off on something  
5 and we need to take a closer look at it.

6 Q Okay. And do you anticipate that you will change  
7 any of your costing testimony, and, again, I am talking  
8 about the Postal Service generally, not just you personally,  
9 based on any data that you gather during the market test?

10 A I don't believe I can answer that question because  
11 I haven't done costing testimony.

12 Q Is it a purpose of the market test to gather  
13 information that would be useful in revising or  
14 supplementing the cost testimony in this case?

15 A It certainly will be one of the purposes of the  
16 market test to gather costing information, yes.

17 Q Okay. And what parts of the data that you are  
18 going to gather during the market test will be useful in  
19 evaluating the existing costing testimony?

20 A As I said, since I haven't prepared costing  
21 testimony, I am not familiar with its individual  
22 characteristics or specifics. But I would -- my view would  
23 be that you would gather systems information and capacity  
24 information. That's the kind of information we are  
25 gathering from a technical development perspective, and I



1 would think that that same information gathering would  
2 inform some costing assumptions that have been made.

3 Q Okay. Do you plan or anticipate that your  
4 classification requests would be changed in any way as a  
5 result of data you gather during the market test?

6 A I can't authoritatively answer that question  
7 because I am not an expert on the classification request  
8 that has been made. But I think -- I will say again that  
9 the market test is designed to inform us about all of the  
10 assumptions and decisions that we have made so far. And  
11 insofar as the market test can provide information which  
12 relates to the classification request we have made, it could  
13 possibly inform a change to that.

14 Q And are you aware of any particular pieces of data  
15 or categories of data that are going to be gathered during  
16 the market test that would bear on the question of whether  
17 you would change the classification request in any way?

18 A As you have pointed out in T5-10, we have made  
19 some assumptions about densities and presort levels. And as  
20 I indicated in my response to you, we will get some idea  
21 during the market test of whether we are on target with  
22 those assumptions. If it happened that during the market  
23 test we were to discover that we are way off target, that  
24 something totally unexpected is happening, that we are *not*  
25 seeing anywhere near the volumes or the densities, it would

1 be possible.

2 MR. BUSH: Mr. Presiding Officer, I have no  
3 further questions.

4 CHAIRMAN LeBLANC: Mr. Volner, before we proceed,  
5 can you tell me about how long you think you may be looking  
6 at now?

7 MR. VOLNER: Well, Mr. Bush said 15 minutes, which  
8 got to be 45.

9 CHAIRMAN LeBLANC: Yeah, he and Jim May would get  
10 along very well after that kind of --

11 MR. BUSH: Half an hour maybe.

12 MR. VOLNER: I will say 45 minutes.

13 CHAIRMAN LeBLANC: If that is the case --

14 MR. VOLNER: But there are a couple of breaking  
15 points. It might be productive for me to start and then --  
16 because are some different themes here that we can probably  
17 break if you want to do it, to take it to 12:30 or so,  
18 because I may finish by then.

19 CHAIRMAN LeBLANC: Well, let's give it a shot then  
20 and we will go on and see where we stand and we may break  
21 around 12:30 or so. Go ahead, Mr. Volner.

22 MR. VOLNER: Thank you, Commissioner.

23 CROSS-EXAMINATION

24 BY MR. VOLNER:

25 Q Mr. Garvey, my name is Ian Volner and I am

1 examining you today on behalf of Pitney Bowes. And let me  
2 start first, which is why I think this may be segmentable,  
3 by trying to follow up on some questions that were asked to  
4 you by the counsel for the OCA and counsel for MASA. You  
5 were asked by Mr. Costich whether you had discovered any  
6 snags in the pre-test test or the operations test, as you  
7 prefer to call it. And you answer, it seemed to me, dealt  
8 with snags at the file server end, at the Data Center end.

9 My question is, did you discover any snags at the  
10 printer end? For example, the printer reporting back that  
11 you said on your postal report that there are a thousand  
12 pieces and, in fact, we have only got 800 addresses, that is  
13 what we have put into the mail. Were there snags of that  
14 sort?

15 A There were no instances of the printer reporting  
16 the receipt of something which differed from what we sent  
17 them.

18 Q Were there instances of printers reporting  
19 problems, of any kind, the printer?

20 A The printer, yes, reported problems, but they were  
21 internal problems that were not related to Mailing Online.

22 Q Internal problems related -- not related to  
23 Mailing Online. I don't quite know what that means, or  
24 since it was not related to Mailing Online, why would they  
25 be reporting to a Mailing Online test?

1           A     They were not related to the Mailing Online  
2     system. They reported them to me because it was my concern,  
3     obviously, as the Program Manager, that the printer was  
4     receiving files, printing things and getting them in the  
5     mail. That was our commitment to the customers.

6           Q     So they were related to getting mail matter that  
7     had originated through Mailing Online into the mailstream?

8           A     Yes.

9           Q     Did you collect that data? These reports, which I  
10    presume were all verbal.

11          A     Did I collect that data?

12          Q     Did you make record of it?

13          A     Some of the phone calls I made records of, yes.  
14    We don't have a log of that.

15          Q     Do you intend during the market test to maintain a  
16    log or a formal record of some sort of these printers'  
17    reports to you of problems not with the electronic end of it  
18    but after it comes off the line and into the file server or  
19    the backup server and then is now on the printer's -- within  
20    the printer's control? Do you intend to maintain a log of  
21    those sorts?

22          A     Yes, indeed we do.

23          Q     And how often is that information going to be  
24    recorded?

25          A     The information would be recorded whenever there

1 was a reason for recording it.

2 Q Real time?

3 COMMISSIONER LeBLANC: Mr. Garver, if you can --  
4 I'm sorry to keep bothering you, but if you can speak up,  
5 pull it a little closer -- thank you.

6 BY MR. VOLNER:

7 Q Is that sort of information that you intend to  
8 report to the Commission?

9 A It was not my intent to report that kind of  
10 information, because I think that information is a  
11 contractual issue between the Postal Service and the printer  
12 in terms of their performance. They've been given a  
13 contractual requirement to do what they have to do to  
14 deliver the product, and the problems that they have with  
15 that are a relationship problem, shall we say, a contractual  
16 relationship problem between the Postal Service and the  
17 printer. They don't concern this body.

18 Q Well, let me try it slightly differently. Let us  
19 suppose the printer reports that he is having problems -- he  
20 or she is having problems at the point at which he's  
21 entering the mail because the acceptance clerks are saying  
22 that the postal reports are inaccurate or because there are  
23 too many less-than-full trays. Are you going to record that  
24 sort of information?

25 A I would say that that information would be

1 recorded as part of a problem log; yes.

2 Q And is that the sort of information that you think  
3 is contractual? We're at the point now it's come off the  
4 electronic, it is printed, and it is being entered the same  
5 way that any other kind of mail is being entered.

6 A I don't understand the characterization you're  
7 making of the examples that you've given as being common.

8 Q I'm afraid I don't understand your answer. Let me  
9 try this again. You said that that sort of information  
10 would be kept on a trouble log.

11 A Reports of problems should be kept; yes.

12 Q Those kinds of trouble logs do you have a problem  
13 of bringing to the Commission during the market test?

14 A If they concerned requests that we've made here, I  
15 do not have a problem. If they represent the surliness or  
16 the daily problems of an acceptance clerk, I don't see how  
17 they impact upon this case.

18 Q I quite agree with you. I quiet agree with you.  
19 But -- and I understand the problem. Nonetheless, what  
20 you're now suggesting is that you will decide whether this  
21 is simply a surly acceptance clerk or whether this is a  
22 problem that is driven by volumes, by batching, or by the  
23 way the mail is being made up. Is that what you're saying?

24 A No. The acceptance of the mail is based upon the  
25 same acceptance requirements given the classification

1 changes that we requested as any other mail coming through  
2 the acceptance unit. So if the makeup is incorrect because  
3 of a printer error, the issue is with the printer, because  
4 their performance has not been as contracted. It has  
5 nothing to do with the Mailing Online system.

6 Q The Mailing Online system does not exist in the  
7 abstract. Do we agree that the end product of a Mailing  
8 Online system is to get mail into the mail stream? Do we  
9 agree on that?

10 A Yes.

11 Q Okay. Let me take this a little bit further. If  
12 I understood the conversation you had with Mr. Bush  
13 correctly, the 30 -- let's use Standard A because it's  
14 easiest. There's a mail report prepared which is called a  
15 3602. Do I understand that the Postal Service is going to  
16 generate that 3602 at San Mateo, ship it to the printer, and  
17 then he is going to in turn deliver it to the mail  
18 acceptance clerk?

19 A That is correct.

20 Q So the Postal Service is generating its own 3602  
21 for a mail piece that is then prepared by the printer,  
22 mailing job, mailing, whatever word we want to use here.  
23 The printer then has no responsibility for the accuracy of  
24 the 3602?

25 A The printer cannot change the 3602. The printer

1 has the responsibility of delivering the mail that they  
2 prepare along with the 3602, and the makeup of the mail with  
3 the labeling and the trays and all of the other requirements  
4 are the responsibility of the printer.

5 Q The makeup of the trays and all the other  
6 requirements, but he has no authority to change the 3602, so  
7 that in a real sense the Postal Service is verifying to  
8 itself that the mail has been prepared accurately, that  
9 there's been no overcount, or no undercount. Is that the  
10 way I understand this?

11 A In the sense that Mailing Online is one part of  
12 the Postal Service and the local acceptance unit is another,  
13 yes, that's true.

14 Q Okay. Is it the Postal Service's intention to  
15 share -- and let's use the 3602 -- with the mailer? You  
16 receive a job online, you take it through the process, it is  
17 entered. Do you intend to provide a copy of the 3602 to the  
18 mailer?

19 A We do not.

20 Q You do not.

21 A A potential situation would exist where a mailer's  
22 mail would be going to more than one printer and could be  
23 represented by more than one 3602. Also, that 3602, given  
24 the batching characteristics of Mailing Online, would  
25 represent more than just their mail.



1           Q     That was precisely what I wanted to understand a  
2     little bit more about. You said that in order to determine  
3     whether the batchings were meeting the density or other  
4     kinds of requirements that normally apply but for the  
5     classification change --

6           A     Um-hum.

7           Q     You would need to physically examine the 3602.  
8     Why is that so if you are generating the 3602 yourself? If  
9     San Mateo is generating the 3602, how come they can't tell  
10    from the 3602's that they're generating that this mailing,  
11    which was to be batched, in fact met the 500 piece for First  
12    Class or the 200 piece for bulk Standard A?

13           You said, as I understood your response to Mr.  
14    Costich, that you would need to visually inspect the 3602's  
15    to tell whether the batching was achieving threshold  
16    standards.

17           A     No, what my response was referring to was I would  
18    have to examine the 3602 to determine the physical job  
19    characteristics of that batch as they related to individual  
20    customers' job submissions.

21           Q     But the 3602's themselves in that case would tell  
22    you whether there was 200 pieces.

23           A     Sure.

24           Q     And the 3602's themselves would tell you whether  
25    it was in fact drop entered, wouldn't it, in the case of

1 Standard A?

2 A I don't know what you mean by drop entered.

3 Q Well, as -- do you understand the Postal Service's  
4 Mailing Online proposal to contemplate that at least during  
5 the market test Standard A mail will receive the  
6 automation -- destination BMC rate?

7 A Yes.

8 Q That means the mail under normal rules has to be  
9 delivered to the destination BMC to qualify for that rate.  
10 Do you understand that?

11 A I do understand that.

12 Q Does the 3602 that you will generate tell you  
13 whether in fact the printer delivered that particular  
14 mailing to the destination BMC?

15 A No, the 3602 has no knowledge of that. What we  
16 have specified for the printer for the time being in  
17 Massachusetts that they'll deliver all mail, First Class and  
18 Standard A, to a single P and DC facility in Waltham,  
19 Massachusetts.

20 Q So that for the time being in point of fact there  
21 will be no mail or accept mail destined for that facility  
22 that would otherwise qualify for the destination BMC  
23 discount.

24 A That is true.

25 Q Okay. All right. Let's change topics and go to

1 an area that we have not -- I don't think has been explored  
2 before. You were, during the course of the discovery phase,  
3 asked a number of questions about the geographic scope of  
4 the market test. And we were supplied with a Library  
5 Reference which listed ZIP ~~codes~~<sup>Codes</sup> organized by designated  
6 market areas. And with apologies to the Commission, it is a  
7 broadcast term, we refer to them as DMAs, and if I do slide  
8 into that, -- I will try to avoid it -- let's understand  
9 that I am talking about designated marketing areas, not the  
10 trade association of the same initials.

11 My first question is a fairly simple one, I hope.  
12 The geographic scope of the market test is defined by the  
13 ZIP ~~codes~~<sup>Codes</sup>, is that correct? All of the ZIP codes listed.  
14 It is not defined by the DMAs in which they -- in which  
15 those ZIP ~~codes~~<sup>Codes</sup> exist?

16 A That is correct.

17 Q So that the ZIP ~~codes~~<sup>Codes</sup> and the ZIP ~~codes~~<sup>Codes</sup> alone are  
18 the geographic boundary?

19 A Yes.

20 Q So that if, for example, a ZIP ~~code~~<sup>Codes</sup>, which doesn't  
21 necessarily respect jurisdictional boundaries, were to  
22 straddle the New York designated marketing area and the  
23 Hartford designated marketing area, which happens to adjoin  
24 it, you are not -- this is a bad example, because -- let me  
25 rephrase the question. Because I know that there is a

1 separate problem with Hartford.

2 If a ZIP <sup>Codes</sup> ~~code~~ that you have listed on that Library  
3 Reference were to cross over from the New York City  
4 designated marketing area to that Albany-Troy-Schnectady  
5 designated marketing area, the geographic boundary is  
6 nonetheless the end of the ZIP <sup>Codes</sup> ~~code~~, it is not the whole  
7 Albany-Troy-Schnectady marketing area, is that correct?

8 A Yes.

9 Q Okay. Good. Now, then, let us turn to another  
10 part of this, which there has been a lot of discussion in  
11 and around, and, quite frankly, I think we need to just  
12 clear up the record a little bit. You said several times  
13 today that Mailing Online is a subset of <sup>PostOffice</sup> ~~Postoffice~~ Online.  
14 Can you, in general terms, describe the other two subsets,  
15 if there are two?

16 A Sure. The primary other subset is Shipping  
17 Online. Shipping Online, briefly, allows you to calculate  
18 the cost of mailing a package, specifying the weight and  
19 characteristics of that package. It allows you to input an  
20 address and a return address and to print onto a  
21 pre-acquired label using your desktop printer address  
22 information and postage information that you have then,  
23 using the third subset of Postoffice Online, used your  
24 credit card to pay for.

25 Q And the other component? That is Shipping Online.

1 What is the third leg of the stool?

2 A The third component is paying online, the payment.

3 Q Payment of postage online?

4 A Yes. Or fees, for that matter, for Mailing  
5 Online.

6 Q Or fees for Mailing Online, which includes  
7 postage. Now, in response to OCA-T1-12, you said that there  
8 would be several thousand, and I believe I am quoting you  
9 correctly, during the market test, there will be several  
10 thousand users of Mailing Online. Subsequently, in response  
11 to OCA-T1-29, I believe, you said that there will be 5,000  
12 during the market test phase, users of -- registrants for  
13 Postal Online. Does that mean that the maximum number of  
14 subscribers at any one time during the market test to  
15 Mailing Online is 5,000?

16 A Assuming that every single registrant of the  
17 ~~Postoffice~~ <sup>Post Office</sup> Online becomes a user of Mailing Online, which is  
18 an unlikely circumstance, yes.

19 Q So, that's what I said, the 5,000 is the maximum?

20 A Yes.

21 Q It could be less. If somebody registers for  
22 ~~Postoffice~~ <sup>Post Office</sup> Online but says, no, thank you, I really only  
23 want Shipping Online, or I only want to pay because I have  
24 permit imprint system and it is a neat way to pay for my  
25 permit. Okay.

1 MR. HOLLIES: If we could get an articulation  
2 rather than a nod on that last response, I think the record  
3 would be clearer.

4 MR. VOLNER: Yes.

5 THE WITNESS: Well, actually --

6 CHAIRMAN LeBLANC: Thank you, Mr. Hollies.

7 THE WITNESS: Thank you. And that actually allows  
8 me to ask for a clarification on your last example of a  
9 permit imprint fee. I don't know what you mean by that.

10 BY MR. VOLNER:

11 Q Well, you said that payment online was the third  
12 leg of the stool.

13 A Yes.

14 Q Now, will I be able to use Postoffice Online to  
15 recharge my advance deposit account for magazines that I  
16 mail, because under the DMM I am required to maintain an  
17 advance deposit account.

18 A I understand. I need to correct your  
19 understanding of what payment online is.

20 Q Okay.

21 A It is payment for services received through  
22 ~~Postoffice~~ <sup>PostOffice</sup> Online only.

23 Q Only. All right. Then let me just try to get  
24 this nailed down. Are you prepared to say that at no time  
25 during the market test will there be more than 5,000 users

1 of Mailing Online?

2 A I am prepared to say that there can be no more  
3 than 5,000 registered user accounts. It's possible that a  
4 registered user would let someone else use their account,  
5 and if all 5,000 Postoffice Online users let other people  
6 use their accounts, there might be more than 5,000. But,  
7 once again, that is an unlikely circumstance.

8 Q Yes. You're going exactly where I wondered about,  
9 too. Let us say that I am a small businessman and I have  
10 facilities in Philadelphia, and I also own a grocery store  
11 down here in Washington, D.C. And I decide that I really  
12 want to do a marketing test using Mailing Online, but my  
13 Philadelphia store doesn't need it. On the other hand, my  
14 Washington, D.C. store, because of the heat and all, is  
15 having a tough time and I want to try to get some people  
16 into the store. I have one registration account. Am I  
17 going to be able to use Mailing Online during the market  
18 test?

19 A We are telling the registered users that we are  
20 limiting the test and that they are a user because they are  
21 a part of a subset, geographic or ~~otherwise, or and~~ <sup>otherwise -- or -- and</sup>  
22 otherwise. If they should chose to violate the terms of  
23 their agreement with us and permit someone else to use their  
24 account, from whatever location, yes, that is possible.

25 Q So the geographic boundaries are somewhat

1 permeable?

2 A That's the nature of the Internet.

3 Q It's not necessarily the nature of a registration  
4 system. Let me then ask the follow-up question, leaving  
5 aside the permeability of geographic boundaries and the  
6 possibility that I may turn over my registration number to a  
7 half a dozen people in my law firm, it is nonetheless the  
8 Postal Service's intention that the registration will be  
9 kept to the 5,000 that you responded to in the OCA's  
10 interrogatory on that subject?

11 A Yes.

12 Q Okay. Let's try a slight different question.

13 MR. VOLNER: Commissioner, we are --

14 CHAIRMAN LeBLANC: No, I am just trying to get a  
15 feel. How much more do you think you have?

16 MR. VOLNER: I have two other areas. It is going  
17 to take me another 20-25 minutes, I think.

18 CHAIRMAN LeBLANC: Well, then why don't we -- it  
19 might be a good stopping point here. Let's take a lunch  
20 break and return, by the clock on the wall, as they say, for  
21 1:30. We will pick up there.

22 Mr. Hollies, hopefully, we can -- before Mr.  
23 Plunkett gets on the stand, we can go through the  
24 designations, get them finished up after Mr. Garvey is  
25 finished here. If that is still convenient.



1 MR. HOLLIES: Yes. And the other testimonies as  
2 well?

3 CHAIRMAN LeBLANC: Yes.

4 MR. HOLLIES: Certainly.

5 CHAIRMAN LeBLANC: Thank you very much. We stand  
6 adjourned for lunch. Mr. Reporter, off the record.

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

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## AFTERNOON SESSION

[1:30 p.m.]

COMMISSIONER LeBLANC: Mr. Volner.

MR. VOLNER: Thank you, Commissioner.

Whereupon,

LEE GARVEY,

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[ resumed]

BY MR. VOLNER:

Q I want to go back. We were about to start on a new topic, but there's always the problem of lunch breaks. I want to go back to a point that we were discussing before lunch. You said, I believe, that the printer has no authority to change, and I use the 3602, the post office mailing report. Is that correct?

A That's correct; yes.

Q Okay. I want to take it the rest of the way. The printer then prints out the 3602, and he takes it to the designated entrance point. And the mail acceptance clerk -- is the mail acceptance clerk to be instructed to look at Mailing Online entry differently than he or she looks at traditional mail entry?

A Only in the sense of the DMCS language change

1 about --

2 Q Only in the sense of the classification change  
3 that you propose.

4 A Right.

5 Q She's otherwise to do what they normally do, he or  
6 she is otherwise to do what they normally do, which is to  
7 try to verify that the correct amount of postage has been  
8 paid.

9 A Right.

10 Q Now do you know what normally happens on the dock  
11 when there is a disagreement as to whether the correct  
12 amount of postage has been paid?

13 A The acceptance clerk changes the 3602.

14 Q Does the acceptance clerk in our situation have  
15 the authority to change the 3602?

16 A As they do normally in a normal acceptance  
17 circumstance; yes.

18 Q I see. And the acceptance clerk will in the  
19 ordinary course be subject to Postal Inspection Service  
20 review in the way he or she performs his job. This mail  
21 will not be segregated in that fashion. It will not be  
22 segregated so that the 3602 is unchangeable at the dock.

23 A As I said in my interrogatory responses, there  
24 will be no exceptional handling --

25 Q Okay.

1 A Of Mailing Online mail.

2 Q What happens if the mailing is presented together  
3 with a traditional mailing?

4 A In the same -- on the same dock or --

5 Q Same dock at the same time in the same truck, same  
6 delivery -- in the market test.

7 A I don't know that anything different would happen  
8 than what happens today.

9 Q There would be multiple 3602's in that situation.

10 A Yes.

11 Q And the acceptance clerk would examine all of the  
12 3602's and all of the separate mailings.

13 A Yes.

14 Q Is that correct?

15 A Yes.

16 Q Okay. Do you intend during the market test to  
17 collect the 3602's after they've been turned over to the  
18 acceptance clerk?

19 A I -- no.

20 Q You do not. So that you will have no way of  
21 knowing other than what I characterize as trouble reports  
22 whether there is ongoing disagreement between the printer  
23 and the acceptance office.

24 A That is incorrect.

25 Q Well, how will you know, other than those reports?

1           A     The postage is being paid through the permit  
2 system, if you're familiar with that.

3           Q     I am.

4           A     An entry is made in the permit system when the  
5 mailings are accepted that effects a withdrawal from the  
6 CAPS system, which is an accounting system into which the  
7 money from Mailing Online is deposited, so the daily  
8 activity of the permit system and the CAPS system will allow  
9 a cross-reference between what the expected mailing amount  
10 would be and the actual entry amount.

11          Q     And you're going to reconcile the CAPS system with  
12 Mailing Online separately.

13          A     Daily activity, yes, has to be reconciled.

14          Q     And will that be reduced to some sort of report  
15 that you examine? Will those reconciliations be reduced to  
16 a report that you or the Postal Service, those responsible  
17 for the market test examine?

18          A     I would assume so; yes.

19          Q     In your appendixes A and B did you contemplate  
20 that those reports would be available to the Commission?

21          A     I think it was my belief that the reports from  
22 Price Waterhouse Coopers which enumerate the daily postage  
23 amount unless there were some problem with the acceptance  
24 would supply the Commission with enough information.

25          Q     "Unless there is some problem with the acceptance"

1 is a large qualifier, because if there is a discrepancy  
2 between the CAPS report and the 3602 because of a change in  
3 the 3602, that would show up by your -- do I understand you  
4 to say that will show up -- those discrepancies will show up  
5 in the Price Waterhouse Coopers report?

6 A The discrepancies themselves would not show up;  
7 no.

8 Q Will the aggregate of the discrepancies show up?

9 A Under the current system of reporting, I don't see  
10 how they could.

11 Q Okay. Let me ask one further question on this  
12 line. Let us suppose that at the acceptance dock the  
13 acceptance clerk says, "Well, I know your 3602, and I know  
14 the Postal Service generated it, says that you had 1,000  
15 pieces in this mailing, but I have done the weigh-and-count  
16 approach to it, I've weighed the tray and weighed a sample  
17 piece, and I think you have 3,000 pieces here"?

18 What happens now? Does the printer lay out the  
19 additional moneys? Does the mail stop at the dock?

20 A I can't precisely describe what the exact scenario  
21 would be, but the money coming out of the CAPS system would  
22 not -- it would allow the mail to be entered.

23 Q The money coming out of the CAPS system would  
24 allow the mail to be entered to the extent that the funds on  
25 deposit are sufficient to allow the mail to be entered, but

1 as I understood it from your conversation with Mr. Costich  
2 this morning, the postage payment will be made at the time  
3 that the piece is transmitted essentially, and you've  
4 done -- after you've done the list hygiene and before it  
5 goes off to the printer.

6 A That's correct.

7 Q If you have made the postage payment charge based  
8 on 1,000 pieces, and in fact there shows up 3,000 pieces,  
9 how are you going to collect it from -- I mean, are you  
10 going to have a past-due balance from the mailer?

11 A The amount deposited by the mailer at the time  
12 they submit the mailing will go into the CAPS account and,  
13 presumably, there is an exact match-up between the amount  
14 deposited and the amount on the 3602s.

15 Q And what I am asking you is what happens when  
16 there is a disagreement as to the amounts shown due on the  
17 3602?

18 A I understand your question, and it is a  
19 hypothetical situation that I hadn't considered, but, as  
20 with many things, it is part of what we will thinking about  
21 during the market test and learning how to deal with.

22 Q Okay. Let's go for a moment then to the Price  
23 Waterhouse Coopers report. There was some inconclusive  
24 discussion, which I am not sure that I fully understood this  
25 morning, about how these reports are compiled. But let me

1 see whether I can understand it, at least recapitulate it to  
2 this extent. These reports are generated by the Mailing  
3 Online system, and then re-keyed by Price Waterhouse Coopers  
4 into this format?

5 A The data contained in these reports is generated  
6 by the Mailing Online system as a data file output and as  
7 some certain Microsoft Word documents.

8 Q Have you ever attempted, and when I say you, I  
9 mean the Postal Service, or the people responsible for  
10 Mailing Online, to reconcile the reports by AP period with  
11 the raw data?

12 A Not in the entirety, no.

13 Q Well, let me pose what -- just one problem that  
14 struck Ms. Williams and me. Could you take a look at -- it  
15 is somewhat difficult to do because these pages are not  
16 numbered, but take a look at the Mailing Online report,  
17 program total for AP 9 and there are two versions of it.  
18 There's one -- they are both dated 7/29/98.

19 A Okay. I have it.

20 Q Can you explain why the year-to-date total  
21 revenues and the jobs differs? And -- well, depending on  
22 which one came first, it goes down.

23 MR. HOLLIES: Excuse me. If counsel could be  
24 directed to point with a specificity sufficient --

25 MR. VOLNER: Sure.



1 MR. HOLLIES: -- to permit others to figure out  
2 what he is talking about, that would be appreciated it.

3 BY MR. VOLNER:

4 Q Let's take a look -- well, it's somewhat difficult  
5 to because the pages are not numbered sequentially. But  
6 there is -- one of those reports shows a revenue of  
7 \$6,774.08 in the total column at the top of the page, and it  
8 shows 35 jobs, and it shows the average pages per job. And  
9 then the second of those two draft reports shows \$4,487.36  
10 in revenue year-to-date; jobs, 18; average pages per job,  
11 ~~\$~~1,374.56. Can you explain to me this --

12 CHAIRMAN LeBLANC: Mr. Volner, this is off of the  
13 Mailing Online report that was handed out earlier?

14 MR. VOLNER: Yes.

15 CHAIRMAN LeBLANC: All right.

16 MR. VOLNER: Exhibit -- excerpts from MC 98-1.

17 CHAIRMAN LeBLANC: So as a point of clarification,  
18 we are talking about the last two pages under AP 9, is that  
19 correct?

20 MR. VOLNER: I believe they are the last -- yes,  
21 they are, the last two pages.

22 CHAIRMAN LeBLANC: Okay.

23 MR. HOLLIES: For the record, Mr. Presiding  
24 Officer, we have previously noted when, when going through  
25 these attachments, that the pages are not consistent from

1 one copy to the next, so we need to be careful of that.

2 CHAIRMAN LeBLANC: That's why I am making this  
3 clarification, and I want to make sure that counsel and all  
4 parties are on the same page here. Is everybody on the same  
5 sheet of music here? Any complaints? Okay.

6 All right. Mr. Garvey, please proceed. Mr.  
7 Volner.

8 BY MR. VOLNER:

9 Q Can you explain that, the fact that we have two  
10 reports for the same accounting period with different  
11 year-to-date numbers?

12 A Well, as I have previously indicated, it is my  
13 belief that these are actually weekly cumulative reports and  
14 that what you are looking at is two different weeks that are  
15 rolling up into --

16 Q Into the AP?

17 A Into the AP on the final page.

18 Q Can you explain the draft for AP 10 is dated June  
19 15, '98, whereas, the drafts that we just -- the two drafts  
20 that we were just looking at, are dated July 29, '98? And  
21 those are AP 9. Were the drafts for the AP 10 generated  
22 before -- before the completion of the accounting period?

23 A I can't explain that and it might say something  
24 that, since the other headings pages are incorrect, that  
25 even the draft dates might be incorrect. I just don't know.

1 Q Well, let me take in a slightly different  
2 direction, and then we can move on to a couple of other  
3 points. I understand you have expressed earlier <sup>under</sup> ~~understand~~  
4 ~~Cross-Examination~~ some sensitivity about disclosing raw data on  
5 the grounds that it might be misconstrued or something to  
6 that effect. Is it your position that the raw data from  
7 which these reports are generated are susceptible to  
8 misconstruction?

9 A In the sense that the data is not entirely correct  
10 and we know that because of some system omissions or --  
11 well, the indication on the reports here that it's  
12 incomplete data, yes, if you were to try and draw complete  
13 conclusions from this data, you could be misconstrued.

14 Q Could I draw -- could I be misunderstood or reach  
15 false conclusions by relying on these reports?

16 A You could reach false conclusions by relying on  
17 any reports. That would be your --

18 Q So that what you're saying is that this whole  
19 exercise of collecting the data and then having Price  
20 Waterhouse Coopers spend some money to key it in and word  
21 process it is all a waste of time and it ought not to be  
22 involved in this case at all.

23 MR. HOLLIES: Excuse me, Mr. Presiding Officer.  
24 If counsel could be directed to let the witness finish his  
25 answer, I believe that would augment the quality of our

1 record.

2 COMMISSIONER LeBLANC: Mr. Garvey?

3 MR. VOLNER: I thought he had.

4 COMMISSIONER LeBLANC: Mr. Garvey, do you have any  
5 further answer?

6 THE WITNESS: Well, I would add to my previous  
7 remark that the value of the reports is what you make of  
8 them and the context in which you're using them.

9 BY MR. VOLNER:

10 Q Would you agree that the value of reports is also  
11 significantly dependent upon their accuracy?

12 A Certainly, although the context in which you use  
13 them should have a relationship to your knowledge of their  
14 accuracy. It's impossible in normal life to come up with  
15 100 percent accuracy 100 percent of the time.

16 Q Understood. Let's go on to another topic.

17 There were a long line of questions by several of  
18 the examiners earlier today having to do with your  
19 advertising expenditures or not, and where they show up or  
20 not, and I want to take it a slightly different way.

21 When you were asked to identify the type of media  
22 in which you intended to promote Mailing Online, you said --  
23 you did not mention television. Was that deliberate or was  
24 that just an oversight?

25 A I did mention cable television.

1 Q Well, cable television and television are not the  
2 same things, are they?

3 A I don't make the distinction, but my intent in  
4 saying cable television was that I heard that any television  
5 advertising we do will appear on the cable channels.

6 Q On the cable channels. Why was the designated  
7 market areas used at all in this exercise? You were asked  
8 an interrogatory and your response was, well, it facilitates  
9 media purchases.

10 A Right. I also mentioned radio as being one of the  
11 media used, and if I'm --

12 Q Correct.

13 A -- I'm correct about designated marketing areas,  
14 they also are used to designate radio marketing areas.

15 [Pause.]

16 MR. VOLNER: Commissioner, I am going to let the  
17 answer stand. We will deal with the matter on brief. The  
18 characterization is not correct. But if that's his  
19 understanding, I don't see any point in pursuing it.

20 BY MR. VOLNER:

21 Q Now let's go down to the more interesting part of  
22 this exercise. You said that it would appear or did appear  
23 as appropriate, or your understanding is it would appear as  
24 appropriate.

25 What did you mean by as appropriate?

1           A     I meant to say that if it was appropriate that  
2 advertising costs be included in the cost calculations that  
3 were done which were specific to Mailing Online, that they  
4 would have been included.

5           Q     So that your position is that if it was specific  
6 to ~~Post Office~~ <sup>Post Office</sup> ~~online~~ <sup>Online</sup>, which includes Mailing Online,  
7 Mailing Online does not get any allocation of the  
8 advertising cost?

9           A     In -- and I don't remember which interrogatory  
10 response, but I've talked to the fact that Mailing Online  
11 advertising is not specific to Mailing Online in that ~~Post~~ <sup>Post Office</sup>  
12 ~~Office online~~ <sup>Online</sup> and all of the ~~Post Office online~~ <sup>Post Office Online</sup> is an access  
13 channel to ~~postal~~ <sup>postal</sup> services which currently exist such as  
14 package services and mail.

15          Q     So that you're not going to -- because Mailing  
16 Online involves two and possibly three classes of mail, you  
17 propose to charge no part of it to Mailing Online, but  
18 instead propose to treat it as institutional advertising for  
19 the system as a whole?

20               MR. HOLLIES: I'm going to object to that question  
21 on the grounds of lack of foundation. Mr. Garvey has  
22 previously indicated he is not a cost witness and it just so  
23 happens we have a few of those who are to follow him. Those  
24 questions probably can be answered by the appropriate  
25 witness, but the foundation for this witness has not been

1 established.

2 MR. VOLNER: I will accept the -- and take it up  
3 with Mr. Plunkett, who will be up shortly.

4 BY MR. VOLNER:

5 Q We have two more topics, and then I'm done.

6 I believe you indicated in response to a question  
7 from Mr. Bush that you did not contemplate or had not  
8 engaged National Analysts for a market survey for the market  
9 test period; is that correct?

10 A I indicated that I wasn't aware of any engagement  
11 of anyone to do that.

12 Q Do you contemplate doing a new survey of the type  
13 that was done by National Analysts during the period that  
14 the market test is running?

15 A The tests that -- the work that National Analysts  
16 did was quite comprehensive in its objectives at the time.  
17 The market test will be a learning exercise of a different  
18 sort and I would say that whatever we do during that time  
19 will be as comprehensive in achieving the objectives that we  
20 expect to achieve during the market test.

21 Q Let's accept your characterization of the National  
22 Analysts test as comprehensive. Do you know whether Witness  
23 Rothschild had the contract when she did her price point  
24 analysis to project volume?

25 A I'm sorry, I don't understand the reference your

1 making -- to what?

2 Q She did -- will you accept that she did a  
3 projection based on certain price points for the various  
4 products and services that would be comprised, that Mailing  
5 Online would comprise.

6 Do you know whether she had the contract that has  
7 now been entered into, the actual contract, when she --

8 A The printer's contract.

9 Q Yes.

10 A She could not have had it.

11 Q She could not. Do you know whether the prices  
12 that she used are identical by luck or sheer chance to the  
13 actual prices?

14 A I was not aware of that.

15 Q Are they?

16 A Are they?

17 Q No.

18 A I don't know. I haven't compared the two.

19 Q Okay. Do you know where she got her price  
20 information from to do that survey?

21 A I do, yes. She got it from the Postal Service.

22 Q Let's suppose for the sake of discussion that the  
23 actual contract prices significantly differ than the prices  
24 that she got from the Postal Service at the time that she  
25 did the survey. Would that call, in your mind, into



1 question the validity of the volumes that were derived from  
2 that survey?

3 A Admittedly, the volumes in that survey are  
4 reflective of the customer's reaction to those price points.  
5 That was the whole point of the exercise. At the time we  
6 did it, that was our best estimate of what price points we  
7 should present to the customer.

8 By the same token, that's the best information we  
9 have at this point to base our volume projections on. We  
10 couldn't have done it --

11 Q For --

12 A -- any different.

13 Q For the purposes of the market test, I agree with  
14 you. What I'm asking is whether that's the best information  
15 you will have when the time comes to consider the experiment  
16 in view of the fact that we now have an actual contract?

17 A If we were to do the survey that National Analysts  
18 did again using those contract prices, we would come up with  
19 some different results, that is true.

20 Q And I ask you do contemplate doing that survey?

21 A No. The time between now and then would not  
22 permit such a comprehensive --

23 Q Between now and the commencement of the  
24 experimental phase?

25 MR. VOLNER: I'm sorry.

1 COMMISSIONER LeBLANC: Let him answer, if you can,  
2 Mr. Volner.

3 THE WITNESS: If the survey were to take as much  
4 time as it originally took, the time between now and the  
5 commencement of the experiment would not permit that level  
6 of survey to be done.

7 BY MR. VOLNER:

8 Q You don't think that a fresh survey could be done  
9 in three months?

10 A That's not what I said. If the same survey were  
11 done and it took the same amount of time, then we would not  
12 have enough time between now and January 10th to do it.

13 Q Do you know whether the participants in that  
14 market survey that Ms. Rothschild did were paid?

15 A Yes, they were.

16 Q Let's move on to the last topic. Could you turn  
17 to page 13 of your testimony. You have a -- I'm sorry, page  
18 12. You have a heading Effect on the Established Printing  
19 and Mail Markets, and you go on for several pages, actually,  
20 to discuss the potential impact of Mailing Online on  
21 printing companies, presumably those without contracts for  
22 Mailing Online.

23 Did -- well, let me ask the question directly.  
24 Are you aware of any organization or company that has a  
25 service that is functionally identical or virtually

1 functionally identical to Mailing Online as it is now  
2 envisioned by the Postal Service?

3 A I think I have an interrogatory response that  
4 responds to that question as well, but yes, I am aware of  
5 some companies who have Internet-enabled file entry systems  
6 for the creation of mail. I know of none that do it on a  
7 widespread, indiscriminate basis.

8 Q What do you mean by widespread indiscriminate?

9 A They do it -- the ones that I'm aware of are done  
10 by printers for their existing customers and they are more  
11 or less a convenience feature, allowing the customer to  
12 manage their files and their job submission over the  
13 Internet.

14 Q Are you familiar with Pitney Bowes Directnet?

15 A Yes.

16 Q Do you regard that as functionally identical to  
17 Mailing Online?

18 A I do not.

19 Q You do not. Why?

20 A Unless Directnet has changed since I learned of  
21 it, it is a client-based system which sits on the customer's  
22 PC and does a dial-up as a point-to-point contact. That  
23 differs fundamentally from Mailing Online in that it  
24 requires the installation of software and requires the  
25 point-to-point dial-up of a PC connection to a host that is

1 in some remote location.

2 Q Well, now you have me utterly confused, because as  
3 I understood it, a significant point for expedition here was  
4 that you were negotiating with one or more software  
5 providers to secure an icon which would effectively give you  
6 dial-up by the 5,000 or less subscribers to Mailing Online  
7 -- well ~~Post Office~~ <sup>PostOffice</sup> Online, of which Mailing Online is a  
8 subset.

9 A I'm not aware of where you got that understanding,  
10 but I don't believe the word dial-up appears anywhere in my  
11 response.

12 Q Are you using dial-up in the technical sense?

13 A I'm using dial-up in the sense of using a  
14 telephone line to connect to a remote host.

15 Q I see. I see what you're saying. And you believe  
16 that the fact that there is a telephone line that connects  
17 the Pitney Bowes' customer to its site functionally  
18 distinguishes the Pitney Bowes Directnet from the service  
19 you're proposing?

20 A Certainly it does. It requires a different set of  
21 activities by the customer and can conceivably require the  
22 use of a long distance carrier.

23 Q Do you understand the Internet to operate without  
24 the use of telecommunications facilities?

25 A I understand the Internet to treat all users

1 equally in that it gives them local access without requiring  
2 them to use a long distance access point unless they have  
3 to.

4 Q Do you know how Pitney Bowes in fact charges for  
5 the lines that connect its customers to Directnet?

6 A I don't.

7 Q At any time during -- since you were apparently  
8 aware -- when did you become aware of Directnet?

9 A I can't give you an exact date, but --

10 Q Was it pre-operations test? Was it during the  
11 operations test?

12 A Well, it was pre-operations test, yes. I think it  
13 was probably sometime in early 1997.

14 Q In your discussions surrounding the classification  
15 change, was there any discussion of the competitive effects  
16 of affording the customers of Mailing Online a discount for  
17 mail that would not otherwise qualify for discounts when the  
18 Pitney Bowes system, among others, would not qualify for  
19 that discount?

20 A I don't believe we discussed it in that context,  
21 because Pitney Bowes is free to offer whatever they wish to  
22 their customers in terms of pricing and postage  
23 arrangements.

24 Q Pitney Bowes is free to offer to its customers  
25 whatever it wishes in terms of pricing and posting

1 arrangements. Is Pitney Bowes able to offer its customers  
2 the ability to enter 50 pieces that are not drop-entered at  
3 Standard A bulk rates applicable to mail that is destined --  
4 that is transported to a destination entry facility,  
5 destination BMC?

6 A If Pitney Bowes chose to construct a system which  
7 commingled different customers' mail and they were able to  
8 solicit enough customers to achieve that, nothing would stop  
9 them from passing that discount through.

10 Q Absolutely correct. But in the case of Mailing  
11 Online, to the extent that commingling does not occur, or  
12 batching does not succeed, the customer will nonetheless get  
13 the discount, at least during the market test, is that  
14 correct?

15 A At least during the market test, that is correct.

16 MR. VOLNER: Commissioner, that concludes my  
17 examination.

18 CHAIRMAN LeBLANC: Is there any follow-up? Any  
19 questions from the bench?

20 [No response.]

21 CHAIRMAN LeBLANC: Commissioner Goldway?

22 COMMISSIONER GOLDWAY: I have a few questions. I  
23 hope they are relevant. You did answer a couple of  
24 questions that OCA directed to you about liability issues  
25 and customer complaint issues, and I was interested in them.

1 I am concerned about plans in terms of measuring the cost of  
2 the market test with regard to accurately measuring customer  
3 complaints, consumer inquiries. There have been some  
4 questions raised by the participants in the case about what  
5 actually gets measured in terms of the online system and  
6 response calls to it.

7 And I am wondering if there is a way to  
8 distinguish between calls-up for purchasing service versus  
9 calls-up for complaints about service. And whether, in  
10 terms of the cost for operating this new online service, the  
11 distinction between the two would be useful or not.

12 THE WITNESS: If I might ask for clarification  
13 about what you mean about purchasing.

14 COMMISSIONER GOLDWAY: Well, it is my  
15 understanding that the potential user or client, one of your  
16 5,000 people, -- well, actually, now that I think of it,  
17 there are several ways. Calls-up on the phone, first, to  
18 sign up, to inquire about the service and decide whether  
19 they want to sign up to be part of it. So there are sales  
20 calls involved, I would assume. Is that on the same online?

21 THE WITNESS: Actually, the customer's  
22 registration/sign-up occurs online.

23 COMMISSIONER GOLDWAY: Online. So there are calls  
24 and a time that would be logged on the telephones.

25 THE WITNESS: No, they are not on the telephone,

1 they are actually on their computer on the Internet.

2 COMMISSIONER GOLDWAY: Or on the -- so that you  
3 could log the amount of time on the Internet that a person  
4 was on. Is there a person in the San Mateo office who is  
5 responding immediately when somebody calls to sign up for  
6 this program? Or it is just a kind of electronic form that  
7 is filled out and then somebody else responds at another  
8 time?

9 THE WITNESS: The sign-up and registration process  
10 is entirely electronic. I don't believe that even if people  
11 at the San Mateo Center wanted to, that they could monitor  
12 and respond to a customer interacting with the system.

13 COMMISSIONER GOLDWAY: Okay. So there wouldn't be  
14 a chance for some potential customer to call up and say I  
15 have more questions before I fill out this form, can I talk  
16 to a human being?

17 THE WITNESS: There is a Help Desk, and once you  
18 get into the system, all of the pages have an indication on  
19 them where you can call to get help. I don't know for a  
20 fact that, if you are not a registered customer, -- start  
21 again. If you are not a registered customer, you can't get  
22 past the front page. You have to register to get into the  
23 system and use it. I am not sure that someone at the top  
24 page will be able to get an 800 number to call. I can find  
25 that out, but I don't know today.



1 COMMISSIONER GOLDWAY: What I am interested in is  
2 measuring the real time of real people who have to be  
3 involved in this system.

4 THE WITNESS: I can answer that, I think, in that  
5 the Help Desk staff will be the only people responding  
6 physically to someone on the telephone, and all of their  
7 activity will be logged.

8 COMMISSIONER GOLDWAY: And you will distinguish  
9 between which programs they are responding to within  
10 ~~Postoffice~~ <sup>PostOffice</sup> Online? Since you are not -- you are saying that  
11 the Help Desk is part of the ~~Postoffice~~ <sup>PostOffice</sup> Online.

12 THE WITNESS: Correct.

13 COMMISSIONER GOLDWAY: You will be able to  
14 distinguish those calls?

15 THE WITNESS: The Help Desk records, as part of  
16 the call process, the reason for the call. And if it were  
17 an inquiry about how to register or why to register for  
18 ~~Postoffice~~ <sup>PostOffice</sup> Online, they would record it appropriately. If  
19 someone were to become a registered user and have questions  
20 about Mailing Online that they wanted to call and ask, then  
21 it would be recorded as questions being asked about Mailing  
22 Online.

23 COMMISSIONER GOLDWAY: So if a printer went to the  
24 acceptance dock and had some problems at the acceptance  
25 dock, could the printer call up the help line and inquire?

1 THE WITNESS: What we have -- the Help Desk is  
2 particularly for customer interface. We have instructed the  
3 printers that problems that they have should be directed to  
4 the Mailing Online program office, myself or one of my  
5 staff.

6 COMMISSIONER GOLDWAY: So you will have a separate  
7 record where those kinds of problems are logged and  
8 recorded?

9 THE WITNESS: Yes.

10 COMMISSIONER GOLDWAY: And will they be logged and  
11 recorded, or is that just as appropriate?

12 THE WITNESS: I think as appropriate is the  
13 answer, but it is my intent that as we get into the market  
14 test and start trying to more -- in a more disciplined way  
15 learn about what we expect to learn from the 5,000  
16 customers, that all of the activity that occurs both with  
17 the customers and with the printers will take on a much more  
18 rigorous face.

19 COMMISSIONER GOLDWAY: And the same people who are  
20 at the Help Desk, are the people who will resolve consumer  
21 complaints about product or services?

22 THE WITNESS: They are authorized to resolve  
23 complaints, if possible, at their level. If it is a  
24 customer complaining about printing not being comparable to  
25 offset printing or color matching not being perfect, the

1 Help Desk can explain to them that the system has certain  
2 limitations, and if that resolves the customer's complaint,  
3 as it were, that is where it ends. If the customer has a  
4 valid complaint about quality of service or some problem  
5 they have had, the Help Desk is authorized to escalate it to  
6 the program office.

7 COMMISSIONER GOLDWAY: And is the program office  
8 going to be keeping track of the time that it takes to  
9 resolve these problems and the costs associated with that?

10 THE WITNESS: The program office has not to this  
11 point because the Mailing Online staff, as it were, myself  
12 and one other person, have been 100-percent dedicated to  
13 this, and all of our time, regardless of what we're doing,  
14 is dedicated to that program.

15 I can't say that we wouldn't, as we expand the  
16 program and have more dedicated resources, keep better track  
17 of exactly what they're doing at any particular time.

18 COMMISSIONER GOLDWAY: Is it your understanding  
19 that or is it the process now that when a customer submits  
20 documents to be printed that they simply choose from a menu  
21 of how they want it formatted and what the color is, and  
22 that it goes directly to a printer, or is there actually a  
23 person at the Postal Service who looks at their document and  
24 their order and says yes, this is the right format and we  
25 can send it through?

1           THE WITNESS: The system today is totally  
2 automated, and what selections the customer chooses are  
3 their choice. No one looks at them to verify them. The  
4 document is shown to the customer on the screen as a PDF, an  
5 ~~unscreened~~<sup>SCREEN</sup> version for their validation, that's their proof  
6 copy, and if they approve their job choices and that  
7 document as they see it, there is no interim review of that  
8 job nor the document prior to its processing by the system  
9 to be sent to the printer.

10           Now the printer is responsible, of course, for  
11 monitoring quality control, and they'll have to check to  
12 make sure that their printer has toner and that sort of  
13 thing. But there's no human intervention at the system  
14 level.

15           COMMISSIONER GOLDWAY: So what's the legal  
16 relationship between the UPS and the printer? Is UPS the  
17 principal and the -- USPS, sorry, USPS and the printer -- is  
18 the USPS the principal and the printer the agent? Is the  
19 USPS the contractor and the printer the subcontractor?

20           THE WITNESS: I guess -- this really is  
21 fundamental to Mailing Online in that the customer's  
22 perspective of this is that the Postal Service is their  
23 agent, as it were, in making sure that the printing and  
24 mailing services are performed. The Postal Service's view  
25 is that the printer is their contractor, and we have in our

1 contract written specifications that presumably will require  
2 them to produce quality materials that will satisfy our  
3 customers. It will be our responsibility to monitor the  
4 printer's activity and make sure that they do that.

5 COMMISSIONER GOLDWAY: And when you develop this  
6 whole concept, you looked into the issues of liability and  
7 what the Postal Service liability is versus the printer's  
8 liability?

9 THE WITNESS: I haven't looked at liability in a  
10 legal sense, but in a business sense ~~that~~ our liability is  
11 that we owe the customer what they're paying for, and if we  
12 don't deliver, then in a business sense then we are liable  
13 to them for that amount.

14 COMMISSIONER GOLDWAY: So if for some reason this  
15 service that you're providing to the customer is not  
16 performed or is performed in a way where the expected  
17 business that the customer had wanted doesn't occur, is it  
18 possible for the customer to sue you not only for the cost  
19 of the actual printing but for the cost of postage or for  
20 loss of business in a way that is not possible in the normal  
21 mail?

22 THE WITNESS: I don't know the legal answer to  
23 that. Once again I don't know what customers can and can't  
24 sue for, but I know that once again we have a responsibility  
25 to the customer to deliver what they have ordered, and if we

1 don't as any other business does, we have the responsibility  
2 to make good.

3 COMMISSIONER GOLDWAY: Is there a cost that you're  
4 plugging into the program for possible liability?

5 THE WITNESS: Well, we have included in the  
6 printer's contract their liability --

7 COMMISSIONER GOLDWAY: Um-hum.

8 THE WITNESS: Respective of if something that they  
9 produce is not -- if it's proven to be of bad quality or  
10 incorrect or wrong or something and it's their fault,  
11 they're required to redo it. So we don't incur any  
12 additional cost for something that is their fault. If we  
13 have some other problem, perhaps a system problem, I don't  
14 believe that we've -- I take that back, I don't know whether  
15 we've calculated any liability cost in for that.

16 COMMISSIONER GOLDWAY: And then the other question  
17 of liability I had is with regard to what's actually the  
18 content of the printed piece and who's responsible for the  
19 content of the printed piece. On the one hand the customer  
20 could be concerned that somehow the printer didn't get it  
21 right or the system got it wrong and words got transposed or  
22 something, but on the other hand couldn't a customer either  
23 knowingly or not knowingly misuse a trademark of some other  
24 company, include material that is copyrighted that they  
25 didn't have a right to, include content that would otherwise

1 be illegal to distribute through the mail? If there's no  
2 one to review it, how do we check for this?

3 THE WITNESS: All of the possibilities that you've  
4 mentioned are in fact possibilities. Currently the mail  
5 that we handle can also have those problems. We don't  
6 monitor the content of the mail. In that same regard, we  
7 don't intend to monitor the content of Mailing Online  
8 materials.

9 The makeup of the mail, of what's in it, is up to  
10 the creator. If we through normal methods, using the Postal  
11 Inspection Service, discover that someone is misusing the  
12 mails for some illegal purpose, we will react in a normal  
13 way. But the printers have been given the same onus of  
14 privacy of the mail as postal workers.

15 COMMISSIONER GOLDWAY: Thank you. Let me see if I  
16 just have -- I just wanted to clarify some information that  
17 I believe had been asked for.

18 Is it my understanding that in response to the  
19 OCA's request for information about downtime and systems  
20 crashing, that you will be providing some information about  
21 the potential cost of that and -- or how to measure that in  
22 the market test or not?

23 THE WITNESS: I don't recall the exact response to  
24 that question, but I did indicate that we would be keeping  
25 technical logs of system problems.

1 COMMISSIONER GOLDWAY: Okay. All right. Thank  
2 you.

3 COMMISSIONER LeBLANC: Chairman Gleiman?

4 CHAIRMAN GLEIMAN: Something that you said in  
5 response to Commissioner Goldway troubles me a little bit on  
6 the privacy front.

7 Currently, if someone mails mail first class, the  
8 Postal Service does not open that mail to check it out, does  
9 not have access to the content of the mail. The Postal  
10 Service is going to maintain a record system that is going  
11 to include the mailing list customer's name, the order  
12 number. Is it also going to maintain the text of the item  
13 that was sent? Do you know?

14 THE WITNESS: As I understand the filing of the  
15 records system, the system records -- the thing that we file  
16 -- I forget the name of it, I'm sorry, but --

17 CHAIRMAN GLEIMAN: It's the Privacy Act record  
18 system.

19 THE WITNESS: Yes. It refers to the lists that  
20 we're keeping that the customers submit. We do, in fact,  
21 retain on the system documents and they are for the  
22 customer's reuse. However, no one but the customer can  
23 re-access those documents.

24 CHAIRMAN GLEIMAN: Well, that's not what the  
25 record system says. The record system says that because you



1 perceive the customer's mailing list, address list provided  
2 by the customer to be customer's property, that that won't  
3 be made available. But then you go on to say that mailing  
4 lists contained in the system are owned by the customer  
5 submitting the mailing list; consequently, routine uses  
6 apply -- no routine uses apply to these mailing lists, but  
7 then you go on to list four routine uses.

8 If you bear with me for a minute, one of the  
9 mailing -- one of the routine uses is when the Postal  
10 Service becomes aware of an indication of a violation or  
11 potential violation of law, whether civil, criminal or  
12 regulatory in nature, so on and so forth, has occurred,  
13 relevant records may be referred to the appropriate agency,  
14 whether federal, state, local or foreign, charged with  
15 responsibility for investigating and prosecuting such  
16 violations.

17 My question to you is, is the material in that  
18 record system sealed against inspection if the mail that  
19 went out under Mailing Online is, you know, is ~~first class~~ <sup>First-Class</sup>  
20 ~~mail~~ <sup>Mail</sup> mail?

21 MR. HOLLIES: Mr. Chairman?

22 CHAIRMAN GLEIMAN: Or can the Postal Service  
23 become aware of it by reviewing the record system and turn  
24 this data over in a manner that they wouldn't be permitted  
25 to do without an order that allowed them to open mail, a

1 search warrant, and there are rules for that. You can't  
2 even have a mail cover without going through certain hoops  
3 on ~~first class mail~~ <sup>First-Class Mail</sup>.

4 I'm very concerned, and I think that we need some  
5 clarification from the Postal Service about the nature of  
6 the data maintained in that system and whether, indeed, it's  
7 private or whether it's available for law enforcement  
8 purposes in a manner that would be different than other  
9 ~~first class mail~~ <sup>First-Class Mail</sup> that is hard copy from beginning to end and  
10 doesn't go through the Mailing Online system. And I know  
11 it's a legal issue.

12 I would like, since you raised the question and  
13 you raised the privacy issue, I would like for you to  
14 perhaps consult with folks back at the Postal Service. This  
15 is also, I think, in an interrogatory response. It's your  
16 response to OCA Interrogatory T1-22 that this issue came up.

17 So perhaps some clarification as to the extent to  
18 which that data, that information is going to be protected  
19 or not protected would be in order, and I understand it's a  
20 knotty question and I don't expect you to deal with it right  
21 now.

22 MR. HOLLIES: Mr. Chairman, you raised that at the  
23 prehearing conference --

24 CHAIRMAN GLEIMAN: I sure did.

25 MR. HOLLIES: -- and we promised that we would

1 provide a response. Indeed, as we are sitting here today,  
2 one of the attorneys for the Postal Service, one you know  
3 very well and an expert on information issues, is working on  
4 that and we plan to provide that answer to you as soon as we  
5 reasonably can.

6 CHAIRMAN GLEIMAN: An expert attorney on  
7 information.

8 MR. VOLNER: Mr. Chairman?

9 CHAIRMAN GLEIMAN: I'll be interested to see who  
10 -- the guy I remember as the information expert is retired,  
11 lives in Chicago, and likes to take pictures, Chuck <sup>Braun</sup> ~~Braughn~~.

12 MR. VOLNER: Mr. Chairman, can I interject into  
13 this dialogue, because if it's going to be done on brief or  
14 in some sort of a submission, there's another side to this  
15 question that has not been explored. The Postal Service has  
16 under the statute certain powers to reject mail as  
17 non-mailable. It does not apply to first, but it surely  
18 does apply to Standard A, because in the case of <sup>First-Class</sup> ~~first-class~~  
19 ~~mail~~, you can't find out that it's non-mailable, basically.

20 How is the Postal Service going to administer the  
21 provisions of 3005 and so forth, which deal with  
22 non-mailable matter, when the stuff is coming in  
23 electronically? I mean, are we going to go through the hoop  
24 of running it through the system and then get it to the dock  
25 and then stop it? Is it going to be stopped here? How does

1 it work with the privacy records? That's the other side of  
2 the question.

3 CHAIRMAN GLEIMAN: You know, I think that's a  
4 legitimate question and it's something that we're going to  
5 need to explore.

6 COMMISSIONER LeBLANC: Mr. Hollies, do you have  
7 any -- excuse me, Mr. Chairman -- do you have any time table  
8 as to what you're shooting for? Because these are  
9 legitimate relevant questions to the market test as well as  
10 future.

11 MR. HOLLIES: With the exception of the 3005  
12 question just raised, yes, all of these issues have been  
13 discussed. The individual has indicated -- the individual  
14 working on this has indicated to me that my hope, which I  
15 expressed to him, of filing this on Friday, and it would be  
16 in the form of an institutional response to an  
17 interrogatory, was reasonable. That individual has other  
18 things that call <sup>upon</sup> ~~up-on~~ his time. That does not mean it will  
19 be here Friday, but that is my goal, my expectation.

20 CHAIRMAN GLEIMAN: Well, can I just interject? I  
21 think the 3005 question is a good question, and I think that  
22 if it takes a little bit longer to get a response, it might  
23 be better to --

24 MR. HOLLIES: Well, I'll be happy to respond to it  
25 right now.

1 CHAIRMAN GLEIMAN: It might be better to address  
2 that issue at the same time. I think we would all prefer an  
3 institutional response.

4 MR. HOLLIES: I'm sure we would. The short answer  
5 is, we have described in our pleadings, in our testimony, in  
6 our exhibits, the nature of Mailing Online service. It does  
7 not include a 3005 screening component. The traditional  
8 tools used for that statute would continue to be used. But  
9 we will be happy to include that in our Friday <sup>Filing</sup> -- if it's  
10 Friday.

11 CHAIRMAN GLEIMAN: I think it probably would be  
12 helpful for all of us who have those kinds of concerns.

13 I just have a couple other questions. I'm a  
14 little confused --

15 COMMISSIONER LeBLANC: Excuse me again. Mr.  
16 Hollies, do we have an understanding on the Chairman's  
17 question as well as Mr. Volner's? You will try to get back  
18 in writing with that institutional response by Friday if  
19 possible with the other answer to the pleadings?

20 MR. HOLLIES: And we'll throw 3005 into it, yes.

21 COMMISSIONER LeBLANC: Okay. I'm sorry, Mr.  
22 Chairman. I wanted clarification.

23 CHAIRMAN GLEIMAN: That's okay.

24 I'm still confused about the as many as 5,000  
25 customers doing the market test. How are you going to find

1 these people? I mean, where are these 5,000 customers going  
2 to come from?

3 THE WITNESS: Well, they will come from within the  
4 geographic boundaries that we described. But the way that  
5 we will find them is they're all -- they have to be Internet  
6 users.

7 CHAIRMAN GLEIMAN: How are they going to become  
8 aware of the fact that you are undertaking -- assuming we  
9 recommend and the governors accept our recommended decision  
10 -- a market test? How are they going to know about all  
11 this?

12 THE WITNESS: As I was saying, they're all  
13 Internet users and the Internet has a way of spreading  
14 information far and wide and to many, many thousands of  
15 people instantly. We expect that our moderate marketing  
16 efforts to let the URL, the ~~PostOfficeOnline.com~~ <sup>postOfficeOnline.com</sup> be known  
17 will result in a lot of people going there to look at it,  
18 and we hope that enough of those people will become  
19 interested in what we're doing there that they will become  
20 customers and users.

21 CHAIRMAN GLEIMAN: That is in effect the only way  
22 that you're going to generate these people, these -- people  
23 who are interested, and some of whom will ultimately become  
24 registered customers or registered users or whatever you <sup>call</sup> ~~call~~  
25 them? It's going to be via, if you will, high-tech word of

1 mouth?

2 THE WITNESS: No. We'll be doing some traditional  
3 marketing as I talked about, the trade press and, as I  
4 understand it, cable TV, radio, things like that. But I  
5 think the essence of what we're trying to do is this URL to  
6 Internet users who are interested in Postal services will be  
7 an intriguing idea for them to hear about something called  
8 ~~Post Office~~ <sup>PostOffice</sup> Online, and that they will show up to learn  
9 about it and, if interested enough, will become one of our  
10 users.

11 CHAIRMAN GLEIMAN: There are aspects of Postal  
12 Service Online -- assuming for the sake of discussion that  
13 the Commission did not recommend the market test, the Postal  
14 Service would still go ahead with certain aspects of Post  
15 Office Online and would do whatever kind of marketing  
16 they're going to do, whether it's URL or whether it's cable  
17 TV or whatever; is that correct?

18 THE WITNESS: Yes.

19 CHAIRMAN GLEIMAN: Okay. Do you know whether the  
20 marketing plan calls for you to do more marketing if there  
21 is this additional component included in ~~Post Office~~ <sup>PostOffice</sup> Online,  
22 the additional component being the market test, or will the  
23 same amount of money be spent?

24 THE WITNESS: I can't answer that question  
25 definitively except to say that I haven't seen a contingency

1 marketing plan. I know of only one.

2 CHAIRMAN GLEIMAN: Well, assuming that you're  
3 successful by whatever means, whether it's cable TV or  
4 whether it's folks who are surfing the Net or whatever, and  
5 you sign up 5,000, the first 5,000 people who qualify sign  
6 up, do I understand correctly that if someone qualifies and  
7 is registered as a user and then doesn't use for 30 days,  
8 that they drop off the list and then you can go to your  
9 waiting list and pick up the next party?

10 THE WITNESS: That is correct.

11 CHAIRMAN GLEIMAN: Okay. But also, that someone  
12 who fell off the bottom can get back on, someone who didn't  
13 use and was knocked off the list of 5,000 can get back on  
14 the list?

15 THE WITNESS: I don't believe there is a filter to  
16 keep them from re-registering, no.

17 CHAIRMAN GLEIMAN: They go to the bottom of the  
18 waiting list, which I know you hope you have, and I'm going  
19 to assume for the sake of discussion that you have a lengthy  
20 waiting list.

21 THE WITNESS: Yes.

22 CHAIRMAN GLEIMAN: Okay. Are you going to  
23 collected data on how many people become registered users  
24 and don't use?

25 THE WITNESS: Yes. As a matter of fact, I think



1 on the -- I'm not sure if it appears on this report that you  
2 have seen, but that information is very important to us,  
3 yes.

4 CHAIRMAN GLEIMAN: I would think so.

5 Are you going to collect information that  
6 stratifies users and the percentage of volume that those  
7 users contribute? For example, if you wind up with 5,000  
8 certified users and 80 percent of the volume is provided by  
9 a dozen users, are we going to be able to find that data  
10 out? I would assume you would want to know that.

11 THE WITNESS: Yes, indeed, we would.

12 CHAIRMAN GLEIMAN: And are you going to know it  
13 and are we going to know it?

14 THE WITNESS: Well, in the same way in which we've  
15 provided information so far about individual usage, I think  
16 we could provide that information for the market test as  
17 well.

18 CHAIRMAN GLEIMAN: Okay. I just have one other  
19 question right now. In response to MASA/USPS-T5-10, which  
20 was redirected from Witness Plunkett, your response to A has  
21 the following sentence at the end: The software is used to  
22 batch -- to sort batches to the greatest possible depth  
23 before transmitting to the print sites. Okay. Do you see  
24 that?

25 THE WITNESS: Yes.

1 CHAIRMAN GLEIMAN: Now, could you put your finger  
2 there and could you flip over to OCA/USPS-T1-4, part B, and  
3 your response there?

4 Now, as I understand it, this response says,  
5 although the capability is not required at this time, system  
6 design allows for automatic routing of jobs based upon  
7 specific printing requirements as well as destinating <sup>ZIP</sup>~~zip~~  
8 <sup>Codes</sup>~~codes~~.

9 If you're going --

10 THE WITNESS: Pardon me. I'm sorry. I have  
11 apparently got the wrong OCA. I've got T1-4, part B, and  
12 it's a different question.

13 CHAIRMAN GLEIMAN: Oh, I'm sorry, I -- no, this --  
14 I think I'm looking at the right interrogatory.

15 MR. COSTICH: Mr. Chairman, I believe it's T1-5.

16 CHAIRMAN GLEIMAN: I'm not sure what I'm reading  
17 from, then. OCA/USPS-4 filed on August 7th, 1998,  
18 redirected from the Postal Service to Witness Garvey. I  
19 apologize, it wasn't T1, it was an institutional  
20 interrogatory redirected to you, number 4, part B.

21 THE WITNESS: I have it.

22 CHAIRMAN GLEIMAN: Okay. Now, the earlier  
23 response said that, you know, batch sorting before  
24 transmittal to print sites in order to achieve the greatest  
25 depth of presort.

1           The second response, the one that was redirected  
2   to you, says the system is designed to allow automatic  
3   routing of jobs based on specific printing requirements as  
4   well as destinating ZIP <sup>Codes</sup>~~codes~~. So there are going to be  
5   situations where the printing requirements override the ZIP  
6   <sup>Code</sup>~~code~~? Is that what I understand by this response to the  
7   redirected?

8           THE WITNESS: The characterization here is that if  
9   there's so little demand for some particular printing  
10   requirement that it were not to be specified at all print  
11   sites but were residing at some subset of those, the system  
12   could look at a job and determine that it was not to be  
13   routed to all print sites but only specific ones.

14          CHAIRMAN GLEIMAN: Okay. So that's an exception  
15   to the other response, which says software is used to sort  
16   batches to the greatest possible depth before transmittal to  
17   printing sites.

18          THE WITNESS: Not really, because what would  
19   happen would be that once this job was routed to a  
20   particular print site, the batch that it joined before being  
21   routed to the print site would be sorted based upon the ZIP  
22   <sup>Codes</sup>~~codes~~ that were routed to that print site.

23          CHAIRMAN GLEIMAN: Okay, I think. I have no  
24   further questions right now.

25          COMMISSIONER LeBLANC: Mr. Garvey, just I guess a

1 point of clarification here. You are the policy guru here,  
2 individual. Do you have any plans, do you know of any plans  
3 down the road, I'm thinking of fulfillment houses,  
4 presorting industry that's out there now. Suppose they send  
5 you a batch of 100, all with the same ZIP <sup>Code</sup> code, all -- any  
6 breakdown you want. Do they -- all right, let's take  
7 another one. Let's suppose it's 300 of them and you need  
8 100 to fill a 500 tray. Are you going to break those out,  
9 break them apart, and then redo them again in a batch? Do  
10 you have any thought process on that at this stage?

11 THE WITNESS: We haven't given any thought to  
12 designing or redesigning the system to accommodate minimum  
13 levels, minimum presort levels or minimum numbers within a  
14 mailing. I think the thought has been that if we achieve  
15 the volume goals that we foresee that the minimums will be  
16 not a point of discussion, we'll achieve minimums with no  
17 difficulty. What we would attempt to achieve would be to  
18 get whatever operational efficiencies we could upstream  
19 electronically of creating and submitting the mail, whatever  
20 those might be.

21 COMMISSIONER LeBLANC: Well, I appreciate the  
22 answer, but I don't believe it was quite responsive to what  
23 I was asking, which is are you going to allow the discounts  
24 that that fulfillment house or that presorter would have  
25 allowed? Would you stop it? Would you --

1 THE WITNESS: Are you asking me if the presort  
2 house submits the mail through Mailing Online?

3 COMMISSIONER LeBLANC: I'm asking do you have any  
4 thought process on that for the future.

5 THE WITNESS: Would we give a different discount  
6 to a commercial user? Is that your question?

7 COMMISSIONER LeBLANC: That's exactly what I'm  
8 saying.

9 THE WITNESS: I don't believe that we thought that  
10 that would be something that would in the short term fit  
11 into Mailing Online. It's not the objective of what we're  
12 trying to put together.

13 COMMISSIONER LeBLANC: Good. Thank you very much.  
14 That's the advantage of going last sometime. You get all  
15 the questions asked.

16 Did any questions from the bench -- okay, Mr.  
17 Bush.

18 MR. BUSH: I just have a couple of questions if I  
19 could be indulged for a second.

20 FURTHER CROSS EXAMINATION

21 BY MR. BUSH:

22 Q Is any of the advertising that you plan to do in  
23 connection with the market test specific to Mailing Online,  
24 or is it all going to be in the context of ~~Post Office~~ <sup>PostOffice</sup>  
25 Online?

1 A As far as I know, all that I've seen is specific  
2 to ~~Postoffice~~ <sup>PostOffice</sup> Online.

3 Q And does any part of the ~~Postoffice~~ <sup>PostOffice</sup> Online  
4 advertising refer by name or description to Mailing Online?

5 A Of course.

6 Q All right. So if Mailing Online were not  
7 authorized by the Commission in a recommended decision,  
8 presumably you have to alter your advertising.

9 A Among other things, yes.

10 Q All right. Do you anticipate starting the  
11 advertising for ~~Postoffice~~ <sup>PostOffice</sup> Online prior to the receipt of a  
12 recommended decision from the Commission?

13 A Yes.

14 Q When do you anticipate starting?

15 A Well, at a certain level, at the upcoming National  
16 Postal Forum we'll be talking about the ~~Postoffice~~ <sup>PostOffice</sup> Online  
17 and our planned tests of the ~~Postoffice~~ <sup>PostOffice</sup> Online.

18 Q Okay. Anything in addition to that?

19 A I don't know the schedule. I'm sure that given  
20 what I do know about advertising, certainly there's going to  
21 be plans in place to have them begin at the same time,  
22 contemporaneously with the test, but I don't know how far  
23 ahead of time --

24 Q All right. Now you've -- I'm sorry.

25 A Outside advertising would begin.

1 Q You referred in your answer to one of Chairman  
2 Gleiman's questions -- I think it was to one of his  
3 questions -- to registered users. The registered user here  
4 is a person who's registered with ~~Postoffice~~<sup>PostOffice</sup> Online, not  
5 Mailing Online; correct?

6 A That's true. The whole registration process is  
7 specific to ~~Postoffice~~<sup>PostOffice</sup> Online.

8 Q And there's no subset of people who are registered  
9 with ~~Postoffice~~<sup>PostOffice</sup> Online and have an independent registration  
10 for Mailing Online.

11 A Correct.

12 Q How quickly after October 1 do you believe you'll  
13 have 5,000 people signed up as registered users?

14 A I don't believe we've done any actual projections,  
15 but as quickly as possible.

16 Q Well, do you agree that on October 1 you won't  
17 have 5,000 users signed up? It will take some period of  
18 time before you have 5,000 people signed up as registered  
19 users?

20 A That's the likely scenario; yes.

21 Q Okay. Aside from "as quickly as possible," would  
22 you agree that you're not likely to have them signed up for  
23 two weeks or a month, or how long do you predict it'll take  
24 you to get 5,000 people signed up?

25 A But using the operations test as a proxy, I would

1 suspect that it would take a month for us to get -- to have  
2 a chance of having 5,000 users.

3 Q And do you have any basis from your experience in  
4 the operations test or anywhere else to predict how long  
5 after somebody who signs up, after they sign up, how long it  
6 takes before they start to use the test? Do people tend to  
7 sign up and immediately start using it, or is there a signup  
8 and a lag? Obviously there are some people who won't use it  
9 at all, but for those who use it, is there a lag?

10 A I don't think I can quantify how many do one or  
11 the other, but we seem to have a situation where people do  
12 one of three things. They sign up and either use it  
13 immediately, usually for some small quantity, they sign up  
14 and don't use it, they look at it and cruise around and  
15 never come back, and then there are people who sign up and  
16 come back but never use it for some odd reason.

17 MR. BUSH: Okay. I have nothing further. Thank  
18 you.

19 COMMISSIONER LeBLANC: Any further followup?

20 Mr. Volner.

21 FURTHER CROSS EXAMINATION

22 BY MR. VOLNER:

23 Q I have one question following up on Commissioner  
24 Gleiman's question about printers and others that might  
25 present to the Postal Service mail in bulk. We discussed



1 earlier Direct Net. Suppose Pitney Bowes decided well,  
2 you've got these contracts with these printers or that  
3 printer and we can save a step here. We will ship you --  
4 batch it and ship it in bulk to you, the Postal Service.  
5 And then you will follow it through the way you normally do  
6 now. I take it we would not be precluded from getting the  
7 discounts that you propose to offer to all users.

8 A I think Mailing Online being an equal-access  
9 system, Pitney Bowes as well as anyone else would have  
10 access to those same qualifying rules and rates.

11 MR. VOLNER: I have no further questions.

12 COMMISSIONER LeBLANC: Chairman Gleiman.

13 CHAIRMAN GLEIMAN: I need to follow up on Mr.  
14 Volner's question.

15 If Pitney Bowes had a whole bunch of folks signed  
16 up and they were transmitting more than 5,000 messages at a  
17 time, they wouldn't have equal access, would they, under  
18 your scheme? As I understand it, you're limiting people to  
19 a certain number of messages, small business people? Isn't  
20 that what you're after?

21 THE WITNESS: The technical design of the system  
22 and the underlying technology of digital printing has a  
23 certain characteristic of limiting the usage to mailings of  
24 less than 5,000.

25 CHAIRMAN GLEIMAN: But if you had a larger amount,

1 you could just break it up and send it in batches to the  
2 Postal Service.

3 THE WITNESS: That is true.

4 CHAIRMAN GLEIMAN: Okay. I get confuseder and  
5 confuseder, as it were.

6 The 5,000 registered users are <sup>PostOffice</sup> ~~Postoffice~~ Online  
7 users. Many of those people might be interested in either,  
8 you know, doing whatever else is in <sup>PostOffice</sup> ~~Postoffice~~ Online other  
9 than Mailing Online.

10 THE WITNESS: Yes.

11 CHAIRMAN GLEIMAN: Okay. Track and Trace or  
12 whatever.

13 THE WITNESS: Yes.

14 CHAIRMAN GLEIMAN: So you could get 5,000  
15 registered users -- I just need to go through this to get it  
16 clear -- you could get 5,000 registered <sup>PostOffice</sup> ~~Postoffice~~ Online  
17 users and have substantially fewer Mailing Online users.

18 THE WITNESS: It is conceivable, although in  
19 talking to people about this, they -- a great many of them  
20 have indicated an interest in using Mailing Online.

21 CHAIRMAN GLEIMAN: Well, does that mean then that  
22 if a very large majority of the initial 5,000 registered  
23 users register in order to use Mailing Online that you'll  
24 have very few users of those other services that you're  
25 presenting in <sup>PostOffice</sup> ~~Postoffice~~ Online?

1 THE WITNESS: Well, they must by virtue of their  
2 use of the system use the Payment Online, so they'll at  
3 least be using that.

4 CHAIRMAN GLEIMAN: Okay.

5 THE WITNESS: But the Shipping Online, if that  
6 scenario were to --

7 CHAIRMAN GLEIMAN: So Shipping Online then could  
8 suffer. If you're successful in signing up people who want  
9 to use Mailing Online, then to the extent that you are  
10 successful, the Shipping Online suffers.

11 THE WITNESS: Yes, and vice versa.

12 CHAIRMAN GLEIMAN: Okay. I just needed to  
13 understand that.

14 Thank you.

15 COMMISSIONER LeBLANC: Any further followup?

16 Mr. Hollies, would you need some time for redirect  
17 here?

18 MR. HOLLIES: I think that's a safe statement.

19 COMMISSIONER LeBLANC: How much do you need? What  
20 are we talking about?

21 MR. HOLLIES: How about 10 minutes?

22 COMMISSIONER LeBLANC: Well, I tell you what.  
23 We'll go ahead and take that afternoon break, and let's call  
24 it three o'clock by the timing of the clock on the wall.  
25 We'll come back in 15 minutes then.

1 [Recess.]

2 CHAIRMAN LeBLANC: Mr. Reporter, we will go back  
3 on the record.

4 Mr. Hollies, do you have any redirect?

5 MR. HOLLIES: The Postal Service does not have any  
6 redirect for Witness Garvey

7 CHAIRMAN LeBLANC: Well, then there can't be any  
8 follow-up cross or anything else. Okay. Thank you very  
9 much.

10 Mr. Garvey, we want to thank you. The Commission  
11 appreciates your appearance here today and your contribution  
12 to our record, and I look forward to hearing from you during  
13 the next phase of the case. Thank you very much. You are  
14 dismissed for the day.

15 [Witness excused]

16 CHAIRMAN LeBLANC: Now, we will pick up, before we  
17 get on to Mr. Plunkett, let's pick up with the procedural  
18 matters that were not available this morning. I believe the  
19 Postal Service has straightened everything out.

20 Mr. Reiter, do you have the corrected copies of  
21 the testimony, designations and so forth?

22 MR. REITER: Yes, I do.

23 CHAIRMAN LeBLANC: Why don't we start with Mr.  
24 Paul G. Seckar. I think I said his name right. If I didn't  
25 -- Seckar.

1 MR. REITER: I have two copies of the direct  
2 ~~testimony~~ <sup>testify</sup> of Paul G. Seckar on behalf of the United States  
3 Postal Service, labeled USPS-T-2.

4 CHAIRMAN LeBLANC: Do you have appropriate  
5 authority -- a statement of authority of authenticity? I  
6 can't say it.

7 MR. REITER: I have attached to the first copy a  
8 declaration from the witness stating that if he were to  
9 testify orally today, his testimony would be the same as  
10 written here. And I will note also that these copies  
11 contain the errata which were previously filed to his  
12 testimony.

13 CHAIRMAN LeBLANC: Okay. And that was also one  
14 that was added this morning or not? So we all be on the  
15 same sheet of music. But that is just -- nothing has  
16 changed?

17 MR. REITER: Yes.

18 CHAIRMAN LeBLANC: That's correct?

19 MR. REITER: They were -- the errata were  
20 previously filed.

21 CHAIRMAN LeBLANC: Correct. I just want to make  
22 sure.

23 MR. REITER: We just included them in these  
24 copies.

25 CHAIRMAN LeBLANC: Okay. Are there any objections

1 then? Mr. Hollies? Okay.

2 [No response.]

3 MR. REITER: We can carry them all at once if that  
4 is all right.

5 CHAIRMAN LeBLANC: Okay. So I will just go ahead  
6 and get this off. I'll say it, and then you can carry them  
7 at one time. So the testimony and exhibits of Witness  
8 Seckar are received into evidence. And keeping with the  
9 Commission practice, the Postal Service direct evidence will  
10 not be transcribed.

11 [Direct Testimony and Exhibits of  
12 Paul G. Seckar, USPS-T-2, was  
13 received in evidence.]

14 CHAIRMAN LeBLANC: Now, there have been designated  
15 written cross-examination for Witness Seckar, and you just  
16 said that that was taken care of, is that correct?

17 MR. REITER: Yes, it was.

18 CHAIRMAN LeBLANC: And you have received and  
19 reviewed all of the material, is that correct?

20 MR. REITER: Yes, we have.

21 CHAIRMAN LeBLANC: Okay. I just want to make sure  
22 we are on the same sheet of music then. So there are no  
23 objections to that either?

24 [No response.]

25 CHAIRMAN LeBLANC: Okay. I will allow the written

1 cross-examination designated by OCA at this particular time.  
2 Witness Seckar will be available to explain or elaborate on  
3 his answer during the next phase of this case. To the  
4 extent that these answers are not material to the market  
5 test proposal, the Commission will give them no weight in  
6 reaching its decision of the market test.

7 Now, Mr. Reiter can you -- excuse me. Just to  
8 make sure that everybody heard that. The written cross will  
9 be transcribed in the record.

10 Mr. Reiter, can you please provide two copies of  
11 that, as well as the others when we get to -- the corrected  
12 designated written cross-examination of Witness Seckar to  
13 the reporter, and I imagine you will do that at the  
14 appropriate time after this is finished, is that correct?

15 MR. REITER: Yes, I will.

16 CHAIRMAN LeBLANC: The answers are received into  
17 evidence and are to be transcribed into the record as we  
18 just talked about.

19 [Designation of Written  
20 Cross-Examination of Paul G.  
21 Seckar, USPS-T-2, was received in  
22 evidence and transcribed into the  
23 record.]

24  
25

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS PAUL G. SECKAR  
(USPS-T2)

Party

Office of the Consumer Advocate

Interrogatories

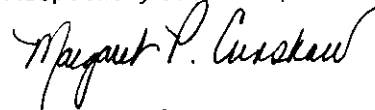
DBP/USPS-T2-1-2

MASA/USPS-T2-1-3, 3a, 3b, 4c, 5

OCA/USPS-T2-1-9

OCA/USPS-T5-4b, 4c, 4d, 4f redirected to T2

Respectfully submitted,



Margaret P. Crenshaw  
Secretary





**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T2-1**

- a. Confirm that the costs during 1999 for a single sheet of 8.5x11 inch paper inserted in a plain #10 envelope will be 5.935 cents plus postage [1.45 cents for the impression, .49 cents for the paper, 2.72 cents for the envelope, 1.22 cents for the insertion, and .055 cents for transportation].
- b. Confirm that for printing on both sides of a single sheet of paper, the cost will be the same as in subpart [a] plus 1.45 cents for the second impression.
- c. Fully explain any negative responses.
- d. Will these rates be utilized for the tests starting September 1, 1998?
- e. If not, provide the rates that will be utilized.

**RESPONSE:**

- a-b. Confirmed. These are the costs estimated in my testimony.
- c. Not applicable.
- d.-e. No. The fees proposed for the market test (which is now scheduled to begin on October 1, 1998) will be based upon a contract that should be concluded in the near future. See witness Plunkett's testimony (USPS-T-5).

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF DAVID B. POPKIN**

**DBP/USPS-T2-2**

Witness John Hamm in his testimony [page 1 – lines 15-17] states that the greater the number of impressions, the lower the cost per impression.

- a. Have your rates taken this into account?
- b. If so, provide details and specifics.
- c. If not, explain why not.

**RESPONSE:**

- a. Please note that I did not develop fees or rates in my testimony. Rather, I developed costs. However, my costs do account for economies of scale, which I believe is what you are referencing.
- b. If a person were to obtain one digital printer, needed personnel to operate the printer, a facility in which to place the printer, and the other elements associated with operating the printer, economies of scale are realized by spreading the costs over the maximum amount of volume possible for that printer. If the person were to produce only a few pages on that printer, the cost per page would be much higher, since there would be less volume over which to spread the costs. In my analysis, I have utilized each printer to its fullest possible capacity.
- c. Not applicable.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION  
INTERNATIONAL

**MASA/USPS-T2-1.** Confirm that a "batched" mailing, as described in your testimony at page 9, is one where a mailing by one customer is combined with a mailing or mailings by other customers of MOL. If confirmed, identify each process for which the mailings are so combined. If not confirmed, state what is meant by "batched" in your testimony.

**RESPONSE:**

Confirmed. Please see Witness Garvey's response to OCA/USPS-T1-17a.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION  
INTERNATIONAL

**MASA/USPS-T2-2.** How is it determined what mailings will be batched? Please address specifically the operational procedures that determine what mailings are batched, including over what time period a customer's mailing is held before it is sent to print shops at Step 5 in Diagram 1 of your testimony.

**RESPONSE:**

Please see Witness Garvey's response to OCA/USPS-T1-17, parts (a) and (g).

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION  
INTERNATIONAL**

**MASA/USPS-T2-3.** Confirm the following. In the event that you are unable to confirm, explain in detail why not.

a. A MOL mailing is not required to meet all the criteria for the rate at which it will be mailed and abased on which the customer will be charged postage.

b. You have not presented as part of your testimony any cost justification for the postage component of the total price charged a MOL customer.

c. In proposing the several postage options to be charged MOL customers, you have assumed that, as a result of the batching of different mailings by the contract printers, MOL mailings presented to the Post Office by the contract printers will generally meet the qualifications established in the DMM and the DMCS for the postage rates charged to the customer. If your answer is yes in whole or in part, describe in detail the studies, analyses or other bases you have for making this assumption.

**RESPONSE:**

- a. Please see Witness Garvey's response to Presiding Officer's Information Request No. 1, question 1.
- b. Confirmed.
- c. Redirected to witness Plunkett.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION  
INTERNATIONAL**

**MASA/USPS-T2-4 Confirm that:**

- a. for the so-called contractual printer components of MOL, a customer will be charged 125% of the price negotiated between the contractual printer and the Postal service,
- b. for the services rendered in connection with an MOL mailing, the contractual printer will be paid the contract price negotiated with the U.S. Postal Service, and the Postal Service will retain the markup of 25%.
- c. the costs estimated for the contractual printer services associated with MOL do not include a profit component for the printer.
- d. all other things being equal, the average price charged for contractual printer services can be expected to exceed the costs you have estimated, the increase to be realized by the printer on the services he renders.

If you are unable to confirm any of the foregoing, explain in detail the reason(s) you are unable to confirm.

**RESPONSE:**

- a. Redirected to witness Plunkett.
- b. Redirected to witness Plunkett.
- c. Confirmed to the extent that I have not included a specific "profit" component in my cost analysis. However, my analysis includes overhead costs that might be included in a printer's "profit."
- d. Confirmed only to the extent that profit is not included in the variety of costs presented in my cost analysis, and assuming that otherwise the printer's prices would match exactly the costs in my analysis. However, as discussed in my testimony, my costs are conservatively high in many respects. Thus, even if the printer's prices reflect a profit component that is not included in my cost analysis, I would not be surprised if those prices are lower than what my cost analysis would lead one to expect.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION  
INTERNATIONAL**

**MASA/USPS-T2-4 [sic, should be 5]** Explain the basis for your apparent assumption that the costs you have estimated for contractual printing services are an accurate predictor of the contractual prices to be negotiated by the Postal Service with contractual printers.

**RESPONSE:**

My cost analysis identifies and quantifies the types of costs that a printer would face in providing Mailing Online printing services to the Postal Service. My results are not in the same form as the printer prices sought by the Postal Service's contract solicitation (see USPS-LR-5/MC98-1); they are the best available estimates of costs the Postal Service will face in providing Mailing Online service. Witness Plunkett accordingly uses them to project revenues from Mailing Online service. See Exhibit USPS-5B.



**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-1.** Please refer to USPS-T-2, Exhibit A, Table 10.

- a. At lines (6), (20) and (30), please show the derivation of the "Rent per Square Foot" of \$6.
- b. At lines (6), (20) and (30), please explain the assumption of a constant "Rent per Square Foot" of \$6 during the period 1999 to 2003.
- c. At lines (10), (22) and (34), please identify the utilities that constitute the "Utilities Cost per Square Foot."
- d. At lines (10), (22) and (34), please show the derivation of the "Utilities Cost per Square Foot" of \$2.25.
- e. At lines (10), (22) and (34), please explain the assumption of a constant "Utilities Cost per Square Foot" of \$2.25 during the period 1999 to 2003.

**RESPONSE:**

- a. "Rent per Square Foot" is an estimate that was provided over the phone by the Postal Service's Facilities Group. I discussed the rent value and its accuracy with the Facilities Group such that I believe it is reasonable to use. For further reference, please see Docket No. R97-1, USPS-RT-19, p. 20, (Tr. 32/16986), in which witness Kaneer's Table 2b shows an average rental cost of \$5.70 for the middle quintile of postal facilities with post office boxes.
- b. The \$6.00 rent figure is an estimate that is assumed to apply for the entire period 1999 to 2003. Due to the potentially significant geographic variation of the contracted print sites and thus rent per square foot, no assumptions were made to project rent per square foot since the exact locations and thus, change in rent per square foot of the contracted print sites are currently unknown.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE

OCAT2-1, Page 2 of 2

- c. No breakdown of the utilities cost per square foot was provided by the Postal Service's Facilities Group.
- d. "Utilities Cost per Square Foot" is an estimate that was provided over the phone by the USPS Facilities Group. I discussed the utilities value and its accuracy with the Facilities Group such that I believe it is reasonable to use.
- e. The \$2.25 utilities cost is an estimate that is assumed to apply for the entire period 1999 to 2003. Due to the potentially significant geographic variation of the contracted print sites and thus utilities costs, no assumptions were made to project utilities cost per square foot since the exact locations and thus, change in utilities cost per square foot of the contracted print sites are currently unknown.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-2.** Please refer to USPS-T-2, Exhibit A, Table 10.

a. At lines (3) and (18), please confirm that the DocuTech 6180 and the DocuTech 4890 printers are assumed to require the same square footage. If you do not confirm, please explain.

b. Please explain the rationale for using the same square footage for two different printers.

**RESPONSE:**

a. Confirmed.

b. Since the DocuTech 4890 requires less square footage than the DocuTech 6180, the larger square footage requirements for the DocuTech 6180 were used for both machines to generate a conservative cost.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-3.** Please refer to USPS-T-2, Exhibit A, Table 9.

a. At line (5), for the years 2001, 2002 and 2003, please confirm that the number of DocuTech 6180 printers per site could be greater than 4.68, 6.56 and 7.64, assuming the number of commercial printing sites is less than 25. If you do not confirm, please explain.

b. At line (5), for the years 2001, 2002 and 2003, please confirm that the number of DocuTech 6180 printers per site could be greater than 4.68, 6.56 and 7.64, depending upon the actual demand for Mailing Online volume at a commercial printing site. If you do not confirm, please explain.

**RESPONSE:**

a. Confirmed, but only if one makes the unlikely assumption that the number of print sites can vary without also adjusting the volume projections.

b. Confirmed, but only if one makes the unlikely assumption that volume changes would occur while holding the number of print sites constant.

Please also note the conservatism of rounding the required number of DocuTech 6180s per site for each throughput level to the next highest integer value thus, accounting for volume fluctuations.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-4.** Please refer to USPS-T-2, Exhibit A, Table 12. At lines (11), (15), (27) and (29), please explain the term "click."

**RESPONSE:**

The term "click" is synonymous with the word "impression."

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-5. Please refer to USPS-LR-3, Tab C, page 10.**

- a. Please explain the phrase "High Vol FSMA; 2x6 coverage" for the DocuTech 6180.
- b. Please show the derivation of the amount \$4,595 for the DocuTech 6180.
- c. Please confirm that the amount, \$4,595, is the total annual maintenance cost for each DocuTech 6180. If you do not confirm, please explain.
- d. Please confirm that maintenance costs are \$0.0039 per impression where the number of impressions is 1,200,000 or fewer for each DocuTech 6180. If you do not confirm, please explain.
- e. Please confirm that maintenance costs are \$0.0019 per impression for all impressions greater than 1,200,000 for each DocuTech 6180. If you do not confirm, please explain.
- f. Please confirm that maintenance costs for exactly 1,200,000 impressions would be \$4,680. If you do not confirm, please explain.

**RESPONSE:**

- a. The phrase "High Vol FSMA; 2x6 coverage" refers to the high volume full service maintenance plan which covers 2 shifts, 6 days per week.
- b. \$4,595 is the base monthly full service maintenance charge that includes 1,200,000 impressions.
- c. Not confirmed. \$4,595 is the DocuTech 6180 high volume base monthly maintenance charge that includes 1,200,000 impressions per month.
- d. Not confirmed. \$0.0039 is the charge per impression billed for all impressions over the 1,200,000 impressions included in the monthly high volume maintenance plan.
- e. Not confirmed. \$0.0019 is the per impression charge for the first 250,000 impressions on the Signature Booklet Maker. See my response to part (d).

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

OCA-T2-5, Page 2 of 2

- f. Not confirmed. The maintenance costs for 1,200,000 impressions on this maintenance plan would be \$4,595 for the DocuTech 6180.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-6. Please refer to USPS-LR-3, Tab C, page 11.**

- a. Please show the derivation of the amount \$5,170 for the DocuTech 4890.
- b. Please confirm that the amount, \$5,170, is the total annual maintenance cost for each DocuTech 4890. If you do not confirm, please explain.
- c. Please confirm that maintenance costs are \$0.0035 per impression where the number of impressions is 1,100,001 or more for each DocuTech 4890. If you do not confirm, please explain.
- d. Please explain the phrase "(1,100,000 cpm included)."

**RESPONSE:**

- a. The \$5,170 figure is the base monthly charge for the DocuTech 4890 high volume full service maintenance plan. This charge includes 1,100,000 impressions per month.
- b. Not confirmed. \$5,170 is the base monthly maintenance charge for each DocuTech 4890 and includes 1,100,000 impressions per month.
- c. Confirmed for each impression after the first 1,100,000.
- d. "Cpm" refers to copies (synonymous with impressions) per month. The phrase "(1,000,000 cpm included)" means that 1,100,000 impressions are included in the base monthly maintenance charge for the DocuTech 4890.



**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-7. Please refer to USPS-T-2, Exhibit A, Table 12.**

- a. For 1999, please confirm that the average number of impressions for each DocuTech 6180, 8.5x11 and 8.5x14, is 30,461,782  $((822,051,312+91,802,156)/30)$ . If you do not confirm, please explain.
- b. For 1999, please confirm that the average number of impressions for each DocuTech 6180, 8.5x17, is 12,827,293  $(256,545,865/20)$ . If you do not confirm, please explain.
- c. For 1999, please confirm that the average number of impressions for each DocuTech 4890, 8.5x11 and 8.5x14, is 13,915,040  $((658,588,659+176,313,759)/60)$ . If you do not confirm, please explain.
- d. Please confirm that maintenance costs for a DocuTech 6180 printing 12,827,293 impressions would be \$29,051.86  $(\$0.0039(1,200,000)+\$0.0019(12,827,293-1,200,000))$ . If you do not confirm, please explain.
- e. Please confirm that maintenance costs for a DocuTech 4890 printing 13,915,040 impressions would be \$50,022.64  $(\$5,170+\$0.0035(13,915,040-1,100,000))$ . If you do not confirm, please explain.

**RESPONSE:**

- a. This annual figure is confirmed.
- b. This annual figure is confirmed, under the assumption that you mean 11x17 instead of 8.5x17.
- c. This annual figure is confirmed.
- d. Not confirmed. The maintenance cost for a DocuTech 6180 printing 12,827,203 impressions per year would be \$55,140 per year, or \$4,595 per month, assuming there are fewer than 1,200,000 impressions each month.
- e. Not confirmed. The maintenance cost for a DocuTech 4890 printing 13,915,040 impressions per year would be \$64,548 per year, or \$5,379 per month, assuming these impressions are divided evenly each month.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-8.** Please refer to USPS-LR-3, Tab D, pages 15 and 16, and USPS-T-2, Exhibit A, Table 11.

a. Tab D contains two tables showing, among other things, the job titles for 18 different employees in the printing industry. Please identify the job title(s) associated with the \$13.26 "Hourly Wage Rate" on lines (4) and (17) of Table 11, Exhibit A.

b. Please show the derivation of the \$13.26 "Hourly Wage Rate" on lines (4) and (17) of Table 11, Exhibit A.

**RESPONSE:**

a. The job title "Digital Copier Operator" is associated with the \$13.26 hourly wage rate.

b. The wage rate was taken from the National Association of Quick Printers 1997/98 Wage and Salary Study, using the small market's highest wage in the "majority range", to avoid understating costs. Please see LR-3, Tab D. Since the wage rate is from 1997, it has been appropriately inflated in each year. See Exhibit A, Table 11, lines 11 and 24.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-9.** Please refer to USPS-LR-3, Tab D, pages 15 and 16, and USPS-T-2, Exhibit A, Table 11.

a. Tab D contains two tables showing, among other things, the job titles for 18 different employees in the printing industry. Please identify the job title(s) associated with the \$14.59 "Hourly Wage Rate" on lines (63) and (76) of Table 11, Exhibit A.

b. Please show the derivation of the \$14.59 "Hourly Wage Rate" on lines (63) and (76) of Table 11, Exhibit A.

**RESPONSE:**

a. The job title "Copier Department Supervisor" is associated with the \$14.59 hourly wage rate.

b. Please see USPS-LR-3, Tab D. The wage rate was taken from the National Association of Quick Printers 1997/98 Wage and Salary Study, using the major market's highest wage in the "majority range", to avoid understating costs. Please see LR-3, Tab D. Since the wage rate is from 1997, it has been appropriately inflated in each year. See Exhibit A, Table 11, lines 70 and 83.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS PLUNKETT

OCA/USPS-T5-4.

.....

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.

.....

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.

**RESPONSE:**

- b. Please see USPS-T-2, Exhibit A, Table 14, row (29), as revised July 23, 1998. It is likely that a portion of these costs will be incurred during FY98 and the remainder will be incurred during 1999. The exact proportion that will be incurred in each year is unknown. These costs represent total possible expenditures for continuing development of the Mailing Online system as well as the printing costs incurred during the operations test.
- c. Confirmed if you are referring to the time period of FY98. However, as stated in my response to part (b), the exact proportion of costs that will be incurred during FY98 is unknown. Therefore, these costs have been included in the incremental cost estimate for 1999. If the exact amount of

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS PLUNKETT

OCA T5-4, Page 2 of 2

costs that will be incurred during FY98 were known, then that exact amount would be subtracted from my incremental cost estimate for 1999.

The 1999 incremental costs presented in part (f) thus are really incremental costs for the period 1998 to 1999; almost all of the costs are for 1999, however.

- d. Please see part (c). My testimony does not estimate the incremental cost of Mailing Online for FY98 due to the reasons stated above.
- f. The incremental cost of Mailing Online for 1999 is estimated to be \$65,671,073; and for the year 2000, \$114,409,320. For the basis and detailed breakdown of the estimates, please refer to my testimony, USPS-T-2, Exhibit A, and the attached worksheet.

Attachment to Response to OCA/USPS-T5-4(f)

Incremental Cost Estimate

	Notes	1999	2000
<i>Impression Costs</i>			
(1) B&W, 8.5x11 & 8.5x14	See Table 1, row (8)	\$13,281,327	\$22,764,486
(2) B&W, 11x17	See Table 1, row (16)	\$6,427,276	\$11,061,611
(3) Spot Color, 8.5x11 & 8.5x14	See Table 1, row (24)	\$20,771,937	\$35,865,530
(4) <b>Total Impression Costs</b>	Sum of (1) through (3)	<b>\$40,480,540</b>	<b>\$69,691,626</b>
<i>Insertor Costs</i>			
(5) Letter-Sized	See Table 2, row (5)	\$3,062,222	\$5,297,161
(6) Flat-Sized	See Table 2, row (10)	\$5,531,028	\$9,585,516
(7) <b>Total Insertor Costs</b>	Sum of (5) and (6)	<b>\$8,593,250</b>	<b>\$14,882,676</b>
<i>Transportation Costs</i>			
(8) First-Class Letters	Table 3, row (140) * row (92)	\$42,594	\$73,423
(10) Standard Letters	Table 3, row (142) * row (94)	\$207,925	\$358,421
(11) First-Class Flats	Table 3, row (141) * row (93)	\$11,717	\$20,198
(12) Standard Flats	Table 3, row (143) * row (95)	\$496,104	\$855,185
(13) <b>Total Transportation Costs</b>	Sum of (8) through (12)	<b>\$758,340</b>	<b>\$1,307,227</b>
<i>Paper Costs</i>			
(14) 8.5x11	Table 4, ((45) + (71)) * 8.5x11 unit paper cost. See Table 16.	\$4,762,993	\$8,578,708
(15) 8.5x14	Table 4, ((49) + (75)) * 8.5x14 unit paper cost. See Table 16.	\$580,568	\$1,045,672
(16) 11x17	Table 4, ((53) + (79)) * 11x17 unit paper cost. See Table 16.	\$1,552,851	\$2,796,866
(17) <b>Total Paper Costs</b>	Sum of (14) through (16)	<b>\$6,896,412</b>	<b>\$12,421,246</b>
<i>Envelope Costs</i>			
(18) Letter-Sized	Table 3, ((92) + (94)) * #10 unit envelope cost w/o window, w/ logo. See Table 16.	\$6,820,530	\$12,284,574
(19) Flat-Sized	Table 3, ((93) + (95)) * flat unit envelope cost w/o window, w/o logo. See Table 16.	\$2,122,000	\$3,821,971
(20) <b>Total Envelope Costs</b>	Sum of (18) and (19)	<b>\$8,942,530</b>	<b>\$16,106,544</b>
(21) <b>Total Incremental Cost Estimate</b>	Sum of (4), (7), (13), (17), and (20)	<b>\$65,671,073</b>	<b>\$114,409,320</b>

1 CHAIRMAN LeBLANC: Now, Mr. Reiter, do you have  
2 corrected copies of the testimony of Postal Service Witness  
3 Beth B. Rothschild and appropriate statement of  
4 authenticity?

5 MR. REITER: Yes, I do.

6 CHAIRMAN LeBLANC: And you will also provide these  
7 to the reporter?

8 MR. REITER: Yes, I will.

9 CHAIRMAN LeBLANC: Are there any objections?

10 [No response.]

11 CHAIRMAN LeBLANC: The testimony and exhibits of  
12 Witness Rothschild are received into evidence, and keeping  
13 with our practice again, the Postal Service direct evidence  
14 will not be transcribed.

15 [Direct Testimony and Exhibits of  
16 Beth B. Rothschild were received  
17 into evidence.]

18 CHAIRMAN LeBLANC: There is also written  
19 cross-examination for written -- I mean for Witness  
20 Rothschild. I can't talk. Has that been taken care of, Mr.  
21 Reiter?

22 MR. REITER: Yes, it has.

23 CHAIRMAN LeBLANC: Okay. And that will also be  
24 part of the packet?

25 MR. REITER: Yes, it will.

1           CHAIRMAN LeBLANC: Thank you. And you will  
2 provide two copies of the designated written  
3 cross-examination to the reporter?

4           MR. REITER: Yes, I will.

5           CHAIRMAN LeBLANC: The answers are received into  
6 evidence and are to be transcribed into the record when  
7 appropriate, Mr. Reporter.

8                               [Designation of Written  
9                               Cross-Examination of Beth B.  
10                              Rothschild was received into  
11                              evidence and transcribed into the  
12                              record.]

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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS BETH B. ROTHSCHILD  
(USPS-T4)

Party

Office of the Consumer Advocate

Interrogatories

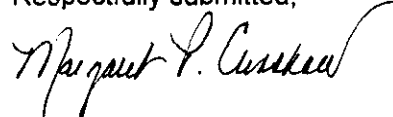
DBP/USPS-T4-1

MASA/USPS-T4-1-4

MASA/USPS-T5-9 redirected to T4

OCA/USPS-T4-1-32, 34-35

Respectfully submitted,



Margaret P. Crenshaw  
Secretary



Interrogatory:

OCA/USPS-T4-21  
OCA/USPS-T4-22  
OCA/USPS-T4-23  
OCA/USPS-T4-24  
OCA/USPS-T4-25  
OCA/USPS-T4-26  
OCA/USPS-T4-27  
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OCA/USPS-T4-30  
OCA/USPS-T4-31  
OCA/USPS-T4-32  
OCA/USPS-T4-34  
OCA/USPS-T4-35

**Designating Parties:**

[illegible]

**Response of Postal Service Witness Rothschild  
to Interrogatories of David B. Popkin**

**DBP/USPS-T4-1:** You indicate that a number of focus groups discussed the proposal prior to the filing. Did the focus groups discuss any of the following [If yes but not adopted, what was the reason for not adopting the idea?]:

[a] The ability to have the mail enter the system on the same day as it is put on the website.

[b] The concept of regional pricing.

[c] The ability to utilize post cards.

[d] The ability to utilize a return address.

[e] The ability to utilize the various address correction services.

**RESPONSE:**

[a] No.

[b] No.

[c] No.

[d] Yes. National Analysts was not involved in the selection of options adopted in the final service concept. We do not know the reasons for adopting or not adopting particular options.

[e] Yes. National Analysts was not involved in the selection of options adopted in the final service concept. We do not know the reasons for adopting or not adopting particular options.

**Response of Postal Service Witness Rothschild  
To MASA Interrogatories**

MASA/USPS-T4-1. Reconcile your statement at page 3 of LR-2 that "[t]he focus groups were configured to represent the full range of potential end users," with your statement at page 2 of LR-2 that one of the qualifications for inclusion in the focus groups was that the organization "distribute less than 5,000 copies of the application at one time."

**RESPONSE:**

Within the universe of companies that meet the qualifying criteria (i.e., (1) produced one or more of the five high priority applications; (2) used desktop publishing systems for the layout and design, word processing, etc. associated with the application; (3) produced at least some of the application with a run size less than or equal to 5,000 pieces; (4) produced at least some of the application in non-glossy, non-four-color formats; and (5) performed the design or layout functions for the application in-house), we attempted to obtain full representation of industry and company sizes. Also, refer to our answer to interrogatory OCA/USPS-T4-5.

**Response of Postal Service Witness Rothschild  
To MASA Interrogatories**

MASA/USPS-T4-2. Confirm that potential end users of MOL include organizations that mail 5,000 or more copies of an application at one time.

**RESPONSE:**

I cannot confirm whether or not potential end users of MOL include organizations that mail 5,000 or more copies of an application at one time because organizations with newsletter or advertising applications were terminated if, as indicated in the screening form, the "typical size of their production run for distribution at a single point in time" was greater than 5,000 pieces. Organizations with invoices, forms, or announcements were terminated, according to the screening form, if more than 5,000 "individual pieces were typically distributed at one time."

**Response of Postal Service Witness Rothschild  
To MASA Interrogatories**

MASA/USPS-T4-3. Describe each of the "existing hybrid mail products" referred to at page 3 of LR-2.

**RESPONSE:**

The existing hybrid mail products include bulk hybrid mailers that target correspondence and transaction mail sent in large quantities, typically to household recipients (e.g., bills and statements, confirmations) and e-mail providers who offer hard-copy delivery of messages generated by e-mail users. The latter primarily carries individual or low volume correspondence messages which have low physical output quality requirements.

**Response of Postal Service Witness Rothschild  
To MASA Interrogatories**

MASA/USPS-T4-4. Describe in detail the basis for the following statement at page 33 of LR-2:

*[I]n Year 1, 38% of the total volume of the basic NetPost service at the 25% contribution margin is likely to be incremental pieces to the Postal Service.*

- a. Confirm that by "incremental pieces to the Postal Service," you mean pieces that would not otherwise be mailed in the absence of MOL. If you cannot confirm, explain the reason(s) you cannot confirm.
- b. When you use the term "basic NetPost," are you referring to the "basic" as opposed to the "enhanced" service as defined in LR-2? If so, what percentage of volume projected for the enhanced service is likely in your view to represent incremental volume? State in detail the basis for your response.

**RESPONSE:**

- a. Confirmed.
- b. Yes, basic NetPost refers to the basic service as opposed to the enhanced service.

The percentage of incremental volume for the enhanced product is also 38%.

During the interview, respondents were asked to indicate how many of their existing pieces would be sent via NetPost and how many new pieces would be generated (Basic = Q.4a/b and enhanced = Q.11a/b). For all existing pieces, further delineation of those pieces that would be new to the Postal Service was obtained in a follow-up question (Basic = Q.5 & Enhanced = Q.12). The percentage of incremental pieces for the enhanced service was determined by adding Q.11b + Q.12g,h,i together and dividing that number by the total number of enhanced NetPost pieces estimated from the survey. The percentage of incremental pieces for the basic service was determined by adding Q.4b + Q.5g,h,i together and



**Response of Postal Service Witness Rothschild  
To MASA Interrogatories**

dividing that number by the total number of basic NetPost pieces estimated from the survey.

**Response of Postal Service Witness Rothschild  
to MASA Interrogatories**

MASA/USPS-T5-9. At various places in your testimony you state that 62% of the projected MOL mail "would have been prepared and entered as mail notwithstanding the availability of Mailing Online" (p.9), and that 38 percent of Mailing Online pieces would not have been mailed in the absence of the service" (p.7), in each case citing LR-2 at 38. Describe in detail how these percentages were derived. Confirm that they are not found at the cited page in LR-2, and that the proper reference is page 33 of LR-2.

**RESPONSE:**

Confirmed. How the percentages were derived can be found in the answer to interrogatory MASA/USPS-T4-4.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-1. Please refer to page 4 of your testimony where you discuss the focus groups held during December, 1995 and January, 1996.

- a. Were transcripts made of the focus group tapes? If so, please provide a transcript from one of the twelve focus groups. If not, please explain in detail how the data was analyzed?
- b. Please explain how the focus group data was coded and provide the coded data.

**RESPONSE:**

- a. No transcripts were made from the focus group tapes. Analysts listened to the tape recordings of all sessions and outlined salient points and observations from which conclusions were drawn and reported upon.
- b. No coding was done; rather, analysts noted key themes and points of view expressed by participants as described in point [a] above.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-2. Please refer to page 4 of your testimony where you list four characteristics for which mailing online was deemed most appropriate and five applications determined to best meet the criteria.

- a. Please provide a crosswalk between the four characteristics and the specific topics listed in Attachment B, Qualitative Discussion Guide.
- b. Please provide a crosswalk between the five applications and the specific topics listed in Attachment B, Qualitative Discussion Guide.

**RESPONSE:**

a. - b. Based upon analysis of the discussion of all of the topics listed in Attachment B Qualitative Discussion Guide, the project team, of which I am the head, determined qualitatively which types of focus group participants were interested in NetPost, the reasons for their interest, and the types and characteristics of the applications they produced. From this analysis, we derived the conclusions regarding the five applications and four characteristics stated on pages 3 and 4 of the library reference. Because the analysis was qualitative, no determinative "crosswalk" exists.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-3. Were the prices you assumed in the NetPost survey focus groups using 25% and 50% contribution margins for the piece printing and production costs the same prices which are detailed in the testimony of witnesses Seckar and Plunkett in this case? If not, please provide a table of all the prices you assumed in the focus group conversations.

**RESPONSE:**

No prices were presented during the focus groups. Participants were asked willingness-to-pay questions, including what they considered appropriate prices to be. I have no knowledge of the prices detailed in the testimony of witnesses Seckar and Plunkett.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-4. Did either the quantitative phase or the qualitative phase of the NetPost research involve a discussion or consideration of printing on card stock (folded or unfolded) for such documents as invitations or greeting cards? If so, what was the level of customer interest and your conclusions regarding this potential application of Mailing Online?

**RESPONSE:**

The NetPost research did not include a consideration of printing on card stock. Hence, the level of customer interest for this potential application is not available.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-5. Please refer to the NetPost research report, Library Reference-LR-2 at page 3 where it states, "The focus groups were configured to represent the full range of potential end-users and intermediaries...." If the NetPost study did not consider customers who might send invitations or greeting cards on card stock, how did you reach this conclusion?

**RESPONSE:**

Within the universe of applications deemed appropriate for the focus groups, we attempted to insure a mix of industry groups and company sizes that produce these applications. *No attempt was made to include producers of other applications such as invitations or greeting cards.*

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-6. Please define "quick delivery" as used in the Library Reference LR-2 at the top of page 4.

**RESPONSE:**

"Quick delivery" is the terminology used by focus group participants; no quantitative definition was provided.



**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-7. Please refer to the statement in LR-2 at page 4 concerning the universe of establishments and producers that "generate at least some NetPost-appropriate pieces...." Was there a minimum number of pieces that needed to be produced in order to qualify for "some" in the universe you defined? If so, what was the minimum?

**RESPONSE:**

No minimum number was required. One or more pieces qualified.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-8. 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 2 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.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-9. Please refer to LR-2 at page 5 and explain the basis for selecting the employee size strata as you did with groups of 1-9 & unknown, 10-99 and 100+.

**RESPONSE:**

These are commonly used employee size classifications when researching business customers.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-10. Please provide the underlying quantitative analysis supporting the conclusions in the paragraph in LR-2 at page 6 relating to the decision to break down the employee size and industry grouping that (1) an industry related to the types and time sensitivity of documents produced, and (2) the organization's size related to comfort with technology and resources to assist in document production and distribution.

**RESPONSE:**

There is no quantitative support; rather, it was noted when analyzing the focus group proceedings that participants in certain industries produced certain applications with more frequency than others, and that participants from small organizations expressed different attitudes toward technology and had more constrained resources than participants from large organizations.

**Response of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-11. Please explain what is meant by the term "readable base" at the top of page 7 of LR-2.

**RESPONSE:**

A "readable base" for large organizations across all SIC's means a large enough sample so that estimates based on it would have reasonably small standard errors. A rule of thumb is that a stratum must contain at least 50 interviews to yield reasonable results.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-12. Please refer to USPS-LR-2/MC98-1, page 4. The report states, that "a given level of statistical reliability could be achieved using a smaller sample in the survey."

- a. What did the Postal Service indicate was an acceptable level of statistical reliability?
- b. What level of statistical reliability was achieved given the smaller survey sample?
- c. What levels of statistical reliability were initially recommended by National Analysts, Inc?

**RESPONSE:**

a. - c. 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.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-13. USPS-LR-2/MC98-1, page 4, indicates that the survey was targeted towards document producers in the continental United States that generate at least some NetPost-appropriate pieces, not to all document producers in the United States.

- a. Please explain why all 50 states within the United States were not included in the survey?
- b. Please explain what impact not addressing all 50 states had on the statistical validity of the survey results.
- c. Please explain what impact limiting the survey to NetPost-appropriate pieces as opposed to addressing all document producers in all 50 states had on the statistical validity of the survey results.
- d. In preparing the survey, was an assumption made that none of the non-NetPost document producers would prepare to "migrate" their documents to NetPost-appropriate pieces?
- e. If your response to part 'd' of this interrogatory is affirmative, please explain the rationale for assuming that non-NetPost document producers would not prepare to "migrate" their document to NetPost-appropriate pieces.
- f. If your response to part 'd' of this interrogatory is negative, then please explain the rationale for limiting the survey to document producers of NetPost-appropriate pieces.

**RESPONSE:**

- 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. It is a common industry standard to confine business planning research to the continental U.S.
- b. - c. The statistical impact was not determined.
- d. Yes

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

- e. 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 the total volume.
- f. Not applicable.



**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-14. Please refer to USPS-LR-2/MC98-1, pages 6-7.

- a. In designing the survey sample, please explain why the estimated "appropriate universe size" (Table 2) used does not match the known D&B universe size (Table 1).
- b. Referring to part 'a' of this interrogatory, please explain what the statistical impact is upon survey results of changing the "known" D&B universe size to an "estimated" universe size.
- c. Who made the decision to change the estimated "appropriate universe size" from the known D&B universe size?
- d. At 6, "[t]he NetPost-appropriate universe size was estimated at the conclusion of data collection, based on the eligibility rates found during the screening process." Please explain the specifics of what analysis was performed to determine the estimated "appropriate universe size"?
- e. If any analysis was performed, and/or if any supporting documentation exists that relates to determining the "appropriate universe size," please cite the source and provide copies of all information not otherwise filed in this docket.
- f. If no supporting documentation or analysis was prepared to determine the estimated "appropriate universe size," please explain how the estimate was developed.

**RESPONSE:**

- a. - c. These questions cannot be answered because they proceed from an incorrect premise. Table 2 is Sample Allocation, not appropriate universe size.
- d. - f. The specifics of the analysis to determine the appropriate universe sizes are on page 21. The estimated sizes are shown on pages 22-23 of the library reference.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-15. Please refer to USPS-LR-2/MC98-1, page 7. "Quotas were also set for the number of respondents .... However, early field experience indicated that the incidence of companies that had NetPost-appropriate advertising mail, newsletters, and forms was so low that the number of screening interviews required to obtain 300 completed interviews for each would be prohibitive. Therefore, the quotas for interviews by application were revised ...."

- a. Please explain what impact the revised quota had on the statistical validity of the survey results when extrapolated out to the entire 50 states.
- b. If your response to part 'a' of this interrogatory is "insignificant" or can be interpreted as having a "similar" meaning, please explain why the sampling plan initially "called for 300 interviews to be completed for each of the five applications."

**RESPONSE:**

- a. - b. Because the goal of this research was to determine if there would be enough NetPost volume in total to warrant further development, it was not deemed time- or cost-effective to continue searching for respondents who turned out to produce such low incidence applications. The precise statistical impact on the survey results of having reduced sample sizes for these applications was not important to our purpose and is unknown.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-16. The following refers to USPS-LR-2/MC98-1, page 7. Please refer to the following statement, "large organizations were oversampled in order to obtain a readable base for them, even though their likelihood of sending NetPost volume was believed to be lower than other size groups."

- a. Please explain who made the determination to "oversample" large organizations?
- b. Please explain the purpose of obtaining a "readable base" given that the "likelihood of sending NetPost volume was believed to be lower than other size groups."
- c. What is the statistical impact on the validity of survey results as a consequence of over sampling a group that was expected to have lower NetPost volume?

**RESPONSE:**

- a. A staff sampling statistician, in collaboration with the remainder of the research team, of which I am the head, made the determination.
- b. We needed to confirm our hypothesis with a sample size that would produce reasonably stable results.
- c. The precise statistical impact on the survey results of oversampling was not important to our purpose and is unknown.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-17. Section F of USPS-LR-2/MC98-1, indicates that the questionnaire was provided to the survey participant via a computer diskette. Please provide a copy of that diskette and a copy of any additional information included with the diskette.

**RESPONSE:**

A computer diskette will be provided under separate cover. As noted in Appendix F – NetPost Service/Optional Worksheets – respondents who completed the computerized version of the questionnaire received a paper copy of the NetPost service description, an introductory letter, a quick reference sheet, and optional worksheets #1 and #2.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-18. Section F of USPS-LR-2/MC98-1, indicates that the survey participant received a \$35.00 honorarium if the questionnaire was fully completed and returned within two weeks from its receipt.

- a. Why was an honorarium offered?
- b. Who determined the amount of the honorarium?
- c. What impact does offering a cash honorarium have on the statistical validity of the survey?
- d. If your response to part 'c' of this interrogatory is 'none' or can be interpreted similarly, please explain why someone filling out a questionnaire wouldn't quickly provide just "any" response to each question and return the form for the cash honorarium. Include in your response a description of how the survey results were adjusted to address the possibility of "random" answers.
- e. Who determined whether or not a returned questionnaire was satisfactorily completed and met the return criteria and thus "earned" the honorarium?
- f. How many of the returned questionnaires were not eligible for the honorarium?
- g. Please refer to part 'f' of this interrogatory. Provide a table indicating the number of and the reason(s) for a returned questionnaire being declared ineligible for the honorarium.

**RESPONSE:**

- a. - d. It is common industry practice when conducting commercial and public sector research to offer an honorarium to respondents. Such honoraria typically improve response rates and encourage participants to take their survey task seriously. The actual impact of the honorarium on the statistical validity of this study cannot be determined. The project team, of which I am the head, determined the amount of the honorarium based on past experience, industry standards, and budgetary constraints.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

- e. The project team, of which I am the head, determined whether or not a returned questionnaire was eligible.
- f. 120.
- g. The only reason why someone did not receive the honorarium was if the questionnaire was not completed in its entirety. For establishing completeness, all questions except Q.16 had to be answered.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-19. The following interrogatories refer to section E of USPS-LR-2/MC98-1.

- a. A review of the questionnaire indicates that, in order to complete the survey, a participant may have had to perform mathematical calculations. Please explain what steps were taken to verify the results of mathematical calculations on returned surveys.
- b. This question refers part 'a' of this interrogatory. If mathematical calculations were not confirmed, please explain why not? Include in your response, the statistical impact each incorrect mathematical computation would have upon the accuracy of the survey results.

**RESPONSE:**

- a. - b. In those instances where respondents returned paper worksheets, all calculations were reviewed and corrected as necessary. In those instances where an electronic version was completed, respondents were asked by the computer program to check their responses resulting from mathematical calculations and if they exceeded the maximum amount allowable in the computer program, they were asked to recheck and verify their figures.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-20. The following interrogatory refers to section E of USPS-LR-2/MC98-1. In reviewing a copy of Version 5 of the January 1997, questionnaire that was distributed to survey participants, it appears that a number of "branching decisions" needed to be made by a respondent. For example see the following comment from page 5, "IF YOU CHECKED Q.3C, SKIP TO THE ENHANCED NETPOST SERVICE ON PAGE 11." Please explain what methods of 'error' checking were performed to ensure that the respondents understood and properly completed the "branching decision" questions.

**RESPONSE:**

For the computerized questionnaire, respondents automatically skipped to the appropriate next question. If the respondent found he/she had made a mistake, he/she could go back to the previous screen to correct his/her answer. The procedures for error checking the paper questionnaire are described on pages 18 and 19 of the library reference.



**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-21. Please refer to USPS-LR-2/MC98-1, page 34. Please provide a breakdown of Total, First-Class, and Standard volumes in Table 15 by Application. (See page 28, Table 10 for the five Application types.)

RESPONSE:

**Basic NetPost Service and 25% Contribution Margin**  
**Rate Schedule Volume Estimate (000's)**

**Adjusted Volume Estimate  
Year 1**

	Total	Newsletters	Direct Mail	Invoices	Forms	Announcements
Total Volume	295,665	14,931	45,710	13,867	84,678	136,479
Next-Day Volume	91,745	1,097	905	691	36,200	52,858
Standard Volume	203,920	13,834	44,805	13,176	48,478	83,621

**Adjusted Volume Estimate  
Year 2**

	Total	Newsletters	Direct Mail	Invoices	Forms	Announcements
Total Volume	516,015	26,059	79,776	24,201	147,787	238,192
Next-Day Volume	160,119	1,915	1,580	1,205	63,179	92,252
Standard Volume	355,895	24,143	78,196	22,996	84,608	145,941

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

**Adjusted Volume Estimate  
Year 3**

	Total	Newsletters	Direct Mail	Invoices	Forms	Announcements
Total Volume	804,531	40,629	124,380	37,732	230,418	371,371
Next-Day Volume	249,646	2,986	2,463	1,879	98,504	143,832
Standard Volume	554,885	37,643	121,918	35,853	131,914	227,539

**Adjusted Volume Estimate  
Year 4**

	Total	Newsletters	Direct Mail	Invoices	Forms	Announcements
Total Volume	1,127,826	56,955	174,362	52,895	323,009	520,604
Next-Day Volume	349,964	4,186	3,452	2,634	138,086	201,630
Standard Volume	777,862	52,769	170,910	50,261	184,923	318,974

**Adjusted Volume Estimate  
Year 5**

	Total	Newsletters	Direct Mail	Invoices	Forms	Announcements
Total Volume	1,317,404	66,529	203,671	61,786	377,304	608,113
Next-Day Volume	408,790	4,890	4,033	3,077	161,298	235,522
Standard Volume	908,613	61,639	199,638	58,709	216,007	372,591

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-22. Did any of your market research collect data that could be used to estimate frequency of transmissions by Mailing Online customers? If not, why not? If so, please provide such estimates, broken down by class of mail and application type if possible.

RESPONSE:

No. It was not part of our contractual responsibilities.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-23. Did any of your market research collect data that could be used to estimate current frequency of mailing by respondents? (See, e.g., USPS-LR-2/MC98-1, Tab E, page 2.) If not, why not? If so, please provide such estimates, broken down by class of mail and application type if possible.

**RESPONSE:**

No. It was not part of our contractual responsibilities.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-24. Please refer to Table 5 of USPS-LR-2/MC98-1, page 13.

- a. Please explain how the percentages shown in the column labeled "Produce Application" were developed.
- b. Refer to part 'a' of this interrogatory. Please provide copies of all analyses that were performed to develop the "Produce Application" percentages. Cite all sources and provide copies of all documents not previously filed in this docket.

**RESPONSE:**

- a. The percentages are calculated based on Q.S2 of the Screening Form. If a respondent answered "yes", they are considered eligible (i.e., they produce the application). Non-eligibles are those that answered "no" to Q.S2 of the Screening Form. The percentage shown in the column labeled "Produce Application" equals Eligibles divided by (Eligibles + Non-eligibles).
- b. The analysis can be found in each of the five SAS programs submitted in Section K of the Appendix – Raking Program Specifications. The code for newsletters is in NEWS.SAS and begins with the comment /\* NEWSLETTER ELIGIBILITY \*/. The code for direct mail advertising is in DIRECT.SAS and begins with the comment /\* DIRECT MAIL, AD FLYERS - ELIGIBILITY \*/. The code for invoices is in INVOICES.SAS and begins with the comment /\* INVOICE ELIGIBILITY \*/. The code for forms is in FORM.SAS and begins with the comment /\* FORMS ELIGIBILITY \*/. The code for announcements is in ANNOUN.SAS and begins with the comment /\* ANNOUNCEMENTS ELIGIBILITY \*/.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-25. Please refer to USPS-LR-2/MC98-1, page 13. The following statement appears. "If an organization produced multiple applications, they were randomly assigned to one [application] using an algorithm which assigned respondents to low incidence applications with a greater probability than by chance alone."

- a. How many organizations produced multiple applications?
- b. Was any analysis performed on the types of organizations that had multiple applications? If so, please provide copies of all analyses. If not, why not.

**RESPONSE:**

- a. 736.
- b. No. It was not part of our contractual responsibilities.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-26. Please refer to USPS-LR-2/MC98-1, page 14, and the probabilities of selection assigned to each of the five applications for advertising (.33), invoices (0), forms (.19), newsletters (.22) and announcements (.26).

- a. Who defined the probabilities of selection for each of the five applications?
- b. Was any analysis performed to determine the appropriate probabilities assigned to each of the five applications? If so, please provide copies of all such analyses. If not, why not.

**RESPONSE:**

- a. The probability of selection for each of the five applications was determined by a staff sampling statistician.
- b. In the course of doing this research, an initial set of probabilities of selection for the applications was determined based upon the project team's best estimates of the incidence of each application and our desire to sample locations that produced only one type of application as well as combinations of those applications. The initial probabilities of selection were:

Advertising	Invoices	Newsletters	Forms	Announcements
.05	.05	.15	.25	.5

Based upon the incidence results observed during the screening process and the number of applications for which interviews were being obtained, the initial probabilities were adjusted to those presented on page 14 of the library reference. The adjustments were necessary so that we could concentrate our efforts on selecting lower incidence (i.e., harder to find) applications.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-27. Please refer to Table 6 of USPS-LR-2/MC98-1, page 16. The response rate to the USPS questionnaire is low.

- a. In your experience, is the response rate (39.6%) for returning the USPS computerized questionnaires a goal to aspire to? If not, what is the "normal" targeted response rate for a computerized questionnaire?
- b. In your experience, is the response rate (24.7%) for returning the USPS hard copy questionnaires a goal to aspire to? If not, what is the "normal" targeted response rate for hard copy questionnaire?
- c. Was any analysis performed to determine why the hard copy questionnaire response rate was lower than the computerized response rate? If so, please provide copies of all analyses performed. If not, why not.
- d. Was any analysis performed to determine why the overall USPS questionnaire response rate was only 36.1%. If so, please provide copies of all analyses performed. If not, why not.
- e. Since only 36.1% of the total questionnaires sent out were returned, please explain how realistic the survey results are.
- f. In your opinion, did the \$35.00 honorarium improve the survey response rate?

**RESPONSE:**

- a. - b. This research was initially undertaken for business planning purposes, not for submission to the Commission. In this context, the response rates achieved are not low and are, in fact, quite customary for research of this type.
- c. No. It was not part of our contractual responsibilities.
- d. No. It was not part of our contractual responsibilities.
- e. See answer to a.
- f. I don't know.



**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-28. The following interrogatory refers to USPS-LR-2/MC98-1, page 38, where the following statements appear: "[B]ootstrapping' is the customary, and preferred technique to use.... The computer programming and run time required for bootstrapping are substantial. Therefore, it was decided that an approximation of the standard error estimates, which could be produced with minimal effort, would suffice."

- a. Who made the decision to approximate the standard error estimates?
- b. Was the decision to approximate the standard error estimates made prior to the commencement of the NetPost survey?
- c. Was the decision to approximate the standard error estimates made after the survey response rates were known?
- d. If the response to part 'b' and 'c' of this interrogatory is negative, please explain at what stage of the survey was the determination made to approximate the standard error estimates.
- e. Was the decision to approximate the standard error estimates using minimal effort a reflection of the Postal Service's opinion of the statistical viability of the survey results? If not, please explain.

**RESPONSE:**

- a. - e. Given that this research was conducted primarily for business planning purposes, a decision was made by the Postal Service and National Analysts to use the approximation method described in the library reference. It was made on the basis of the goals of the study and not based on the response rates, actual estimates, or the statistical viability of the survey results.

**Responses of Postal Service Witness Rothschild  
to OCA Interrogatories**

OCA/USPS-T4-29. The following interrogatory refers to USPS-LR-2/MC98-1, page 38-39, where the following statement appears: "To account for this disproportionate sampling, weights were assigned to each respondent in order to project the estimates to the correct eligible universe."

- a. Who developed the weights that were assigned to each respondent? '
- b. Please explain how the weights were assigned to each respondent, show the weight derivation, cite all sources and provide copies of all sources not previously filed in this docket.

**RESPONSE:**

- a. A staff sampling statistician developed them.
- b. A description of how the weights were assigned to each respondent appears on pages 20-30 of the library reference.

**Response of Postal Service Witness Rothschild  
To OCA Interrogatories**

OCA/USPS-T4-30. The following interrogatory refers to section I of USPS-LR-2/MC98-1. Record 2 of the "Control File" states, "Minimum weight cutoff (can be negative)." Please explain the rationale for having a negative minimum weight cutoff. Include in your explanation examples of instances where a negative minimum weight cutoff is appropriate.

**RESPONSE:**

*The documentation provides a general description of what our software allows. Despite the fact that the software permits a negative minimum weight cutoff, to the best of my knowledge, we have never conducted a study in which negative weights were used.*

**Response of Postal Service Witness Rothschild  
To OCA Interrogatories**

OCA/USPS-T4-31. Section E of USPS-LR-2/MC98-1 contains version 1 and version 3-5 of questionnaires dated January 1997.

- a. Please provide a copy of version 2 of the questionnaire dated January 1997.
- b. Please explain the purpose of the different versions of the questionnaire dated January 1997.
- c. There are 6 pages after page 19 of the "version 5" questionnaire. Two of the 6 are marked "3" on the bottom, 2 are marked "5" on the bottom, and 2 are unnumbered but are titled "NETPOST SERVICE." One page 5 has a note that appears to indicate it has the 25% contribution margin prices, the other page 5 appears to indicate it has the 50% contribution margin prices.
  - (1) Please confirm that the interpretation of "25%Cont." as 25 percent contribution margin is correct. If you are unable to confirm, please explain.
  - (2) Please confirm that the interpretation of "50%Cont." as 50 percent contribution margin is correct. If you are unable to confirm, please explain.
  - (3) Please explain the purpose of including the 2 seemingly identical page number 3s. If they are not identical, please identify the difference(s).
  - (4) Please explain the purpose of including the 2 seemingly identical unnumbered pages titled "NETPOST SERVICE." If they are not identical, please identify the difference.
- d. Page 5 of the version 5 questionnaire indicates that a separate "five-page brochure that describes NETPOST and its prices" was provided. Please provide a copy of that brochure.

**RESPONSE:**

- a. To my knowledge, Version 2 was included in the library reference. If it was not, Postal Service counsel will make it available.
- b. There are five versions of the questionnaire because each one corresponds to a different application (i.e., Version 1 = newsletters, Version 2 = direct mail advertising, Version 3= invoices, Version 4 = forms, and Version 5 =

**Response of Postal Service Witness Rothschild  
To OCA Interrogatories**

standardized announcements). The questions in each version are identical except that the application being queried differs.

c-1. Confirm.

c-2. Confirm.

c-3, c-4, d. The materials in the library reference with the title "The NetPost Service" correspond to the brochure. We provided two different versions of the five-page brochure that is described. The brochures are identical except for the prices contained on pages 4 and 5. One brochure presents a 25% contribution margin and the other presents a 50% contribution margin.

**Response of Postal Service Witness Rothschild  
To OCA Interrogatories**

OCA/USPS-T4-32. The following interrogatories refer to USPS-LR-2/MC98-1.

- a. Section J provides a hard copy printout of the SAS programs used in analyzing the survey data. Please provide an electronic copy of the source code for each SAS program used in analyzing the survey data.
- b. Please refer to part "a." above when responding to this interrogatory. Provide an electronic copy of the raw data file(s) used by each SAS program identified in Section J of USPS-LR-2/MC98-1.
- c. Section H provides a hard copy of the "Netpost Screening Summary Report (816)." Please provide an electronic copy of the source code used to generate that report as well as an electronic copy of the raw data file(s) used.

**RESPONSE:**

a. - c. Requested information will be provided by the Postal Service as a library reference.

RESPONSE OF POSTAL SERVICE WITNESS ROTHSCHILD  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-34. Please refer to USPS-LR-2/MC98-1, pages 30-37.

- a. USPS-LR-2, page 30 indicates that "[t]he weighted survey results for questions 4, 7, 8, 11, 14, and 15 provide raw estimates of NetPost volume under each price and product configuration scenario." Please provide a copy of the survey summary results for each of the 6 questions referenced.
- b. Please refer to Table 15, page 34. For each year and for each cell within Table 15, show the derivation of all calculated numbers. Give citations to page, column and row (if applicable) to source documents for all figures. Provide copies of all source documents not previously filed in this docket.
- c. Please refer to Table 16, page 35. For each year and for each cell within Table 16, show the derivation of all calculated numbers. Give citations to page, column and row (if applicable) to source documents for all figures. Provide copies of all source documents not previously filed in this docket.
- d. Please refer to Table 17, page 36. For each year and for each cell within Table 17, show the derivation of all calculated numbers. Give citations to page, column and row (if applicable) to source documents for all figures. Provide copies of all source documents not previously filed in this docket.
- e. Please refer to Table 18, page 37. For each year and for each cell within Table 18, show the derivation of all calculated numbers. Give citations to page, column and row (if applicable) to source documents for all figures. Provide copies of all source documents not previously filed in this docket.

RESPONSE: This information is being filed as Library Reference 12. (The information requested in part (a) is provided in the printed tables and the derivations requested in parts (b) through (e) are embedded in the spreadsheets provided on the diskette in the library reference.)

**RESPONSE OF POSTAL SERVICE WITNESS ROTHSCHILD  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T4-35. Please refer to Table 7, page 22. For each cell within Table 7, show the derivation of all calculated numbers. Give citations to page, column and row (if applicable) to source documents for all figures. Provide copies of all source documents not previously filed in this docket.

RESPONSE: Each cell in Table 7 is derived by multiplying the number in the corresponding SIC and Employee Size cell in Table 1 by the percentages in Table A below. Some of the numbers may not correspond exactly with the numbers in Table 7 due to rounding errors because the percentages below are shown with only four decimal places.

Table A

<u>Invoices &amp; Statements</u>				
<u>SIC Group</u>	<u>Employee Size Group</u>			<u>Total Establishments</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
1	21.7633%	45.0936%	4.3859%	25.5782%
2	19.7617%	23.8078%	0.0000%	20.2176%
3	49.0096%	20.5586%	11.7639%	43.6364%
4	32.6033%	30.0891%	12.7129%	32.0041%
<b>Total</b>	<b>28.2909%</b>	<b>30.8755%</b>	<b>7.2306%</b>	<b>28.3520%</b>
<u>Announcements &amp; Confirmations</u>				
<u>SIC Group</u>	<u>Employee Size Group</u>			<u>Total Establishments</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
1	10.4021%	8.4169%	33.4471%	10.6080%
2	11.4713%	10.2835%	5.9310%	11.2042%
3	25.4976%	41.0276%	66.8096%	28.8557%
4	16.3561%	25.7715%	34.4211%	17.8185%
<b>Total</b>	<b>14.6184%</b>	<b>18.0834%</b>	<b>32.0226%</b>	<b>15.4370%</b>



RESPONSE OF POSTAL SERVICE WITNESS ROTHSCHILD  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

<u>Advertising Mail</u>				
<u>SIC Group</u>	<u>Employee Size Group</u>			<u>Total Establishments</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
1	2.4254%	0.4567%	3.3762%	2.0908%
2	13.4107%	6.1893%	0.0000%	12.0252%
3	25.2252%	20.2073%	105.9904%	26.0472%
4	9.4400%	14.1244%	30.5032%	10.3349%
<b>Total</b>	<b>10.6428%</b>	<b>8.8229%</b>	<b>24.4181%</b>	<b>10.5828%</b>
<u>Newsletters</u>				
<u>SIC Group</u>	<u>Employee Size Group</u>			<u>Total Establishments</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
1	1.8611%	4.8363%	10.9191%	2.6249%
2	4.2811%	4.5692%	16.7533%	4.4766%
3	19.8941%	31.2551%	53.6145%	22.4216%
4	16.6365%	27.8946%	91.1343%	19.1178%
<b>Total</b>	<b>10.4161%</b>	<b>15.1099%</b>	<b>45.0099%</b>	<b>11.7029%</b>
<u>Forms</u>				
<u>SIC Group</u>	<u>Employee Size Group</u>			<u>Total Establishments</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
1	4.6618%	14.5636%	19.2993%	6.8224%
2	8.0384%	4.4104%	3.3540%	7.3664%
3	32.6352%	36.7396%	12.9783%	32.9032%
4	15.8818%	22.0948%	87.8576%	17.6787%
<b>Total</b>	<b>12.9509%</b>	<b>16.0940%</b>	<b>38.8695%</b>	<b>13.8570%</b>

**DECLARATION**

I, Beth B. Rothschild, declare that if I were to answer these questions orally today, my answers would be the same.

Beth B. Rothschild

Dated: August 26, 1998

1 CHAIRMAN LeBLANC: Mr. Reiter, do you have the  
2 corrected testimonies of Postal Service Witness John Hamm  
3 and an appropriate statement of authenticity?

4 MR. REITER: Yes, I do.

5 CHAIRMAN LeBLANC: Now, you will also provide  
6 those to the reporter?

7 MR. REITER: Yes.

8 CHAIRMAN LeBLANC: Are there any objections?

9 [No response.]

10 CHAIRMAN LeBLANC: Hearing none, the testimony and  
11 exhibits of Witness Hamm are received into evidence. And  
12 keeping with our practice, the Postal Service direct  
13 evidence will not be transcribed.

14 [Direct Testimony and Exhibits of  
15 John Hamm, USPS-T-6, was received  
16 into evidence.]

17 CHAIRMAN LeBLANC: There is written  
18 cross-examination also from Mr. Hamm and that will also be  
19 part of the package, is that correct?

20 MR. REITER: Yes.

21 CHAIRMAN LeBLANC: Can you also, Mr. Reiter,  
22 provide two copies of the designated written  
23 cross-examination of Witness Hamm to the reporter?

24 MR. REITER: Yes, I will.

25 CHAIRMAN LeBLANC: The answers will be received

1 into evidence and are to be transcribed into the record at  
2 that point.

3 [Designation of Written  
4 Cross-Examination of John Hamm,  
5 USPS-T-6, 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 Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS JOHN HAMM  
(USPS-T6)

Party

Office of the Consumer Advocate

Interrogatories

DBP/USPS-T6-2-3

OCA/USPS-T6-1-8

Respectfully submitted,



Margaret P. Crenshaw  
Secretary

INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS JOHN HAMM (T6)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:

DBP/USPS-T6-2  
DBP/USPS-T6-3  
OCA/USPS-T6-1  
OCA/USPS-T6-2  
OCA/USPS-T6-3  
OCA/USPS-T6-4  
OCA/USPS-T6-5  
OCA/USPS-T6-6  
OCA/USPS-T6-7  
OCA/USPS-T6-8

Designating Parties:

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RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS HAMM TO INTERROGATORIES OF DAVID B. POPKIN

**DPB/USPS-T6-2.** On line 18 of Page [sic] 2 of your testimony you state that PIA members are eager to participate.

- a. How many of the approximately 15,000 members were contacted to determine their response and desires?
- b. How many members provided an unqualified eagerness to participate?
- c. How many members provided a desire to participate with reservations?
- d. How many members indicated that they were reluctant to participate?

**Response.**

a-d. In April 1998, a draft Request for Proposal was sent through the Mailing Online Web site to the members of the PIA's Digital Printing Council (DPC) and to the DPC Steering Committee and Vendor Advisory Committees. This program focuses solely on digital printing and its applications (i.e., Mailing Online). The total number mailed, was approximately 250. The group was asked to make comments, deletions and additions to the request.

PIA's Economics Department also tracks our members needs and services, and the industry's economic trends . What the economists have found is that our members are always looking for new services in hopes of finding new revenue sources.

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS HAMM TO INTERROGATORIES OF DAVID B. POPKIN

**DBP/USPS-T6-3.** *Since you are potentially a printing contractor for this service, what compensation, if any, has the Postal Service paid you for your testimony?*

**RESPONSE.**

None. I am a volunteer leader at PIA and receive no compensation. I am currently the Co-Chair of the Digital Printing Council.



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

OCA/USPS-T6-1. In your autobiographical sketch, you state that the Printing Industries of America (PIA) is the largest printing and graphic arts association in America. Please list the other printing and graphic arts associations in the U.S. and give a short description of the makeup of their membership.

RESPONSE:

There are two other printing and graphic arts industry associations in the United States which represent the broader industry as opposed to a specific industry segment. Those associations are the National Association of Printers and Lithographers (NAPL) in Teaneck, New Jersey, and the Graphic Arts Technical Foundation (GATF) located in Sewickley, Pennsylvania. NAPL is a direct member association meaning that it has no state or regional organization or affiliations. Its membership is approximately 3,000 companies. While NAPL membership ranges from very small companies to large companies, their typical member is in the 100 to 200 employee size range. GATF is an education foundation which has recently consolidated its operations with PIA. Although PIA and GATF have commenced this consolidation, they remain independent organizations. GATF has approximately 950 members including printing firms, suppliers, academicians, and others who are part of the broader graphic arts education field.

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

OCA/USPS-T6-2. Please provide a description of a typical small printer with fewer than 20 employees. The purpose of this question is to educate the Commission and intervenors about the daily operation of the printing plants which might be interested in participating in this new service. To facilitate this, it might be appropriate to provide a "written tour." Please include in the description items such as (but not limited to): number and types of presses and other equipment; average size of the plant; types of printing done; average number and size of print runs per day; maximum capacity per day; and staffing positions.

RESPONSE:

Printer Profile - Sheetfed Printer with less than 20 Employees

There are approximately 20,000 general commercial sheetfed printers in the United States. These firms produce around \$13 billion in printing shipments each year and employ over 120,000 persons. Average sales per firm is just over \$640,000 and shipments per employee average over \$100,000.

A typical firm would have the following equipment:

Prepress Equipment

Computers:	3-4 Macintosh
	3 PC/Windows
	1 Windows NT
	1 UNIX

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

Other:           Color electronic prepress system (desktop)  
  
                  Desktop CCD scanner for black & white production  
  
                  Desktop CCD scanner for full color production  
  
                  Imagesetter

Press Equipment

Typically two Sheetfed presses-17 x 22 inches, 18 x 25 inches and one duplicator, possibly one 24 x 38 inch press.

Bindery/Finishing

Typically saddle stitching and shrinkwrap/bundling capability. More complex bindery services are outsourced.

Electronic File Capabilities

The typical small sheetfed printer can process customer files over phone lines or from disks and has electronic file storage capabilities, e-mail, and is on-line to the internet.

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

Job Profiles

The typical small sheetfed printer is running one shift and performing  
the following types of jobs:

By color:

One color-----50%

Spot color-----35%

Process color---15%

By run length:

Less than 2000--44.5%

2000-10,000----44.6%

Over 10,000----10.9%

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

**OCA/USPS-T6-3.** Please refer to page ii of your testimony. You state that PIA represents 15,000 printing and graphic arts businesses in the United States.

- a. Please give a ballpark estimate of the total number of such businesses in the United States, whether they are members of PIA or not.
- b. Generally, are businesses that primarily provide photocopying services *among your members*?

**RESPONSE.**

- a. 52,000.
- b. Our members are diverse. Businesses whose primary business is photocopying services are eligible to join PIA, and some have done so.

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

**OCA/USPS-T6-4.** At page 1 of your testimony, you state that "shorter print runs" and "greater specialization in printing" are part of the digital printing revolution. Is it mainly the reduced costs of producing a shorter print run or specialized print jobs that have resulted in an increase in the number of such jobs? Please explain.

**RESPONSE.**

Both. Reduced job costs from printing only the amount needed, when needed, has increased the number of digital printing jobs due to reduced warehousing needs and reduced out-of-date inventory. Digital printing also allows customization and personalization in a print job which produces higher response rates.

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

**OCA/USPS-T6-5.** At the bottom of page 1, you refer to "on demand" printing.

- a. Please explain what this means.
- b. How widespread is "on demand" printing?

**RESPONSE.**

- a. "On demand" printing refers to printing only when the output is needed by the customer, as opposed to printing copies of a document and storing them as inventory in a warehouse.
- b. PIA does not have specific information bearing on this question, but sees an increase in the number of PIA members that are offering "on demand" printing to customers.

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

**OCA/USPS-T6-6.** At page 2, line 14, you state that, "The transmission of this document can be done in real time for printing and mailing." Please explain what you mean by this—if a document can be done in real time now, how was it done before?

**RESPONSE.**

"Real time" refers to the immediate transmission of the document/data as it is created. Non-real time could include courier and other delivery services that would add days to production.



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

**OCA/USPS-T6-7.** Please explain what you mean at page 3, line, 1, that, "Each press has points of efficiency."

**RESPONSE.**

A point of efficiency refers to that point where the press is the most cost-effective per impression.

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

**OCA/USPS-T6-8.** Please define and describe a "digital printing unit" as you use that phrase at page 3 of your testimony.

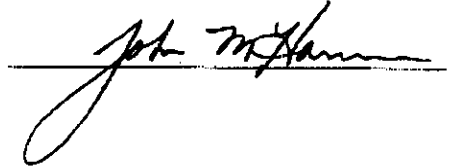
**RESPONSE.**

A "digital printing unit" is a digital press.

**DECLARATION**

I, John Hamm, declare that if I were to answer these questions orally today, my answers would be the same.

Dated: 8-26-98

A handwritten signature in cursive script, appearing to read "John M. Hamm", is written over a horizontal line.

1 CHAIRMAN LeBLANC: Mr. Reiter, do you have the  
2 corrected copies of the testimony of your witness Linda  
3 Wilcox and an appropriate statement of authenticity?

4 MR. REITER: Yes.

5 CHAIRMAN LeBLANC: And you will also provide this  
6 to the reporter?

7 MR. REITER: Yes, I will.

8 CHAIRMAN LeBLANC: Are there any objections?

9 [No response.]

10 CHAIRMAN LeBLANC: Hearing none, the testimony and  
11 exhibits of Witness Wilcox are received into evidence. And  
12 the Postal Service direct evidence will not be transcribed  
13 into the record.

14 [Direct Testimony and Exhibits of  
15 Linda Wilcox, USPS-T-7, was  
16 received into evidence.]

17 CHAIRMAN LeBLANC: Now, there is also written  
18 cross-examination for Witness Wilcox. Mr. Reiter?

19 MR. REITER: Yes.

20 CHAIRMAN LeBLANC: Also the written will also be  
21 taken care of, is that correct?

22 MR. REITER: Yes, they will.

23 CHAIRMAN LeBLANC: And you will also provide two  
24 copies of the designated written cross-examination of  
25 Witness Wilcox to the reporter?

1 MR. REITER: Yes.

2 CHAIRMAN LeBLANC: The answers are received into  
3 evidence and are to be transcribed into the record at that  
4 point.

5 [Designation of Written  
6 Cross-Examination of Linda Wilcox,  
7 USPS-T-7, was received into  
8 evidence and transcribed into the  
9 record.]

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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS LINDA WILCOX  
(USPS-T7)

Party

Office of the Consumer Advocate

Interrogatories

DBP/USPS-T7-1  
DFC/USPS-T7-1-2  
MASA/USPS-T7-1  
OCA/USPS-T7-1-9

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Margaret P. Crenshaw". The signature is fluid and cursive, with a long horizontal stroke at the end.

Margaret P. Crenshaw  
Secretary



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILCOX TO  
INTERROGATORY OF DAVID B. POPKIN

**DBP/USPS-T7-1.** Since you are a customer utilizing this service, what compensation, direct or indirect, if any, has the Postal Service paid you for your testimony?

**RESPONSE:**

None.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILCOX TO  
INTERROGATORIES OF DOUGLAS F. CARLSON

**DFC/USPS-T7-1.** Please refer to your testimony at page 2, line 14-16

- a. Did you receive a comparable number or percentage of returned newsletters when you mailed your newsletter without using Mailing online service?
- b. Please explain why Mailing Online did not correct some or all of these addresses before it mailed your newsletter. (If necessary, please consult with a postal employee to develop an answer to this question)
- c. Compared to mailing the newsletters manually without using Mailing Online, please explain how Mailing Online helped you purge the list of bad addresses.

**RESPONSE:**

- a. Yes.
- b. My understanding is that this service is not provided as part of the operations test.
- c. The Mailing Online operations test uses First-Class Mail so mail pieces sent to bad addresses are returned to me.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILCOX TO  
INTERROGATORIES OF DOUGLAS F. CARLSON

**DFC/USPS-T7-2.**

- a. Please refer to your testimony at page 3, line 12. Please explain some of the "kinks" that must be "worked out."
- b. Do you know for a fact that the Postal Service has agreed to fix every problem that you would describe as a "kink"?

**RESPONSE:**

- a. I had two things in mind. One was that I do not receive any notice of an expired change of address. The other was that sometimes blank address labels are generated and those pieces are returned to me.
- b. No.

AMENDED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
WILCOX TO INTERROGATORIES OF MAIL ADVERTISING ASSOCIATION  
INTERNATIONAL

**MASA/USPS-T7-1.** Describe in detail the assistance you received in connection with all uses you made of MOL. Include in your answer:

- a. the number of times you used MOL;
- b. the volume of each MOL mailing;
- c. the date of each MOL mailing;
- d. with respect to each MOL mailing, the assistance you received from the Postal Service, including the number and duration of contacts, the nature of the contacts (phone, e-mail, in-person, etc), and the nature of the assistance (understanding software, Postal Service requirements etc.); and
- e. whether you would have used the mail for your MOL mailing in the absence of MOL, and if so, how the mailing have been presented to the Postal Service and at what rate they would have been mailed.

**RESPONSE:**

- a. Approximately 20.
- b. Approximately 1,300 each month.
- c. Approximately each month, around the 15<sup>th</sup>-25<sup>th</sup>
- d. The Postal Service conducted a seminar at which the basics of the program were explained. My recollection is that the seminar was held approximately 30 to 45 days before the start of the service. The seminar lasted about three hours, was attended by approximately 50 to 75 people, and was conducted by several Postal Service employees.

During my first mailing using the service I telephoned the help desk approximately 10 to 20 times. I did not keep track of the exact number and duration of the calls. It turned out that the primary reason for my difficulties was that the software I was using was not compatible with the Mailing Online service software.

AMENDED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
WILCOX TO INTERROGATORIES OF MAIL ADVERTISING ASSOCIATION  
INTERNATIONAL

Since clearing up that problem by switching to "My Mailer" software, I have had to call the help desk only once, when I was preparing my mailing last month. The call was caused by a problem getting onto the Postal Service's server. Following my call, I was able to get on and produce my mailing without further problems when I tried the next day.

e. As I state in my testimony at page 1 line 17, I was previously using the mail, specifically regular First-Class Mail that I took to the post office.

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

**OCA/USPS-T7-1.** Please refer to page 2 of your testimony. You state that you can now get your entire mailing completed in about half an hour. Please describe the steps you take during that half-hour to prepare and complete your transaction with the Postal Service.

**RESPONSE:**

I fill in my calendar dates using the "My Mailer" software program, select the mailing list, and forward these items to the post office.

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

**OCA/USPS-T7-2.** How many months has it been that you have been mailing the Café calendar using the Mailing Online service?

**RESPONSE:**

I have been participating in the program since mid-March, about four and a half months.

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

**OCA-T7-3.** You state at page 2 of your testimony that the Mailing Online service has "caused me to purge my mailing list of bad addresses."

- a. Does the Postal Service require you to purge your mailing list of bad addresses?
- b. How were you able to determine that some addresses were bad? Please explain.
- c. Wouldn't you have saved money by purging your mailing list of bad addresses even if you hadn't started using Mailing Online? Please explain.

**RESPONSE:**

- a. No.
- b. With Mailing Online, I used Postcards and First-Class Mail and the calendars with bad addresses were returned to me.
- c. I could not identify the bad addresses prior to using Mailing Online.

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

**OCA/USPS-T7-4.** You also state at page 2 that you can have your lists cleaned as part of the Mailing Online program.

- a. Does the Postal Service "clean" your lists?
- b. If so, does the Postal Service charge a fee for cleaning lists. If a fee is charged, what is the fee?
- c. What does the Postal Service do to clean your lists, i.e. how have your lists been improved after the service has been provided?
- d. Can you obtain the "cleaning" service without participating in Mailing Online?

**RESPONSE:**

- a. I have been "cleaning" my own lists, although Mailing Online provides information useful for this purpose.
- b. It is my understanding that no separate fee relates to cleaning.
- c. I have not used the service yet.
- d. I do not know.



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

**OCA/USPS-T7-5.** At page 3, you mention using e-mail more often.

- a. Do you transmit your calendar and mailing list to the Postal Service by means of e-mail?
- b. If so, do you *attach* the electronic files for the calendar and the mailing list to an e-mail message? Do you paste the electronic calendar information and electronic mailing list information into an e-mail message? Please explain.
- c. Have you found that there is any incompatibility in the software you use to generate the calendar and mailing list and the software used by the Postal Service to receive and produce your mail? Please explain.
- d. Do you upload electronic files for the calendar and the mailing lists to a Postal Service site on the Internet? Please explain.

**RESPONSE:**

- a. No, though Post Office Online.
- b. Not applicable
- c. As noted, when I first started with Mailing Online there was an incompatibility that I solved by switching from "My Calendar" software to "My Mailer" software.
- d. Yes, Post Office Online.

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

**OCA/USPS-T7-6.** How did you learn to use Mailing Online?

- a. Did a Postal Service Representative come to your café to work with you?
- b. Did you have consultations over the telephone?
- c. Were you given written materials explaining how to use the service? If so, provide copies of any written explanatory materials.
- d. How long did it take you to become proficient in using Mailing Online?
- e. Please give a detailed explanation in responding to the five questions comprising this interrogatory.

**RESPONSE:**

The Postal Service conducted a seminar at which the basics of the program were explained.

- a. No.
- b. Yes.
- c. I was given a booklet at the seminar. I have only one copy, but I understand that the Postal Service will make one available to the Commission.
- d. It took me a little while to become proficient in using Mailing Online proficiently, primarily because I am not computer literate. However, I have friends and family who are good with computers and they were able to use the program fairly early on and have taught me. Now I can use the program without any trouble.
- e. See above.

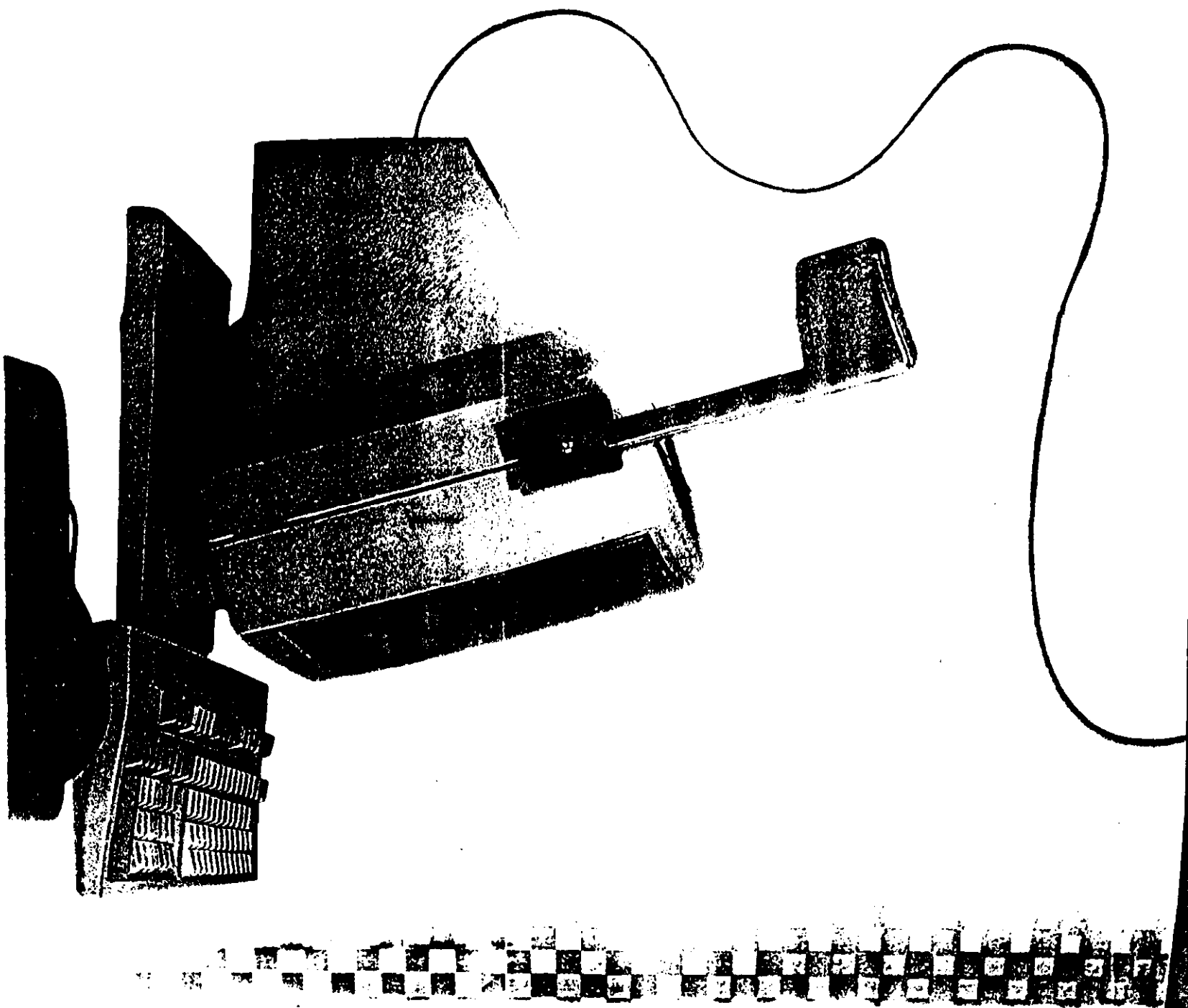


We deliver.

[www.postofficeonline.com](http://www.postofficeonline.com)

**We've  
opened  
a new  
location**





**www.postofficeonline.com** is your anytime, anywhere U.S. Post Office. It gives you easy ways to save time and improve your bottom line.

Our new Web site lets you approach – in a whole new way – how your business communicates by mail. And mail may be the most important communications medium a small business can use. The site doesn't just simplify your day and save hours of work. It lets you do things you didn't have time to do before. Things that you need to accomplish to help your profits stay strong and grow.

Expedited shipping is a must for small businesses. **PostOffice Online™** lets you simplify and dramatically reduce the time it takes to prepare shipments. With a service we call **Shipping Online™** you can prepare your airbills, schedule pickups, track deliveries of Express Mail® and even confirm deliveries of Priority Mail!® all from your keyboard. Express Mail and Priority Mail are already terrific values. Now they're even better values. See page 5.

Staying in regular and close touch with your customers is vital. Mail can help. With a service we call **Mailing Online™** you can simplify and reduce the time it takes to address, print, apply postage to, and send mail to any number of people – dozens to thousands. Simplify the preparation of advertising, invoices, correspondence; anything you send by First-Class® Mail. Use the time you save to do more frequent and bigger mailings, so you can leverage the selling and the relationship-building power of mail to grow your business as fast and profitably as you want. See page 7.

In time, **www.postofficeonline.com** will expand as we keep adding services, based on the feedback we get from businesses like yours that use the site. Thanks for taking part in this special test. No matter when – or from where – you access the site, we hope you'll find it easy to use, productive and profitable.

(Write your customer I.D. and your password here as a handy reminder.)

#### **Helpful Hint**

Use the time you save with **PostOffice Online** to respond to your customers faster and mail more often to stay in closer touch.

Got a question? See page 9 or click on Help on **www.postofficeonline.com** or call the Help Desk at 1-800-344-7779 or fax your question to 1-800-210-9512.

## The basics

### PostOffice Online lets you automate how you prepare your mail:

- Access our Web site anytime – it's open 24 hours a day, 7 days a week
- Access our site from anywhere – your home, office or from the road
- Take confidence in the reliability and integrity of the U.S. Postal Service

#### Helpful Hint

Here's a neat way to correct and standardize your customer files. Let **Mailing Online** automatically.

### Automate Express Mail and Priority Mail shipments with Shipping Online:

- Go online to prepare airbills, pay postage, schedule pickups and order supplies
- Track Express Mail and confirm Priority Mail deliveries online

### Automate how you send important First-Class Mail with Mailing Online:

- Reduce the time it takes to prepare letters, invoices, etc.
- Create your document on a PC, attach your mailing list right from your computer, then send them electronically to the U.S. Postal Service – we'll send them to a USPS-approved printing and mailing service
- Have your **Mailing Online** mailing lists corrected and standardized automatically
- Get high-quality printing with graphics and optional highlight color
- Let the USPS-approved printer address, print, apply postage to, and mail your mailing for you

Got a question? See page 9 or click on Help on [www.postceonline.com](http://www.postceonline.com) or call the Help Desk at 1-800-344-7779 or fax your question to 1-800-210-9512.

## www.postofficeonline.com site map

### Mailing Online

Upload file,  
print & mail

### Shipping Online

Create airbills

Track & confirm

Order supplies

### Links

Registration

Information

Help

PostOffice  
Online home

USPS home

More links

PostOffice Online is the easy way to mail. Log on.

## How Shipping Online works

**Shipping Online** – only available on **PostOffice Online** – makes using our Express Mail and Priority Mail services a snap.

Instead of writing out airbills by hand, now you can prepare them electronically, which is faster and more professional-looking. You can also use our online U.S. Postal Service database to check your addresses for accuracy and completeness. A particularly handy feature lets you store each new address in the Microsoft Wallet. Enter the address once, and it stays at your fingertips. This saves time whenever you need to ship to that same address again.

You can accurately calculate your postage (so you never overpay), pay by credit card, schedule pickups, track Express Mail and confirm Priority Mail deliveries, and even order additional shipping supplies...all online.

- Log on using your customer I.D. and password
- Select "create airbills"
- Prepare your airbill electronically
- Select Express Mail or Priority Mail
- Schedule a pickup online
- Let the Web site calculate your postage and pickup charge
- Pay by credit card (Visa®, MasterCard®, Discover®/Novus®, American Express®)
- Print your airbill using a laser or ink-jet printer
- Track your Express Mail shipment or confirm delivery of your Priority Mail shipment online

You're done.



**PostOffice Online** is the easy way to mail. *Log on.*



## Express Mail Service

- Express Mail lets you conveniently ship to everyone, everywhere, everyday. What other delivery service gives you that?
- An 8-ounce envelope costs just \$10.75 to ship anywhere in the U.S. Regardless of weight, a flat-rate envelope costs just \$15.00 to ship anywhere in the U.S.
- Express Mail service is the only overnight service that delivers 7 days a week, 365 days a year, including Saturdays, Sundays and holidays at no extra charge.
- We guarantee delivery by 12 noon the next day between major business markets, and by 3 p.m. elsewhere. You can track your shipments online.

### Helpful Hint

When you prepare a Priority Mail shipment via **Shipping Online**, you can confirm delivery at no extra charge.

## Priority Mail Service

- What's your priority? When speed and saving money are equally important, use Priority Mail.
- Regardless of weight, a flat-rate envelope costs just \$3.00 to ship anywhere in the U.S. On other shipments, it's \$3.00 for up to 2 lbs., \$4 for up to 3 lbs., and \$5 for up to 4 lbs. See our rate chart for details. You can ship up to 70 lbs. per piece.
- Priority Mail service delivers 6 days a week, Monday through Saturday, and there's no extra charge for Saturday delivery.
- You can confirm delivery online (available with **Shipping Online**).

**Did You Know?** You can schedule a special pickup of your shipments for a single \$4.95 fee per stop. Express Mail and Priority Mail are the only overnight and expedited services that deliver to U.S. Post Office boxes.

Got a question? See page 9 or click on Help on [www.postofficeonline.com](http://www.postofficeonline.com) or call the Help Desk at 1-800-344-7779 or fax your question to 1-800-210-9512.

## How Mailing Online works

**Mailing Online** – only available on **PostOffice Online** – makes sending your important business mail a breeze.

Instead of spending hours addressing the advertising mail, invoices, catalogs, newsletters, etc., that you send by First-Class Mail, printing each piece, stuffing the envelopes, applying the postage and mailing them, you can have someone else do it conveniently and affordably.

You create your mail on your own Windows® 95 PC, using almost any major word processing or page layout program, then send it electronically — along with your mailing list — to the U.S. Postal Service. We'll send them to a USPS-approved printing and mailing service that takes care of the rest of the work. The time you save means more time for growing your business. Online printing and mailing makes it easy to take better advantage of the selling and relationship-building power of mail to win and keep customers. We'll even correct and standardize your mailing list automatically, using the latest USPS data, so you get the fastest service possible.

- Prepare your document and mailing list
- Log on using your customer I.D. and password
- Select "upload file, print & mail"
- Create a job ticket
- Select your new (or preloaded) document and mailing list
- View and double-check your document
- Enter all other mailing information
- Select your print options
- Let the Web site calculate your postage
- Pay by credit card (Visa, MasterCard, Discover/Novus, American Express)

You're done.

**PostOffice Online is the easy way to mail. Log on.**

**Mailing Online**

**Mailing Online**

**Mailing Online**

Use highlight color to add more emphasis to your mail. Choose from red, blue, green and yellow. The representations above are approximate. The actual colors may vary.

## Samples of what you can do

Send an announcement letter to a few dozen special customers or to thousands of good prospects. A powerful letter with an exciting offer or news, mailed to a good list of people, can be a powerful marketing tool. **Mailing Online** makes it easy.



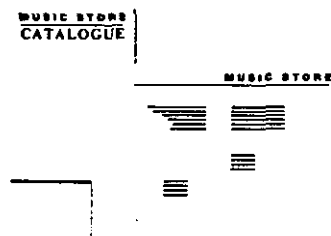
Letters

Regular invoicing can be so time-consuming. Now, with **Mailing Online**, there's a way around the chore. Automate your invoice mailing. It's as easy to send out a few as it is to send out hundreds or thousands.



Invoices

Do you frequently change your offerings or prices? It's good to keep prospects and customers informed. By streamlining how you mail, **Mailing Online** lets you mail out catalogs regularly and handle crunch loads during your peak selling times.



Catalogs

Keep customers educated about what's going on in your business by mailing regular newsletters. Good customers want to know what you're up to. With **Mailing Online**, it's a snap to keep customers excited.



Newsletters

### Helpful Hint

Do all of your mailings via **Mailing Online**. Design them so they have a consistent look to help strengthen your image.

Got a question? See page 9 or click on Help on [www.postofficeonline.com](http://www.postofficeonline.com) or call the Help Desk at 1-800-344-7779 or fax your question to 1-800-210-9512.

**Mailing Online** is compatible with: Microsoft® Word 6.0; Microsoft Excel 7.0; Quark 3.0; Pagemaker 6.5; Ventura 7.0; WordPerfect 7.0; and higher versions of each.

## **Got a question?**

### **Helpful Hint**

When you get answers from the **PostOffice Online Help** button, copy and save them in a folder on your hard drive for later reference.

- **What do I do if I want to change my customer I.D. or password?**  
You're assigned a customer I.D. when you first log on to the site. Ordinarily, you won't need to change it. You can change your password, which you choose yourself, as often as you want, following the online instructions.
- **When I prepare airbills with Shipping Online, can I store my addresses and use them later?**  
You can store your addresses in the Microsoft Wallet for later use. This feature can come in handy. Just follow the online instructions.
- **When I schedule an Express Mail or Priority Mail pickup, is it just \$4.95 no matter how many pieces I have or how much they weigh?**  
Yes, the \$4.95 pickup fee is per stop, with no limitations on the number of pieces. There is a weight limit of 70 lbs. per piece.
- **You say Mailing Online will clean up mailing lists before a mailing goes out. Do you tell me which addresses you needed to clean up?**  
Your mailing list is compared against the USPS National Address Management System to standardize your addresses, including abbreviations, ZIP Codes, street addresses and street directionals. Information about which of your addresses needed updating will be a future product enhancement.
- **When I use Mailing Online to prepare mailings, how sophisticated can I get with my mail piece designs?**  
The software packages that **Mailing Online** accepts offer you a wide variety of mail piece design options. Use of highlight colors are limited to red, blue, green and yellow. There are some graphic restrictions that are specified online.
- **If I need help, how do I get in touch with you?**  
Click on **Help** on [www.postofficeonline.com](http://www.postofficeonline.com) or call the Help Desk at 1-800-344-7779 or fax your question to 1-800-210-9512.

## More cool Post Office links

[www.postofficeonline.com](http://www.postofficeonline.com) has a hyperlink to each of these other useful sites. They have a lot to offer, and navigating them is easy when you use **PostOffice Online** as your starting point.

- **USPS Home Page**

<http://www.usps.gov/>

- **Consumer Guide to Postal Services and Products**

<http://www.usps.gov/csmrguid/>

- **Postage Calculator**

<http://postcalc.usps.gov/itds/owa/calculator.home>

- **Postal Business Publications**

<http://www.usps.gov/business/pubsbus.htm>

- **Postal Facilities**

<http://www.usps.gov/ncsc/locators/>

- **Shipping Supplies Online**

<http://supplies.usps.gov/>

- **Stamps Online**

<http://www.stampsonline.com/>

- **Tracking (Package Status)**

<http://www.usps.gov/cttgate/mml.htm>

- **ZIP Code Lookup**

[http://www.usps.gov/ncsc/lookups/lookup\\_zip+4.html](http://www.usps.gov/ncsc/lookups/lookup_zip+4.html)

**PostOffice Online** is the easy way to mail. *Log on.*

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

**OCA/USPS-T7-7.** You state at page 1 that prior to using Mailing Online, preparing your newsletter for mailing was about an 8-hour effort. Did you ever consider having an outside entity prepare the mailing so as to avoid the drain on your time? If you did, why did you rule out that alternative?

**RESPONSE:**

No, I never considered using an outside entity to prepare the calendar because many of the dates are not set until the last minute. If someone else were preparing the calendar, they would have needed the information far in advance of when it was available, or I would have had constant changes that would have driven up the cost of preparing the calendar. Using someone else was just not feasible.

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

**OCA/USPS-T7-8.** Please answer the following with regard to your mailings under the Mailing Online program.

- a. Please provide a sample copy of each of your mailings under this program.
- b. How many pieces did you send out in each mailing?
- c. Were the mailings enclosed in envelopes?
- d. Please state the specific software that you used to prepare your mailings before participating in the Mailing Online program.
- e. Are you able to use that same software for the Mailing Online program? If not, what software did you purchase in order to participate?

**RESPONSE:**

- a. Copies are attached.
- b. Anywhere from 1,000 to 2,000 pieces.
- c. No, postage is affixed directly on the mailer.
- d. Prior to participating in the Mailing Online program I used "My Calendar" software.
- e. No, I cannot use "My Calendar." I now use "My Mailer" software in order to participate in the program.

# Blues Ship

**On Top**

**August 1998**



Sunday		Monday		Tuesday		Wednesday		Thursday		Friday		Saturday	
Our kitchen will be smokin' all month long Red Beans and Rice, BBQ Chop Pork, Smoked Wings and More												Pat Ramsey	1
Patrick & The Blues Sharks	2	Blues Will Keep You Going	3	Blues Will Keep You Going	4	Jam with Dave Ware (Bring your instrument)	5	World Trouble	6	Bobby Stringer Blues Band		Bobby Stringer Blues Band	8
World Trouble	9	Blues Will Keep You Going	10	Blues Will Keep You Going	11	Jam with Dave Ware (Bring your instrument)	12	World Trouble	13	Bull Dog Johnny and Band Soulman production	14	Bull Dog Jolt and Band Souldmand production	15
Jam with Dave Ware (Bring your instrument)	16	Blues Will Keep You Going	17	Blues Will Keep You Going	18	Jam with Dave Ware (Bring your instrument)	19	World Trouble	20	Lucky Peterson	21	Lucky Peterson	22
World Trouble Jim w/ Dave Ware	23/30	Blues Will Keep You Going	24/31	Blues Will Keep You Going	25	Jam with Dave Ware (Bring your instrument)	26	World Trouble	27	Roach Thompson	28	Roach Thompson	29



# THE BLUES SHIP ON TOP CLUB AND CAFE

LOCATED IN THE FAMOUS HISTORICAL YBOR CITY, 1910 EAST 7<sup>TH</sup> AVE 33605, TAMPA FLORIDA

## *Headliners*

Attachment to Response  
OCA/USPS-T7-8, Page 2 of 2

### Pat Ramsey

July 31 & Aug 1



Its been almost 18 years since Pat did all the harmonics work on the Johnny Winter LP "White Hot and Blue." Since then he has been considered by many to be a harp player's harp player. Now Pat stops out with his first solo effort, It's About Time.

### Bobby Stringer

August 7 & 8



Miami based soul singer with 20 years of experience recording star he stands 6-ft tall and repetitions of doing music from 50s, 60s & 70s as well as original music. And performed in the group called The Great Pretenders. He also performs with groups or as a solo artist. Bobby Stringer is a first time performer at the Blues Ship On Top. We are expecting one of the best shows ever. So come out and show your support.

### Bull Dog Johnny and his band August 14 & 15

Bull Dog Johnny and his band came in during the week and did such a wonderful performance. We are delighted to have them come in as a headliner and perform a weekend. A soulman production.

### Lucky Peterson

August 21 & 22



Lucky Peterson is a multi-instrumentalist, multi-talented, 1<sup>st</sup> call studio player and dynamic entertainer and you know this "Blues Lover". James "Big Baby Boy" Peterson coming back home to perform at the legendary Blues Ship On Top in Ybor City. Everybody come and bring a friend or 5 and be there.

### Roach Thompson

August 28 & 29



Roach Thomson have dominated the Florida blues scene, winning several national and state awards, including the prestigious W.C. Florida Black Music Award, The B.B. King Lucille Award, and the Jammy Awards for Best Blues Band in Florida two years on a row. They have also shared the stage with John Lee Hooker, Koko Taylor and Lucky Peterson.

Have your next event, wedding reception, birthday party, anniversary, office party, private party or sports party at the Blues Ship. Come wine and dine with us and entertain yourself with our happy hour and live entertainment at the hottest blues club nestled in Ybor City

**FOR MORE INFO, CALL (813) 248-6097**

*The Blues is Alright!*

**Get your friends involved, add them to the Blues Ship's Mailing List.**

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Email \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_

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

**OCA/USPS-T7-9.** Please refer to your testimony at page one where you state that you would take your calendar to a print shop.

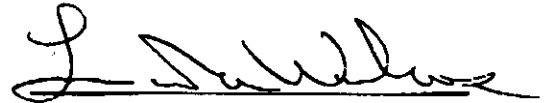
- a. Please describe the facility.
- b. What type of printing does it offer?
- c. Does it offer copying services?
- d. Did you purchase printed copies or copier produced copies?
- e. What was the cost per copy?

**RESPONSE:**

- a. It is a copying and printing shop that offered these services to local business.
- b. The most basic printing services.
- c. Yes.
- d. Copier produced copies.
- e. Seven cents per copy, plus the time it took me to fold, stamp and mail the copies.

**DECLARATION**

I, Linda Wicox, declare that if I were to answer these questions orally today, my answers would be the same.

A handwritten signature in cursive script, appearing to read "Linda Wicox", written over a horizontal line.

Dated: 8-26-98

1           CHAIRMAN LeBLANC: Now, do you have the corrected  
2 copies of the testimony of Witness Frank E. Campanelli and  
3 an appropriate statement of authenticity?

4           MR. REITER: In that case, at this moment, I only  
5 have the copies of the testimony. We had a problem with the  
6 fax transmission of his declaration. We will be providing  
7 those as soon as we get copies that are legible.

8           CHAIRMAN LeBLANC: Time frame being?

9           MR. REITER: If not today, then tomorrow.

10          CHAIRMAN LeBLANC: That will be fine. At that  
11 point then you will provide copies to the reporter, is this  
12 correct?

13          MR. REITER: Yes, we will bring copies for the  
14 reporter.

15          CHAIRMAN LeBLANC: And the testimony and exhibits  
16 of Witness Campanelli will then be received into evidence,  
17 and keeping with our practice the Postal Service direct  
18 evidence will not be transcribed. Is that understood, Mr.  
19 Reporter, in that order?

20                               [Direct Testimony and Exhibits of  
21 Frank E. Campanelli, USPS-T-8, was  
22 received in evidence.]

23          CHAIRMAN LeBLANC: There is also a written  
24 cross-examination for Witness Campanelli. Do you have that  
25 now or is that also part of the package we will get

1 tomorrow?

2 MR. REITER: I also need to get a declaration for  
3 the written cross-examination as well.

4 CHAIRMAN LeBLANC: Mr. Reporter --

5 MR. REITER: But I have two copies that I can give  
6 to the reporter now.

7 CHAIRMAN LeBLANC: You have two copies now?

8 MR. REITER: I have two copies of both the  
9 testimony and the written cross. All that is missing are  
10 the two declarations.

11 CHAIRMAN LeBLANC: Two declarations. Okay. That  
12 will be fine.

13 Is that understood, Mr. Reporter, we have got  
14 that? Okay.

15 And these answers will be received into evidence  
16 and are to be transcribed into the record at this point.

17 [Designation of Written  
18 Cross-Examination of Frank E.  
19 Campanelli was received in evidence  
20 and transcribed into the record.]  
21  
22  
23  
24  
25

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS FRANK CAMPANELLI  
(USPS-T8)

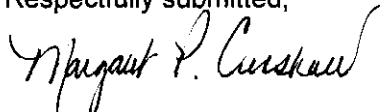
Party

Office of the Consumer Advocate

Interrogatories

DBP/USPS-T8-1-2, 4-5  
MASA/USPS-T8-1  
OCA/USPS-T8-1, 3-11

Respectfully submitted,



Margaret P. Crenshaw  
Secretary

**Designating Parties:**

[illegible]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPANELLI  
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-1 Since you are a customer utilizing this service, what compensation, direct or indirect, if any, has the Postal Service paid you for your testimony?

RESPONSE:

None.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPANELLI  
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-2. On page 1 lines 7-8 of your testimony, you indicate that you sent out hundreds of thousands of direct mail pieces.

- (a) Over how long a period of time was that accomplished?
- (b) What was the nature of the mailing and is a similar capability available with the proposed service?
- (c) What would you estimate the total costs for these hundreds of thousand of mail pieces?
- (d) What would you estimate the total costs would be under the existing initial program?
- (e) What would you estimate the total costs would be under the proposed rates in this Docket?

RESPONSE:

- (a) The reference is to the two to three year period when I was starting out in business. I did not have an exact time in mind.
- (b) The various direct mail pieces referenced in my testimony ranged from individual coupons in mail entered by others to individual pieces that I prepared and mailed myself. With Mailing Online, that mailpiece preparation and entry are done for me after I prepare and submit the document and address list.
- (c) I do not know total costs, but per-piece their costs ranged from approximately 0.5 cents to 25 cents.
- (d) If you are asking about the current test, which is the subject of my testimony, I am limited to a maximum of 5,000 pieces per month, while paying full First-Class postage; accordingly I cannot accomplish blanket mailings using Mailing Online.
- (e) I am unable to answer this. I have no knowledge concerning what the future costs of Mailing Online service will be.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPANELLI  
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-4. Why does it take you two hours to send out a mailing of 3,000 pieces while a mailing of 400 to 700 pieces only takes 20 minutes?

RESPONSE:

This question extracts statements from my testimony that, by ignoring their context, appear to set up a comparison I did not intend to make. My testimony states:

It used to take me anywhere from a day to a day and a half to send out a 3,000 piece mailing. Now, it takes me about two hours. I can prepare a small mailing of 400 to 700 pieces in 20 minutes.

USPS-T-8 at 3. The two hour estimate is comparable to "a day to a day and a half" and includes time to prepare the document being mailed, while the 20 minute estimate is for time spent online when the document was prepared in advance.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPANELLI  
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-5

- (a) Did you pay extra to have the Postal Service "clean" your address lists?
- (b) If so; what was the charge?

RESPONSE:

(a) - (b) No. I actually "clean" my own address lists based on feedback from Mailing Online that tells me which addresses it will not accept.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPANELLI  
TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION  
INTERNATIONAL

**MASA/USPS-T8-1.** Describe in detail the assistance you received in connection with all uses you made of MOL. Include in your answer:

- a. the number of times you used MOL;
- b. the volume of each MOL mailing;
- c. the date of each MOL mailing;
- d. with respect to each MOL mailing, the assistance you received from the Postal Service, including the number and duration of contacts, the nature of the contacts (phone, e-mail, in-person, etc), and the nature of the assistance (understanding software, Postal Service requirements etc.); and
- e. whether you would have used the mails for your MOL mailings in the absence of MOL, and if so, how the mailings have been presented to the Postal Service and at what rate they would have been mailed.

**RESPONSE:**

- a. 6 total, 2 were tests.
- b. 2, 8, 432, 696, 435, 566.
- c. 6/4, 6/4, 6/7, 7/10, 7/14.
- d. As stated in my testimony, I have an interest in technology and a capacity to master hi-tech tools. This interest and capacity enabled me to learn how to use Mailing Online in a short period of time. My contacts were by telephone and e-mail. I did not keep track of the particulars of each contact.
- e. As I state in my testimony at page 1, line 5, and page 3, lines 8-9, I previously used the mail for my mailings, specifically bulk rate mailings which I took to the post office.

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

**OCA/USPS-T8-1.** Please answer the following with regard to your mailing under the Mailing Online program.

- a. Please provide a sample copy of each of your mailings under this program.
- b. How many pieces did you send out in each mailing?
- c. Were the mailings enclosed in envelopes?
- d. Please state the specific software that you used to prepare your mailings before participating in the Mailing Online program.
- e. Are you able to use that same software for the Mailing Online program? If not, what software did you purchase in order to participate?

**RESPONSE:**

- a. A typical piece is attached. Other pieces are similar, containing a different mix of illustrative customer addresses.
- b. The number of pieces I sent varied. The maximum number was about 3,000. I also did smaller mailings of 400 to 700 pieces.
- c. No, these mailing were self-contained.
- d. MS Word.
- e. Yes.

# Hello!

I'm Frank Campanelli, owner of FRANKLIN Painting Co.  
 Many of your neighbors have contracted with us to perform interior  
 & exterior professional work, including...  
**EXPERT PAPERHANGING, PAINTING, STAINING & POWERWASHING.**

We are dedicated to providing speedy, neat, Quality Work  
 & Guaranteed Value -- for a total lower cost-per-year.  
 Our Goal: To be Tops in quick and courteous Customer Service.  
 Call for a FREE ESTIMATE and references today !

**FRANKLIN**  
**Painting Co.**

**675-7700**

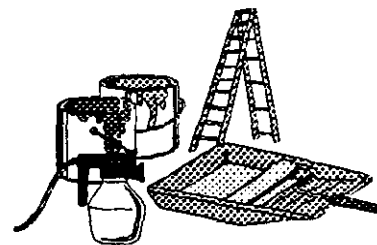
CT Reg. # 536067  
 Frank Campanelli - Owner

*Some addresses recently completed & scheduled in your neighborhood:*

43 Oaken Gates  
 106 Brookmoor Dr.  
 63 Brookridge Dr.  
 92 Thimpson Rd.  
 143 Juniper Dr.  
 16 Ardsley Way  
 98 Mallard Dr.  
 11 St. Andrews Dr.  
 57 Old Wheeler La.  
 42 Sunrise Dr.  
 63 Beverly Dr.  
 100 Tamara Cir  
 39 Saxon Woods

80 Avonridge  
 32 Saxon Woods  
 120 Stony Corners Cir  
 31 Old Mill Rd.  
 161 Burnham Rd.  
 44 Brian La.  
 43 Lord Davis La.  
 32 Sytan St.  
 77 Beverly Dr.  
 29 St. Andrews Dr.  
 150 Country Club Rd.  
 8 Centerbrook Ct.  
 36 Old Mill Rd.

102 Fox Den La.  
 3 Tanglewood Dr.



*We're confident that you will become another of our satisfied customers!*

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

**OCA/USPS-T8-3.** Please refer to page 3 of your testimony. You state that you can now get your entire mailing completed in about two hours. Please describe the steps you take during that two-hour period to prepare and complete your transaction with the Postal Service.

**RESPONSE:**

I update my flyer, prepare my mailing list – which consists of assembling the batch of names I want to contact, and transmit these materials to the Post Office.

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

**OCA/USPS-T8-4.** You state at page 3 of your testimony that Mailing Online has made it easy to clean your address lists.

- a. Does the Postal Service require you to "clean" your mailing list?
- b. How were you able to determine that some addresses were bad? Please explain.
- c. Mailing Online uses the First-Class Mail Stream and those mailers sent to bad addresses are returned.
- d. How has Mailing Online made it easy for you to clean your lists?

**RESPONSE:**

- a. No.
- b. Mailing Online (operations test) uses First-Class Mail so mail pieces sent to bad addresses are returned to me.
- c. When mail is returned, I eliminate the bad addresses from my lists.
- d. When mail is returned, I eliminate the bad addresses from my lists.



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

**OCA/USPS-T8-5.** You state at lines 17-18 of page 3 that the ability to clean your lists is coming at a good time. Please explain specifically what this "ability" consists of?

- a. Do you mean that *you* now have the ability to clean the mailing lists of that the Postal Service cleans them for you? Please explain.
- b. If you are the one with the ability, describe in detail how you clean your lists.
- c. If the Postal Service cleans your lists, does it charge for that service?
- d. If a fee is charged, what is the fee?
- e. What does the Postal Service do to clean your lists, i.e. how have your lists been improved after the service has been provided?
- f. Can you obtain the "cleaning" service without participating in Mailing Online?

**RESPONSE:**

- a. I have the ability to clean my mailing lists because the pieces with bad addresses are returned allowing me to purge them from my mailing list, or to replace them with good addresses.
- b. When the mail pieces with bad addresses are returned to me, I access the mailing list on my computer and correct the entry by purging the bad information, correcting the addresses or correcting the name of the residents.
- c. Not applicable
- d. Not applicable
- e. Not applicable
- f. Since I clean my own lists I have not looked into this.

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

**OCA/USPS-T8-6.** Please explain how you transmit your electronic files to the Postal Service.

- a. Do you transmit the direct mail document and mailing list to the Postal Service by means of e-mail?
- b. If so, do you *attach* the electronic files for the direct mailing and the mailing list to an e-mail message? Do you paste the electronic direct mailing information and electronic mailing list information into an e-mail message? Please explain.
- c. Have you found that there is any incompatibility in the software you use to generate the direct mailing and mailing list and the software used by the Postal Service to receive and produce your mail. Please explain.
- d. Do you upload electronic files for the direct mail piece and the mailing lists to a Postal Service site on the Internet? Please explain.

**RESPONSE:**

- a. No, I upload them directly to a Web site.
- b. Not applicable.
- c. No.
- d. Yes, through a very easy-to-use step-by-step Web site.

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

**OCA/USPS-T8-7.** How did you learn to use Mailing Online?

- a. Did a Postal Service representative come to your place of business to work with you?
- b. Did you have consultations over the phone?
- c. Were you given written materials explaining how to use the service? If so, provide copies of any written explanatory materials.
- d. How long did it take you to become proficient in using Mailing Online?
- e. Please give a detailed explanation in responding to the 5 questions comprising this interrogatory.

**RESPONSE:**

As I stated in my testimony, I have an interest in technology and a capacity to master hi-tech tools. This interest and capacity enabled me to learn how to use Mailing Online in a short period of time.

- a. No.
- b. No.
- c. No.
- d. 30 minutes.
- e. See above.

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

**OCA/USPS-T8-8.** You state at page 3 that, prior to using Mailing Online, preparing your direct mailing required approximately 1 to 1 ½ days of your time. Did you ever consider having an outside entity prepare the mailing so as to avoid the drain on your time? If you did, why did you rule out that alternative?

**RESPONSE:**

I used to use a fulfillment service for larger mailings, but found them unreliable and not to my overall liking. As one can see from the relevant nature of my mailing to specific neighborhoods, the numbers are small, and it became easier to do them myself, up to 2000 pieces per mailing.

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

**OCA/USPS-T8-9.** On page 2 of your testimony you state that you have been using Mailing Online since June 3, 1998. However, on page 4, you state that you have been participating in the test for 4 months. Since your testimony was filed on July 15, 1998, this would not appear possible. Please reconcile these two statements.

**RESPONSE:**

I was under the impression that my testimony would be presented officially to the Commission in September and I was projecting ahead in my written testimony.

The statement on page 2 is correct.

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

**OCA/USPS-T8-10.** On page 4 you refer to the "tools provided by Mailing Online." Please describe the "tools" you are referring to.

**RESPONSE:**

I refer to the ability provided by Mailing Online to simplify the user's direct mail tasks and supply professional direct mail pieces in a cost-efficient manner.

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

**OCA/USPS-T-8-11.** On page 3 you state that the "people involved with Mailing Online...follow up dutifully" whenever you have a question about the service.

- a. Please state the names and positions of the "people" with whom you have had contact concerning Mailing Online.
- b. What methods are used by postal personnel to follow up on your questions, e.g., telephone, e-mail, mail, in-person visits, etc? Please explain in detail.

**RESPONSE:**

- a. I spoke to a variety of helpful people, including Ms. Holly Bodycoat, but I did not inquire as to each and every name and position during these conversations.
- b. Telephone and e-mail.

**DECLARATION**

I, Frank E. Campanelli, declare that If I were to answer these questions orally today, my answers would be the same.

Dated: \_\_\_\_\_

8/26/98A handwritten signature, likely of Frank E. Campanelli, is written over a horizontal line. The signature is stylized and cursive.



1 CHAIRMAN LeBLANC: Now, did we miss anything?

2 Does anybody know from the Postal Service?

3 [No response.]

4 CHAIRMAN LeBLANC: Okay. Thank you very much.

5 Mr. Reporter, Mr. Reiter is behind you there with  
6 the information.

7 Mr. Rubin, will you introduce our next witness,  
8 please?

9 MR. RUBIN: The Postal Service calls Michael K.  
10 Plunkett as its next witness.

11 Whereupon,

12 MICHAEL K. PLUNKETT,  
13 a witness, having been called for examination and, having  
14 been first duly sworn, was examined and testified as  
15 follows:

16 CHAIRMAN LeBLANC: Mr. Rubin.

17 DIRECT EXAMINATION

18 BY MR. RUBIN:

19 Q Mr. Plunkett, I have provided you with two copies  
20 of a document titled, "Direct Testimony of Michael K.  
21 Plunkett on Behalf of United States Postal Service." That  
22 is designated USPS-T-5. Was this testimony prepared by you?

23 A Yes, it was.

24 Q The testimony includes errata that were filed on  
25 August 10th. Do you have any other corrections to make?

1           A     Yes, I do. On pages -- on page 7, line 15; on  
2     page 8, line 2; and on page 9, line 11, there are references  
3     to Library Reference 2, MC 98-1, which indicate page 32 --  
4     I'm sorry, which indicate page 38. The correct page number  
5     reference would be 33 in all three instances.

6           Q     Thank you. Those changes have been marked in the  
7     copies you have. With those changes, if you were to testify  
8     orally today, would this be your testimony?

9           A     Yes, it would. Except I have one minor caveat.  
10    My testimony reflects cost information provided by Witness  
11    Seckar. Some of the numbers would be different if one used  
12    the actual printer contract prices that were filed in  
13    Library Reference 11. On Monday, in response to an OCA  
14    Interrogatory Number T-1 -- T-5-28, I provided a revised  
15    version of my Exhibit A using the printer contract prices.

16               In addition, on page 14, lines 3 through 7 of my  
17    testimony, those were written before the contract prices  
18    were settled. The main point in the paragraph, though, that  
19    Exhibit A provides an indicator of the fees customers would  
20    pay is still correct.

21               MR. RUBIN: Thank you. With that, I will provide  
22    the two copies of the Testimony of Michael K. Plunkett on  
23    Behalf of United States Postal Service to the reporter, and  
24    I ask that they be entered into evidence in this proceeding.

25               CHAIRMAN LeBLANC: Are there any objections? Mr.

1 Volner?

2 MR. VOLNER: No. When we come to the written  
3 cross, in light of the witness' statement, I have a question  
4 whether there were actually two interrogatories answered yes  
5 today, and with remarkable dispatch, considering the  
6 difficulty of the undertaking. But both Pitney Bowes and  
7 the OCA had requested an update on the fabled Exhibit A.

8 Are those interrogatories -- have those -- we  
9 didn't have an opportunity to designate those because it  
10 just happened yesterday. Are those in the packet?

11 MR. RICHARDSON: Mr. Presiding Officer, I was  
12 prepared to designate those myself at the appropriate time.

13 MR. VOLNER: It spares me the work.

14 MR. RICHARDSON: I might make a caveat, I was only  
15 going to designate the OCA-T-5-28 and not any others.

16 CHAIRMAN LeBLANC: Mr. Volner?

17 MR. VOLNER: That will serve.

18 CHAIRMAN LeBLANC: Any other objections?

19 [No response.]

20 CHAIRMAN LeBLANC: Hearing none, then the  
21 testimony and exhibits of Witness Plunkett are received into  
22 evidence. They will not be transcribed.

23 [Direct Testimony and Exhibits of  
24 Michael K. Plunkett, USPS-T-5, was  
25 received into evidence.]

1 CHAIRMAN LeBLANC: Mr. Richardson.

2 MR. RICHARDSON: Thank you, Mr. Presiding Officer.

3 We are providing for Witness Plunkett copies of  
4 OCA/USPS-T5-28, a response to interrogatory that was  
5 received after OCA's designation.

6 CROSS-EXAMINATION

7 BY MR. RICHARDSON:

8 Q And I would ask Witness Plunkett if these  
9 responses were prepared by you or under your direction?

10 A Yes, they were.

11 Q And if you were asked the same question today,  
12 would your answer be the same as appears therein?

13 A Yes, it would.

14 MR. RICHARDSON: I move the admission of  
15 OCA/USPS-T5-28 into evidence.

16 CHAIRMAN LeBLANC: Is there any objection?

17 [No response.]

18 CHAIRMAN LeBLANC: Mr. Plunkett, just to make sure  
19 we are clearing the air here, you examined all of the  
20 designated written cross-examination that was available in  
21 the hearing room today? You have made the changes that  
22 counsel referred to, is that correct?

23 THE WITNESS: Yes, that is correct.

24 CHAIRMAN LeBLANC: If these questions were asked  
25 of you orally today, would your answers be the same as those

1 you previously provided in writing?

2 THE WITNESS: Yes, they would.

3 CHAIRMAN LeBLANC: Including your responses that  
4 you just gave, is that correct?

5 THE WITNESS: Yes, that is correct.

6 CHAIRMAN LeBLANC: Then I will admit the  
7 designated written cross-examination into evidence and  
8 direct that it be transcribed into the record at this point.

9 [Designation of Written  
10 Cross-Examination of Michael K.  
11 Plunkett, OCA/USPS-T5-28, was  
12 received into evidence and  
13 transcribed into the record.]

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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS MICHAEL K. PLUNKETT  
(USPS-T5)

Party

Office of the Consumer Advocate

Interrogatories

DBP/USPS-T5-1-3

DFC/USPS-T5-1

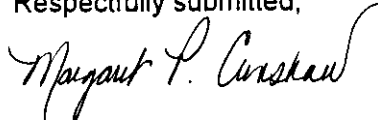
MASA/USPS-T5-1-7

MASA/USPS-T2-3c, 4a, 4b redirected to T5

NAA/USPS-T5-1-4

OCA/USPS-T5-1-2, 4a, 4e, 5-13, 15-27

Respectfully submitted,



Margaret P. Crenshaw  
Secretary

INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS MICHAEL K. PLUNKETT (T5)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory:</u>	<u>Designating Parties:</u>
DBP/USPS-T5-1	OCA
DBP/USPS-T5-2	OCA
DBP/USPS-T5-3	OCA
DFC/USPS-T5-1	OCA
MASA/USPS-T2-3c rd. to T5	OCA
MASA/USPS-T2-4a rd. to T5	OCA
MASA/USPS-T2-4b rd. to T5	OCA
MASA/USPS-T5-1	OCA
MASA/USPS-T5-2	OCA
MASA/USPS-T5-3	OCA
MASA/USPS-T5-4	OCA
MASA/USPS-T5-5	OCA
MASA/USPS-T5-6	OCA
MASA/USPS-T5-7	OCA
NAA/USPS-T5-1	OCA
NAA/USPS-T5-2	OCA
NAA/USPS-T5-3	OCA
NAA/USPS-T5-4	OCA
OCA/USPS-T5-1	OCA
OCA/USPS-T5-2	OCA
OCA/USPS-T5-4a	OCA
OCA/USPS-T5-4e	OCA
OCA/USPS-T5-5	OCA
OCA/USPS-T5-6	OCA
OCA/USPS-T5-7	OCA
OCA/USPS-T5-8	OCA

Interrogatory:

OCA/USPS-T5-9  
OCA/USPS-T5-10  
OCA/USPS-T5-11  
OCA/USPS-T5-12  
OCA/USPS-T5-13  
OCA/USPS-T5-15  
OCA/USPS-T5-16  
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OCA/USPS-T5-23  
OCA/USPS-T5-24  
OCA/USPS-T5-25  
OCA/USPS-T5-26  
OCA/USPS-T5-27

**Designating Parties:**

[illegible]



**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF DAVID B. POPKIN**

**DBP/USPS-T5-1**

- a. Confirm that you are proposing to utilize different rates for this service depending on the printing costs for the contractor that will be utilized.
- b. Confirm that there will be a 25% markup on whatever the contract calls for.
- c. Confirm that the higher the contract value, the greater the markup for the Postal Service.
- d. Explain any items that you are not able to confirm.

**DBP/USPS-T5-1 Response.**

- a. Confirmed that, during experimental Mailing Online service, pre-mailing service fees charged to a customer will depend on the specific printing contractor used. Postage rates will be the same for all customers.
- b. Confirmed that the Postal Service proposes a 25 percent markup on the printing and finishing charges established by contract.
- c-d. Not confirmed. The markup on printing costs is a constant 25 percent of actual printer costs.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF DAVID B. POPKIN**

**DBP/USPS-T5-2**

- a. Are there any other instances in the many categories of mail that may be utilized where the rates are different for different parts of the country or different category of mailer for the same item mailed in the same manner?
- b. If so, provide a complete listing.
- c. Confirm that your explanation for the justification of this cost plus markup concept in the proposed Docket on page 3 of your testimony could also apply to all of those various postal rates which are the same throughout the country.
- d. Fully explain if you are unable to confirm.
- e. Why do you feel that this Docket, and this Docket alone, requires such a deviation from standard countrywide pricing?

**DBP/USPS-T5-2 Response.**

a-b. Yes. Postage prices which vary by the level of service sought, or by geography are not unusual. While I am not an expert on the entire mail classification system, some examples are:

Rates which differ by the number of postal zones crossed or the distance from origin to destination. Zoned rates currently exist for (1) Priority Mail weighing more than five pounds; (2) Periodicals; (3) parcel post; and (4) bound printed matter.

Rates which differ by the type of mailer. In both the Periodicals and Standard Mail (A) rate schedules, qualified nonprofit organizations pay a lower rate for mailing a given item than mailers not eligible for the nonprofit designation.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF DAVID B. POPKIN**

c-e. Not confirmed. I am not proposing any changes in established ratemaking methods for the existing rate classes. In general, other postal rates are not based directly on contract costs, and do not vary much based on costs at the destination location (as opposed to transportation costs to the destination). As described in my testimony at pages 2-3, Mailing Online printer costs will vary across regions, and the flexibility provided by a preset markup will allow the Postal Service to signal customers correctly regarding the cost of printing and preparing the mailing. The use of a markup will also help fees reflect volatile paper costs. I am not aware of other postal services with costs that can be so closely tied to specific contracts and whose costs are so demonstrably volatile. The primary cost driver for other postal products generally is the Postal Service's own labor costs. Mailing Online is different because it is a limited program with clearly identifiable costs (specific printer contracts) which are readily separable from costs of other products, are expected to vary significantly by region, and are subject to change in ways that are different from other postal products. These features make the proposed pricing system appropriate for Mailing Online.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF DAVID B. POPKIN**

**DBP/USPS-T5-3**

- a. Confirm that the higher the contract price, the greater the markup of 25% will be to the Postal Service.
- b. If not, fully explain.
- c. What incentive does the Postal Service have to negotiate the lowest prices with the various printers?

**DBP/USPS-T5-3 Response.**

- a-b. Not confirmed. The markup on printing costs is a constant 25 percent of actual printer costs. However, if the contract price is higher, the number of dollars collected by the Postal Service through the fixed 25 percent markup will be greater.
- c. Each of the Mailing Online printing contracts will be awarded in compliance with the Postal Service's established procurement practices. These practices encourage the awarding of a contract to the offeror whose proposal offers the best value to the Postal Service, considering both the technical requirements of the contract and price. Part of the best value decision process includes ensuring that prices offered are fair and reasonable to the Postal Service, and ultimately, to its customers.

The implication of your question, that the Postal Service stands to gain by selecting a high cost provider, might have some validity for a company seeking to maximize short-term profit. However, that presumption is wrong for the Postal Service in at least two respects. First, the Postal Service

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF DAVID B. POPKIN**

operates under a break-even constraint. For a permanent service, this means any unanticipated "profits" or contributions to institutional costs from one classification would reduce contributions from other classifications at the time of the next rate adjustment. Therefore, any "profits" from markups on extra costs would be relatively short-lived. Second, driving up costs to yield a higher short-term "profit" may jeopardize the growth potential of the new product by producing an artificially high price.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES  
OF DOUGLAS F. CARLSON**

**DFC/USPS-T5-1.**

Please refer to your testimony at page 3, lines 14–17. Suppose a customer who lives in a “high-cost area” is using Mailing Online to send documents to a “low-cost area.” Suppose, further, that a Mailing Online printing contractor is located near this “low-cost area,” and this printing contractor experiences costs that are lower than the costs that the printers in this mailer’s local, “high-cost area” experience and incorporate into their prices.

a. Please explain why the Postal Service’s proposed pricing system would be any less “unfairly detrimental to existing providers of comparable services” in this example than a pricing system where prices were based on the higher average national costs.

b. Please confirm that the Postal Service’s proposed pricing system may, in this example, be *more* “unfairly detrimental to existing providers of comparable services” than a pricing system where prices were based on average national costs would be, since this mailer will face a lower price using this proposed pricing system than he would if the Postal Service used national average costs.

**DFC/USPS-T5-1 Response.**

a-b. Your hypothetical example posits a specific set of circumstances, whereas the pricing system proposed for Mailing Online is intended to be generally applicable. In general, for the reasons outlined in my testimony, the proposed markup is the best way to ensure that the prices charged for Mailing Online will be comparable to those charged by other printers. The expectation is that customers of Mailing Online will operate in markets that are primarily local. Given the testimony of witnesses Wilcox and Campanelli, this appears to be a reasonable assumption. As a result, the “existing providers of comparable services” are likely to be in the same area as the Mailing Online printer. Your hypothetical example, on the other hand, appears to present a customer who mails predominantly to recipients geographically distant from the hypothetical customer’s location. To the extent that such customers exist, it seems unlikely that they would comprise a large number of customers. While I would confirm

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES  
OF DOUGLAS F. CARLSON**

part (b) if those unusual circumstances were considered in isolation, I would note that use of an average national price would also generate examples of lower Mailing Online fees. For those examples, any detriment to existing providers would tend to be greater when an average national price is used.

I would also point out that, if discrepancies between average Postal Service prices and the prices of other providers were sufficiently large, the use of a national average may create other anomalies. For instance, because customers will be purchasing Mailing Online service through the Postal Service, the printing charges are effectively invisible to these customers. Thus, if an average price were used, printers who are considering bidding to provide services for Mailing Online would have less ability to send correct price signals to the users of the service. Moreover, if the Postal Service were to charge average prices in a low cost area, Mailing Online prices would likely be unattractive. Astute printers will recognize this incongruity and some may be reluctant to enter into agreements with the Postal Service, thus preventing the Postal Service and its customers from benefitting fully from competitive bidding. In the long term, moreover, an average price could shift volume predominantly into high cost areas where the Postal Service would have relatively low prices (at least until average costs adjust upward). The result of an average price would therefore be a service viable only in high cost areas. If, as is indicated by the testimony of witnesses Wilcox and Campanelli, Mailing Online customers tend to be small mailers with local customer bases, then customers of this type in low cost areas could effectively be denied access to the full range of benefits Mailing Online is designed to provide.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

**MASA/USPS-T5-1** Confirm that one of the bases for the assumption that long run mailings (defined for purposes of this interrogatory as mailings of 5000 pieces or more) will not be submitted using MOL is that such mailings would qualify for lower postage rates than those charged to MOL users.

**MASA/USPS-T5-1 Response.**

Not confirmed, though the supposition contained in the question may be accurate. Runs greater than 5000 pieces are not considered economically viable using the printing process that will be employed for Mailing Online.



**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

**MASA/USPS-T5-2.** Has the Postal Service given any consideration to making a wide range of rates available to MOL customers? If so, describe any such consideration in detail.

**MASA/USPS-T5-2 Response.**

I am not aware of any such consideration.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

**MASA/USPS-T5-3.** Describe in detail any factors that would prevent the Postal Service from charging postage to an MOU [sic] customer at the lowest rate for which the mailing would qualify if the customer had presented it to the Postal Service directly in hard copy. Assume for purposes of the question that the customer took advantage of all discounts that the mailing could have qualified for given its size, density and geographical distribution. Include in your answer any reasons of which you are aware that the Postal Service would be unlikely in the future to expand the MOL service or propose a new related service that would take advantage of this option.

**MASA/USPS-T5-3 Response.**

The conditions that govern the use of Mailing Online, including the qualification requirements and the available rates, will depend upon an approved Recommended Decision by the Commission. While this may impose no absolute limit on the ways that Mailing Online will be modified through a future Commission filing, I am unaware of any plans to incorporate the kinds of changes outlined in this interrogatory.

Since Mailing Online is designed for small mailers, charging postage based on each customer's portion of the batched Mailing Online mailing would tend to detract from the service by raising the postage for many customers. Charging postage to reflect each customer's portion of the batched Mailing Online mailing also would require separate determination of the presort for each portion of the mailing.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

**MASA/USPS-T5-4** If one were to assume that the MOL program consistently generated sufficient volume that the mail presented to the Post Office by contract printers consistently and predominantly qualified for a lower rate than is proposed in this docket, what, if anything, is to prevent the Postal Service from proposing a modification to MOL that would charge a lower rate of postage.

**MASA/USPS-T5-4 Response.**

Such a change would require preparation, approval, and litigation of a new

Commission case. See response to MASA/USPS-T5-3.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

**MASA/USPS-T5-5** Your testimony refers to the "convenience" of MOL and states that MOL "will generally allow next day entry at, or near, the point of destination, thereby providing Mailing Online customers faster delivery than they would otherwise receive" (at 16). Is it your testimony and belief that a MOL customer would be unable to achieve the same quality of service for his direct mail piece if he (i) presented the mailing in hard copy directly to the Postal service [sic]; or (ii) contracted with a lettershop to prepare and present his mailing to the Postal Service? Explain your answer in detail, including any data or source material upon which it is based.

**MASA/USPS-T5-5 Response.**

Customers could theoretically achieve next day entry at or near destination either by presenting hard copy mail pieces themselves, or by contracting with a lettershop. However, customers mailing to multiple geographic destinations would either have to make multiple trips to different Postal Service locations, or contract with letter shops in different locations to achieve the same results. Consequently, many customers are likely to find Mailing Online more convenient than either of these alternatives.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

**MASA/USPS-T5-6** Is it your view (referring to your testimony at page 18, line 20-21) that it is appropriate under the criteria established by the Postal Reorganization Act to charge a low markup over Postal Service costs in order to achieve market penetration for a new product? Explain your answer fully, including any factual or legal support for it.

**MASA/USPS-T5-6 Response.**

My view is that the 25 percent markup proposed for Mailing Online is appropriate. The reasons for this view can be found in my testimony. Building use among customers during the introduction of the product is just one factor I considered.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

**MASA/USPS-T5-7** Describe in detail all consideration that the Postal Service has given to the possibility that with respect to the 68% of projected MOL volume that consists of matter already being mailed, volume will be diverted from private businesses that now provide services in connection with such mailings (including, e.g., lettershops).

**MASA/USPS-T5-7 Response.**

I assume your question refers to the estimated 62 percent of projected Mailing Online volume that consists of matter already being mailed. Some of this volume may be diverted from private businesses. However, Mailing Online customers will be using the service for smaller mailings, and will not be able to receive most of the presorting discounts available to mailers who, either because they are mailing in sufficiently large quantities themselves, or because they consolidate their mailings with other customers through an intermediary such as a lettershop, qualify for larger postage discounts. Consequently, Mailing Online will tend to attract mail from customers who are currently preparing their own mailings. Mailing Online is expected to have only limited appeal to customers who are already using lettershop services, since these customers already qualify for presort discounts at least as large as the discount offered by Mailing Online. Mailing Online is designed to appeal to customers such as witnesses Wilcox and Campanelli, who are not currently lettershop customers

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REDIRECTED FROM WITNESS SECKAR**

**MASA/USPS-T2-3.** Confirm the following. In the event that you are unable to confirm, explain in detail why not.

c. In proposing the several postage options to be charged MOL customers, you have assumed that, as a result of the batching of different mailings by the contract printers, MOL mailings presented to the Post Office by the contract printers will generally meet the qualifications established in the DMM and the DMCS for the postage rates charged to the customer. If your answer is yes in whole or in part, describe in detail the studies, analyses or other bases you have for making this assumption.

**MASA/USPS-T2-3 Response.**

c. Confirmed. This assumption is based on the volume forecasts contained in USPS-LR-2/MC98-1. These forecasts indicate that, at full implementation, Mailing Online is expected to generate tens of thousands of pieces per printer per day on average. Thus it is expected that Mailing Online pieces will meet the aforementioned qualifications. There are currently no real-world data available to support that projection. The Postal Service intends to collect such data during the course of the proposed market test and experiment.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION,  
REDIRECTED FROM WITNESS SECKAR**

**MASA/USPS-T2-4**      Confirm that:

- a. for the so-called contractual printer components of MOL, a customer will be charged 125% of the price negotiated between the contractual printer and the Postal service.
- b. for the services rendered in connection with an MOL mailing, the contractual printer will be paid the contract price negotiated with the U.S. Postal Service, and the Postal Service will retain the markup of 25%.

**MASA/USPS-T2-4 Response.**

- a. Substantially confirmed. As proposed, the costs on which the Postal Service's fees will be based would also include 0.1 cent to cover the Postal Service's information systems costs.
- b. The Postal Service will retain the difference between the fee and the negotiated contract price. As discussed in part (a), this will be slightly more than 25 percent of the contract price.



**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES  
OF THE NEWSPAPER ASSOCIATION OF AMERICA**

**NAA/USPS-T5-1.**

Please refer to pages 2 to 3 and Exhibit 5E of your testimony. Will the printer contracts provide for differing unit costs depending upon the volume of pieces to be printed.

**NAA/USPS-T5-1 Response.**

No. The printing contract solicitation employs target volumes that printers can anticipate when preparing bids. See USPS-LR-5/MC98-1.

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OF THE NEWSPAPER ASSOCIATION OF AMERICA**

**NAA/USPS-T5-2.** Please refer to pages 2 to 3 and Exhibit 5E of your testimony. Assume that a prospective mailer indicates to the Postal Service that it would like to use the Mailing Online service, but only if it could obtain a lower unit charge from the printer than under the existing contracts. How would such a situation be handled? In your answer, please discuss whether the Postal Service would renegotiate the printer contract and on what terms.

**NAA/USPS-T5-2 Response.**

There are no plans to renegotiate printer contracts. The prospective mailer thus would have to decide whether to use Mailing Online at existing fees.

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OF THE NEWSPAPER ASSOCIATION OF AMERICA**

**NAA/USPS-T5-3.** Please refer to interrogatory NAA/USPS-T5-2. If the Postal Service renegotiated the printer contract, would it do so on a "per job" basis that makes arrangements for particular jobs only, or would it renegotiate the entire contract on a "going forward" basis by which the same rate would be available to all mailers regardless of the job.

**NAA/USPS-T5-3 Response.**

Not applicable. See response to NAA/USPS-T5-2.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES  
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**NAA/USPS-T5-4.** This question refers to your proposed markup of the actual printer costs.

a. Please confirm that a constant percentage markup cause [sic] the sender of a mailing that uses more costly paper to make a larger unit contribution than the sender of a mailing that uses less costly paper. If you cannot confirm, please explain why not.

b. Did you consider marking up the actual printer costs by a constant unit contribution per piece rather than a percentage markup? If yes, why did you reject this option? If not, why not?

**NAA/USPS-T5-4 Response.**

- a. Confirmed, though it should be pointed out that for planned Mailing Online contracts, printers will be required to use a standard weight paper, with the only difference in paper cost arising from different sheet sizes.
- b. Yes. Given the number of options available to customers, there exists the possibility for a wide range of unit costs. For example, the unit cost of a 30 page color document will be far greater than the unit cost of a single page black and white document. Use of a unit contribution per piece, which would presumably be based on a projected average, would create apparently anomalous prices for documents with such widely divergent cost characteristics. Moreover, the expected variation in printer costs based on local conditions argues against application of a unit contribution in much the same way.

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OF THE OFFICE OF THE CONSUMER ADVOCATE

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-T5-1 Response.

a-b. Please refer to USPS-LR-5/MC98-1.

- c. Not confirmed. As discussed in my testimony, the Postal Service proposes to use the contract that will be awarded in the next 30 days as the basis for determining the fees during the market test. The contract costs will be the Mailing Online printing costs during the market test, unless additional contracts are implemented during the market test.

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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-T5-2 Response.

My understanding is that the Postal Service complies with this section of the Act by offering First-Class Mail. Other classes and services do not need to have uniform rates and fees. I would note that Mailing Online fees for a given customer order will be the same regardless of that customer's physical location.

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**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-T5-4 Response.**

- a. Costs in this instance refers to the costs described in the testimony of witness Seckar (USPS-T-2).
- b. Redirected to witness Seckar.
- c. Redirected to witness Seckar.
- d. Redirected to witness Seckar.
- e. I am using the years 1999 and 2000 to reflect the Year 1 and Year 2 market from USPS-LR-2/MC98-1 research volumes underlying the numbers in Exhibit B. My understanding is that the market research estimated volumes based on the time elapsed after introduction of the product. The application of year numbers reflects conformity with convention rather than a precise estimate of when volumes will be

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TS-4 (cont'd)

realized. The period to which the years apply (e.g. calendar or fiscal year) depends on when Mailing Online fees are implemented.

f. Redirected to witness Seckar.



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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-T5-5 Response.

- a. Origin in this case refers to the physical location of a Mailing Online customer, where it is assumed any mail pieces would be entered if Mailing Online were unavailable.
- b. As explained in the testimony of witness Garvey (USPS-T-1, p. 2, lines 11-12), when fully implemented Mailing Online will utilize approximately 25 printers at geographic locations throughout the United States. The geographic dispersion of printing facilities is expected to allow entry of mail at or near its intended destination.
- c. The operations test currently underway is intended to test the document handling capabilities of the Mailing Online system. Accordingly, no attempt to collect this information has been made.
- d-e. As explained in Appendix A to witness Garvey's testimony, this information will be the focus of the Postal Service's data collection efforts during the proposed experiment. No estimates of this kind are currently available.

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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-T5-6 Response.

a-c. The Postal Service has not developed these estimates. Moreover, these questions assume that Mailing Online will siphon existing business from printing and document preparation businesses, a proposition unsupported by current evidence, and which the Postal Service believes to be substantially false. However, data collected during the experiment should shed further light on this question. USPS-T-1, Appendix A, at 3. I would also note that the support for Mailing Online embodied in the testimony of

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TS-6 (cont'd)

witness Hamm (UDPS-T-6) suggests that printers will benefit from Mailing Online service.

- d. The Postal Service has not asked for disclosure of profit levels from interested bidders. See USPS-LR-5/MC98-1. Instead, the chosen procurement approach leaves management of the printing aspect of Mailing Online to professionals in that business.
- e. Mailing Online is expected to increase the total volume of mail whose entry is initiated using the internet. See USPS-T-1, at 8-9, and the testimony of witness Hamm (USPS-T-6).
- f. Confirmed that a net benefit may accrue; however, this question implicitly asserts that printing and document preparation businesses will be "net losers" by relying on several dubious assumptions. First is the inherent assumption that customers would have mailed as much without Mailing Online as with it. As discussed in my testimony (p. 9, lines 14-19), many of the documents projected to be sent via Mailing Online would presumably not be mailed if Mailing Online were unavailable. The testimonies of witnesses Wilcox (USPS-T-7) and Campanelli (USPS-T-8) illustrate the difficulties faced by small businesses in developing and entering the smaller mailings targeted by Mailing Online, and that the attraction of Mailing Online is found more in convenience than price. Equally questionable is the inherent assumption that Mailing Online customers would, in its absence, seek out private printing firms to produce their mailings. In addition, witness Hamm maintains that the Postal Service's proposal is clearly in the interests of the printing industry.

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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-T5-7 Response.

Confirmed.

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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-T5-8 Response.

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

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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-T5-9 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. Confirmed.

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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-T5-10 Response.

- a. Not confirmed. In errata filed July 23, 1998, this number was changed to \$2,283,697.
- b. Partially confirmed. Some of these costs have yet to be incurred.
- c. Please refer to my testimony, page 6, lines 11-15.
- d. Not confirmed. See response to part c. Moreover, the implication of the question, that fixed information systems costs will be treated as ongoing institutional costs of the Postal Service, conflicts with the cost estimates presented by witness Seckar. According to him, these costs are incurred only during the first two years that Mailing Online is expected to operate, and thus are more akin to startup costs than institutional costs.

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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-T5-11 Response.

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



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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-T5-12 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. Confirmed.

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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.

OCA/USPS-T5-13 Response.

- a. Confirmed.
- b. Confirmed.

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**OCA/USPS-T5-15.** Please refer to USPS-T-5, Exhibit B.

- a. For 1999, please confirm that you assumed all "Letter Size Pieces" (260,096,523) and all "Flat Size Pieces" (35,528,936) will be mailed in envelopes. If you do not confirm, please explain.
- b. Please explain the difference between the "Total Envelopes" of 295,635,459 (260,096,523+35,528,936) and the "Total Pieces" of 295,665,025 in USPS-T-2, Exhibit A, Table 4, line (1).

**OCA/USPS-T5-15 Response.**

a-b. Confirmed that I assumed all pieces will be mailed in envelopes. However, the number of letter size pieces should be 250,313,062 and the number of flat size pieces should be 45,351,960. See my revised Exhibit B, which is attached to my response to OCA-T5-16.

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**OCA/USPS-T5-16.** Please refer to USPS-T-5, Exhibit B, page 1.

- a. For 1999, please confirm that the figure \$39,648,674, "Impression Costs," was derived from the following formula:

=+'A:\Mailing Online\pwm3.xls]Impression Costs'!D\$36-'A:\Mailing Online\pwm3.xls]Impression Costs'!D\$13-'A:\Mailing Online\pwm3.xls]Impression Costs'!D\$23-'A:\Mailing Online\pwm3.xls]Impression Costs'!D\$33

If you do not confirm, please explain.

- b. Please confirm that the formula in part (a) of this interrogatory refers to the file "pwm3.xls" that is located on a 3.5 inch diskette and can be accessed only from the A: drive of a computer. If you do not confirm, please explain.
- c. For 1999, please confirm that the figure 974,425,779, "Pages printed on 8.5x11 paper," was derived from the following formula:

=+'A:\Mailing Online\MOL7\_13.xls]Volumes'!D\$57+'A:\Mailing Online\MOL7\_13.xls]Volumes'!D\$90

If you do not confirm, please explain.

- d. Please confirm that the formula in part (c) of this interrogatory refers to the file "MOL7\_13.xls" that is located on a 3.5 inch diskette and can be accessed only from the A: drive of a computer. If you do not confirm, please explain.
- e. Please confirm that the figure \$44,258, transportation costs for "First-Class letters," is derived from the following formula:

=+D17\*'A:\Mailing Online\pwm3.xls]Transportation Costs'!E\$186\*'P:\PRICING\MOnline\RSRCHVOL.xls]1999 projections'!B\$6/'P:\PRICING\MOnline\RSRCHVOL.XLS]1999 projections'!B\$5

If you do not confirm, please explain.

- f. Please confirm that the formula in part (e) of this interrogatory refers to the file "RSRCHVOL.XLS," that is located on the p: drive of a computer. If you do not confirm, please explain.
- g. Please provide electronic versions of your exhibits (i.e., Excel files) that contain the cell formulas referencing files on the A: drive only.

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- h. Please provide a 3.5 inch diskette containing all files referenced in the Excel spreadsheets requested in part (g) of this interrogatory.

**OCA/USPS-T5-16 Response.**

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. Confirmed.
- f. Confirmed.

g-h. The formulas referred to in parts (a), (c), and (e) of this interrogatory referenced a preliminary version of witness Seckar's Exhibit A and witness Rothschild's library reference. My revised Exhibit B (filed August 10) references the final version of witness Seckar's Exhibit A and corrects inadvertent errors in my Exhibit B. The revised Exhibit B, along with documentation, is attached , and is being provided on a 3.5 inch diskette as library reference MC98-1/8.

## Exhibit B, Page 1

Revised August 10, 1998

## Revenues Including Variable Information Systems Costs

	1999	2000	2001	2002	2003	Total 1999-2000
Impression Costs	42,978,544	73,961,247	112,124,418	153,987,653	184,275,480	\$ 116,939,790
<b>Paper Costs</b>						
Pages printed on 8.5x11 paper	974,425,778	1,700,634,620	2,651,498,717	3,716,985,760	4,341,778,237	2,675,060,398
Cost	\$ 4,762,993	\$ 8,578,708	\$ 13,696,269	\$ 19,680,024	\$ 23,562,763	\$ 13,341,702
Pages printed on 8.5x14 paper	108,818,496	189,917,493	296,104,750	415,092,464	484,865,842	298,735,989
Cost	\$ 580,568	\$ 1,045,672	\$ 1,669,459	\$ 2,398,828	\$ 2,872,101	\$ 1,626,240
Pages printed on 11x17 paper	152,049,453	265,367,121	413,740,007	579,998,665	677,491,318	417,416,574
Cost	\$ 1,552,851	\$ 2,796,866	\$ 4,465,314	\$ 6,416,162	\$ 7,682,029	\$ 4,349,717
Total Pages	1,235,293,727	2,155,919,234	3,361,343,474	4,712,076,889	5,504,135,397	3,391,212,961
Total Paper Cost	6,896,412	12,421,246	19,831,042	28,495,014	34,116,893	19,317,658
<b>Envelope Costs</b>						
Letter Size Pieces	250,313,062	436,863,503	681,123,977	954,829,097	1,115,327,435	687,176,565
Cost	\$ 6,820,530	\$ 12,284,574	\$ 19,612,839	\$ 28,181,480	\$ 33,741,501	\$ 19,105,104
Flat Size Pieces	45,351,960	79,151,348	123,406,696	172,996,852	202,076,094	124,503,308
Cost	\$ 2,122,000	\$ 3,821,971	\$ 6,101,937	\$ 8,767,808	\$ 10,497,640	\$ 5,943,971
Total Envelopes	295,665,022	516,014,851	804,530,673	1,127,825,949	1,317,403,529	811,679,873
Total Cost	\$ 8,942,530	\$ 16,106,544	\$ 25,714,775	\$ 36,949,288	\$ 44,239,141	\$ 25,049,075
Subtotal Paper & Envelope Co	\$ 15,838,943	\$ 28,527,790	\$ 45,545,817	\$ 65,444,302	\$ 78,356,034	\$ 44,366,733
<b>Transportation Costs</b>						
First-Class letters	\$ 42,594	\$ 73,423	\$ 109,487	\$ 111,020	\$ 112,574	\$ 116,017
First-Class flats	\$ 11,717	\$ 20,198	\$ 30,118	\$ 30,540	\$ 30,968	\$ 31,915
Standard (A) letters	\$ 207,925	\$ 358,421	\$ 534,470	\$ 541,952	\$ 549,540	\$ 566,347
Standard (A) flats	\$ 496,104	\$ 855,185	\$ 1,275,231	\$ 1,293,084	\$ 1,311,188	\$ 1,351,289
Subtotal Transportation Costs	\$ 758,340	\$ 1,307,227	\$ 1,949,306	\$ 1,976,596	\$ 2,004,269	\$ 2,065,567
Total Costs	\$ 59,575,827	\$ 103,796,264	\$ 159,619,541	\$ 221,408,551	\$ 264,635,782	\$ 163,372,091
Revenue @ 25% Markup	\$ 74,469,783	\$ 129,745,330	\$ 199,524,426	\$ 276,760,689	\$ 330,794,727	\$ 204,215,113

## Revenues Excluding Variable Information Systems Costs

	1999	2000	2001	2002	2003	Total 1999-2000
Impression Costs less USPS Variable Costs	41,419,920	71,928,732	109,451,834	151,488,535	181,777,811	\$ 113,348,651
<b>Paper Costs</b>						
Pages printed on 8.5x11 paper	974,425,778	1,700,634,620	2,651,498,717	3,716,985,760	4,341,778,237	2,675,060,398
Cost	\$ 4,762,993	\$ 8,578,708	\$ 13,696,269	\$ 19,680,024	\$ 23,562,763	\$ 13,341,702
Pages printed on 8.5x14 paper	108,818,496	189,917,493	296,104,750	415,092,464	484,865,842	298,735,989
Cost	\$ 580,568	\$ 1,045,672	\$ 1,669,459	\$ 2,398,828	\$ 2,872,101	\$ 1,626,240
Pages printed on 11x17 paper	152,049,453	265,367,121	413,740,007	579,998,665	677,491,318	417,416,574
Cost	\$ 1,552,851	\$ 2,796,866	\$ 4,465,314	\$ 6,416,162	\$ 7,682,029	\$ 4,349,717
Total Pages	1,235,293,727	2,155,919,234	3,361,343,474	4,712,076,889	5,504,135,397	3,391,212,961
Total Paper Cost	6,896,412	12,421,246	19,831,042	28,495,014	34,116,893	19,317,658
<b>Envelope Costs</b>						
Letter Size Pieces	250,313,062	436,863,503	681,123,977	954,829,097	1,115,327,435	687,176,565
Cost	\$ 6,820,530	\$ 12,284,574	\$ 19,612,839	\$ 28,181,480	\$ 33,741,501	\$ 19,105,104
Flat Size Pieces	45,351,960	79,151,348	123,406,696	172,996,852	202,076,094	124,503,308
Cost	\$ 2,122,000	\$ 3,821,971	\$ 6,101,937	\$ 8,767,808	\$ 10,497,640	\$ 5,943,971
Total Envelopes	295,665,022	516,014,851	804,530,673	1,127,825,949	1,317,403,529	811,679,873
Total Cost	\$ 8,942,530	\$ 16,106,544	\$ 25,714,775	\$ 36,949,288	\$ 44,239,141	\$ 25,049,075
Subtotal Paper & Envelope Cost	\$ 15,838,943	\$ 28,527,790	\$ 45,545,817	\$ 65,444,302	\$ 78,356,034	\$ 44,366,733
<b>Transportation Costs</b>						
First-Class letters	\$ 42,594	\$ 73,423	\$ 109,487	\$ 111,020	\$ 112,574	\$ 116,017
First-Class flats	\$ 11,717	\$ 20,198	\$ 30,118	\$ 30,540	\$ 30,968	\$ 31,915
Standard (A) letters	\$ 207,925	\$ 358,421	\$ 534,470	\$ 541,952	\$ 549,540	\$ 566,347
Standard (A) flats	\$ 496,104	\$ 855,185	\$ 1,275,231	\$ 1,293,084	\$ 1,311,188	\$ 1,351,289
Subtotal Transportation Costs	\$ 758,340	\$ 1,307,227	\$ 1,949,306	\$ 1,976,596	\$ 2,004,269	\$ 2,065,567
Total Costs	\$ 58,017,203	\$ 101,763,749	\$ 156,946,957	\$ 218,909,433	\$ 262,138,113	\$ 159,780,952
Revenue @ 25% Markup	\$ 72,521,503	\$ 127,204,686	\$ 196,183,696	\$ 273,636,792	\$ 327,672,641	\$ 199,726,189

## Revenues Including Variable Information Systems Costs

	Note	1999	2000	2001	2002	2003
<b>Impression Costs</b>						
(a) Total Impression Costs	USPS T-2A page 1 line 25 Rev. 7/23/98	\$ 43,810,410	\$ 75,413,077	\$ 112,124,418	\$ 153,987,653	\$ 184,275,480
(b) Fixed Info Systems Costs (BW, 8.5x11 & 8.5x14)	USPS T-2A page 1 line 7 Rev 7/23/98	\$ 379,097	\$ 661,626	\$ -	\$ -	\$ -
(c) Fixed Info Systems Costs (BW, 11x17)	USPS T-2A page 1 line 15 Rev 7/23/98	\$ 106,424	\$ 185,738	\$ -	\$ -	\$ -
(d) Fixed Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	USPS T-2A page 1 line 23 Rev 7/23/98	\$ 346,346	\$ 604,466	\$ -	\$ -	\$ -
(e) <b>Total Impression Costs excl. fixed info systems costs</b>	=(a) - (b) - (c) - (d)	\$ 42,978,544	\$ 73,961,247	\$ 112,124,418	\$ 153,987,653	\$ 184,275,480
<b>Paper Costs</b>						
(f) 8.5x11 B&W pages	USPS T-2A page 9 line 45	541,001,192	944,192,341	1,472,112,088	2,063,670,494	2,410,555,277
(g) 8.5x11 Spot Color pages	USPS T-2A page 10 line 71	433,424,586	756,442,279	1,179,386,629	1,653,315,266	1,931,222,960
(h) Pages printed on 8.5x11 paper	=(f) + (g)	974,425,778	1,700,634,620	2,651,498,717	3,716,985,760	4,341,778,237
(i) 8.5x11 paper - Price per piece	USPS T-2A page 28	\$ 0.0049	\$ 0.0050	\$ 0.0052	\$ 0.0053	\$ 0.0054
(j) 8.5x11 paper - Total cost	=(h) * (i)	\$ 4,762,993	\$ 8,578,708	\$ 13,696,269	\$ 19,680,024	\$ 23,562,763
(k) 8.5x14 B&W pages	USPS T-2A page 9 line 49	60,416,029	105,442,192	164,397,357	230,459,336	269,197,515
(l) 8.5x14 Spot Color pages	USPS T-2A page 10 line 75	48,402,467	84,475,301	131,707,393	184,633,128	215,668,327
(m) Pages printed on 8.5x14 paper	=(k) + (l)	108,818,496	189,917,493	296,104,750	415,092,464	484,865,842
(n) 8.5x14 paper - Price per piece	USPS T-2A page 28	\$ 0.0053	\$ 0.0055	\$ 0.0056	\$ 0.0058	\$ 0.0059
(o) 8.5x14 paper - Total cost	=(m) * (n)	\$ 580,568	\$ 1,045,672	\$ 1,669,459	\$ 2,398,828	\$ 2,872,101
(p) 11x17 B&W pages	USPS T-2A page 9 line 53	84,417,856	147,331,826	229,708,452	322,015,259	376,143,180
(q) 11x17 Spot Color pages	USPS T-2A page 10 line 79	67,631,597	118,035,295	184,031,555	257,983,406	301,348,138
(r) Pages printed on 11x17 paper	=(p) + (q)	152,049,453	265,367,121	413,740,007	579,998,665	677,491,318
(s) 11x17 paper - Price per piece	USPS T-2A page 28	\$ 0.0102	\$ 0.0105	\$ 0.0108	\$ 0.0111	\$ 0.0113
(t) 11x17 paper - Total cost	=(r) * (s)	\$ 1,552,851	\$ 2,796,866	\$ 4,465,314	\$ 6,416,162	\$ 7,682,029
(u) <b>Total Pages</b>	=(h) + (m) + (r)	1,235,293,727	2,155,919,234	3,361,343,474	4,712,076,889	5,504,135,397
(v) <b>Total Paper Cost</b>	=(j) + (o) + (t)	\$ 6,896,412	\$ 12,421,246	\$ 19,831,042	\$ 28,495,014	\$ 34,116,893
<b>Envelope Costs</b>						
(w) First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	211,352,770	296,283,469	346,086,103
(x) Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	469,771,207	658,545,628	769,241,332
(y) Total letter size pieces	=(w) + (x)	250,313,062	436,863,503	681,123,977	954,829,097	1,115,327,435
(z) # 10 Envelope no window and logo - Price per piece	USPS T-2A page 28	\$ 0.0272	\$ 0.0281	\$ 0.0288	\$ 0.0295	\$ 0.0303
(aa) Envelope Costs - letter size pieces	=(y) * (z)	\$ 6,820,530	\$ 12,284,574	\$ 19,612,839	\$ 28,181,480	\$ 33,741,501
(bb) First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,293,098	53,680,923	62,704,212
(cc) Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,113,598	119,315,929	139,371,882
(dd) Total flat size pieces	=(bb) + (cc)	45,351,960	79,151,348	123,406,696	172,996,852	202,076,094
(ee) Flat sized envelope no window and no logo - Price per piece	USPS T-2A page 28	\$ 0.0468	\$ 0.0483	\$ 0.0494	\$ 0.0507	\$ 0.0519
(ff) Envelope Costs - flat size pieces	=(dd) * (ee)	\$ 2,122,000	\$ 3,821,971	\$ 6,101,937	\$ 8,767,808	\$ 10,497,640
(gg) <b>Total Envelopes</b>	=(y) + (dd)	295,665,022	516,014,851	804,530,673	1,127,825,949	1,317,403,529
(hh) <b>Total Envelope Cost</b>	=(aa) + (ff)	\$ 8,942,530	\$ 16,106,544	\$ 25,714,775	\$ 36,949,288	\$ 44,239,141



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(continued)

<b><u>Transportation Costs</u></b>							
(ii) First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	211,352,770	296,283,469	346,086,103	
(jj) First-Class Letters - Transportation cost per piece	USPS T-2A page 7 line 140	\$ 0.00055	\$ 0.00054	\$ 0.00052	\$ 0.00037	\$ 0.00033	
(kk) Total First-Class letter transportation costs	=(ii) * (jj)	\$ 42,594	\$ 73,423	\$ 109,487	\$ 111,020	\$ 112,574	
(ll) First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,293,098	53,680,923	62,704,212	
(mm) First-Class flats - Transportation cost per piece	USPS T-2A page 7 line 141	\$ 0.00083	\$ 0.00082	\$ 0.00079	\$ 0.00057	\$ 0.00049	
(nn) Total First-Class flats letter transportation costs	=(ll) * (mm)	\$ 11,717	\$ 20,198	\$ 30,118	\$ 30,540	\$ 30,968	
(oo) Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	469,771,207	658,545,628	769,241,332	
(pp) Standard Mail (A) Letters - Transportation cost per piece	USPS T-2A page 7 line 142	\$ 0.00120	\$ 0.00119	\$ 0.00114	\$ 0.00082	\$ 0.00071	
(qq) Total Standard Mail (A) letter transportation costs	=(oo) * (pp)	\$ 207,925	\$ 358,421	\$ 534,470	\$ 541,952	\$ 549,540	
(rr) Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,113,598	119,315,929	139,371,882	
(ss) Standard Mail (A) flats - Transportation cost per piece	USPS T-2A page 7 line 143	\$ 0.01586	\$ 0.01567	\$ 0.01498	\$ 0.01084	\$ 0.00941	
(tt) Total Standard Mail (A) flat transportation costs	=(rr) * (ss)	\$ 496,104	\$ 855,185	\$ 1,275,231	\$ 1,293,084	\$ 1,311,188	
(uu) <b><u>Total Transportation Costs</u></b>	=(kk) + (nn) + (qq) + (tt)	\$ 758,340	\$ 1,307,227	\$ 1,949,306	\$ 1,976,596	\$ 2,004,269	
(vv) <b><u>Total Printing and Transportation Costs</u></b>	=(e) + (v) + (hh) + (uu)	\$ 59,575,827	\$ 103,796,264	\$ 159,619,541	\$ 221,408,551	\$ 264,635,782	
(xx) 25% Markup on printing and transportation costs	=(vv) * 25%	\$ 14,893,957	\$ 25,949,066	\$ 39,904,885	\$ 55,352,138	\$ 66,158,945	
(yy) <b><u>Total Revenue Including Markup</u></b>	=(vv) + (xx)	\$ 74,469,783	\$ 129,745,330	\$ 199,524,426	\$ 276,760,689	\$ 330,794,727	

## Revenues Including Variable Information Systems Costs

	Note	1999	2000	2001	2002	2003
<b>Impression Costs</b>						
(a) Total Impression Costs	USPS T-2A page 1 line 25 Rev. 7/23/98	\$ 43,810,410	\$ 75,413,077	\$ 112,124,418	\$ 153,987,653	\$ 184,275,480
(b) Fixed Info Systems Costs (BW, 8.5x11 & 8.5x14)	USPS T-2A page 1 line 7 Rev 7/23/98	\$ 379,097	\$ 661,626	\$ -	\$ -	\$ -
(c) Fixed Info Systems Costs (BW, 11x17)	USPS T-2A page 1 line 15 Rev 7/23/98	\$ 106,424	\$ 185,738	\$ -	\$ -	\$ -
(d) Fixed Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	USPS T-2A page 1 line 23 Rev 7/23/98	\$ 346,346	\$ 604,466	\$ -	\$ -	\$ -
(e) Variable Info Systems Costs (BW, 8.5x11 & 8.5x14)	USPS T-2A page 1 line 6 Rev 7/23/98	\$ 710,294	\$ 926,255	\$ 1,217,946	\$ 1,138,895	\$ 1,138,234
(f) Variable Info Systems Costs (BW, 11x17)	USPS T-2A page 1 line 14 Rev 7/23/98	\$ 199,401	\$ 260,027	\$ 341,914	\$ 319,722	\$ 319,536
(g) Variable Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	USPS T-2A page 1 line 22 Rev 7/23/98	\$ 648,929	\$ 846,233	\$ 1,112,724	\$ 1,040,502	\$ 1,039,898
(h) <u>Total Impression Costs excl. info systems costs</u>	=(a) - (b) - (c) - (d) - (e) - (f) - (g)	\$ 41,419,920	\$ 71,928,732	\$ 109,451,834	\$ 151,488,535	\$ 181,777,811
<b>Paper Costs</b>						
(i) 8.5x11 B&W pages	USPS T-2A page 9 line 45	541,001,192	944,192,341	1,472,112,088	2,063,670,494	2,410,555,277
(j) 8.5x11 Spot Color pages	USPS T-2A page 10 line 71	433,424,586	756,442,279	1,179,386,629	1,653,315,266	1,931,222,960
(k) Pages printed on 8.5x11 paper	=(i) + (j)	974,425,778	1,700,634,620	2,651,498,717	3,716,985,760	4,341,778,237
(l) 8.5x11 paper - Price per piece	USPS T-2A page 28	\$ 0.0049	\$ 0.0050	\$ 0.0052	\$ 0.0053	\$ 0.0054
(m) 8.5x11 paper - Total cost	=(k) * (l)	\$ 4,762,993	\$ 8,578,708	\$ 13,696,269	\$ 19,680,024	\$ 23,562,763
(n) 8.5x14 B&W pages	USPS T-2A page 9 line 49	60,416,029	105,442,192	164,397,357	230,459,336	269,197,515
(o) 8.5x14 Spot Color pages	USPS T-2A page 10 line 75	48,402,467	84,475,301	131,707,393	184,633,128	215,668,327
(p) Pages printed on 8.5x14 paper	=(n) + (o)	108,818,496	189,917,493	296,104,750	415,092,464	484,865,842
(q) 8.5x14 paper - Price per piece	USPS T-2A page 28	\$ 0.0053	\$ 0.0055	\$ 0.0056	\$ 0.0058	\$ 0.0059
(r) 8.5x14 paper - Total cost	=(p) * (q)	\$ 580,568	\$ 1,045,672	\$ 1,669,459	\$ 2,398,828	\$ 2,872,101
(s) 11x17 B&W pages	USPS T-2A page 9 line 53	84,417,856	147,331,826	229,708,452	322,015,259	376,143,180
(t) 11x17 Spot Color pages	USPS T-2A page 10 line 79	67,631,597	118,035,295	184,031,555	257,983,406	301,348,138
(u) Pages printed on 11x17 paper	=(s) + (t)	152,049,453	265,367,121	413,740,007	579,998,665	677,491,318
(v) 11x17 paper - Price per piece	USPS T-2A page 28	\$ 0.0102	\$ 0.0105	\$ 0.0108	\$ 0.0111	\$ 0.0113
(w) 11x17 paper - Total cost	=(u) * (v)	\$ 1,552,851	\$ 2,796,866	\$ 4,465,314	\$ 6,416,162	\$ 7,682,029
(x) Total Pages	=(k) + (p) + (u)	1,235,293,727	2,155,919,234	3,361,343,474	4,712,076,889	5,504,135,397
(y) <u>Total Paper Cost</u>	=(m) + (r) + (w)	\$ 6,896,412	\$ 12,421,246	\$ 19,831,042	\$ 28,495,014	\$ 34,116,893
<b>Envelope Costs</b>						
(z) First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	211,352,770	298,283,469	346,086,103
(aa) Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	469,771,207	658,545,628	769,241,332
(bb) Total letter size pieces	=(z) + (aa)	250,313,062	436,863,503	681,123,977	954,829,097	1,115,327,435
(cc) # 10 Envelope no window and logo - Price per piece	USPS T-2A page 28	\$ 0.0272	\$ 0.0281	\$ 0.0288	\$ 0.0295	\$ 0.0303
(dd) Envelope Costs - letter size pieces	=(bb) * (cc)	\$ 6,820,530	\$ 12,284,574	\$ 19,612,839	\$ 28,181,480	\$ 33,741,501
(ee) First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,293,098	53,680,923	62,704,212
(ff) Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,113,598	119,315,929	139,371,882
(gg) Total flat size pieces	=(ee) + (ff)	45,351,960	79,151,348	123,406,696	172,996,852	202,076,094
(hh) Flat sized envelope no window and no logo - Price per piece	USPS T-2A page 28	\$ 0.0468	\$ 0.0483	\$ 0.0494	\$ 0.0507	\$ 0.0519
(ii) Envelope Costs - flat size pieces	=(gg) * (hh)	\$ 2,122,000	\$ 3,821,971	\$ 6,101,937	\$ 8,767,808	\$ 10,497,640
(jj) Total Envelopes	=(bb) + (gg)	295,665,022	516,014,851	804,530,673	1,127,825,949	1,317,403,529
(kk) <u>Total Envelope Cost</u>	=(dd) + (ii)	\$ 8,942,530	\$ 16,106,544	\$ 25,714,775	\$ 36,949,288	\$ 44,239,141

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(cont.)

<b><u>Transportation Costs</u></b>							
(ll) First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	211,352,770	296,283,469	346,086,103	
(mm) First-Class Letters - Transportation cost per piece	USPS T-2A page 7 line 140	\$ 0.00055	\$ 0.00054	\$ 0.00052	\$ 0.00037	\$ 0.00033	
(nn) Total First-Class letter transportation costs	=(ll) * (mm)	\$ 42,594	\$ 73,423	\$ 109,487	\$ 111,020	\$ 112,574	
(oo) First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,293,098	53,680,923	62,704,212	
(pp) First-Class flats - Transportation cost per piece	USPS T-2A page 7 line 141	\$ 0.00083	\$ 0.00082	\$ 0.00079	\$ 0.00057	\$ 0.00049	
(qq) Total First-Class flats letter transportation costs	=(oo) * (pp)	\$ 11,717	\$ 20,198	\$ 30,118	\$ 30,540	\$ 30,968	
(rr) Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	469,771,207	658,545,628	769,241,332	
(ss) Standard Mail (A) Letters - Transportation cost per piece	USPS T-2A page 7 line 142	\$ 0.00120	\$ 0.00119	\$ 0.00114	\$ 0.00082	\$ 0.00071	
(tt) Total Standard Mail (A) letter transportation costs	=(rr) * (ss)	\$ 207,925	\$ 358,421	\$ 534,470	\$ 541,952	\$ 549,540	
(uu) Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,113,598	119,315,929	139,371,882	
(vv) Standard Mail (A) flats - Transportation cost per piece	USPS T-2A page 7 line 143	\$ 0.01586	\$ 0.01567	\$ 0.01498	\$ 0.01084	\$ 0.00941	
(xx) Total Standard Mail (A) flat transportation costs	=(uu) * (vv)	\$ 496,104	\$ 855,185	\$ 1,275,231	\$ 1,293,084	\$ 1,311,188	
(yy) <b><u>Total Transportation Costs</u></b>	=(nn) + (qq) + (tt) + (xx)	\$ 758,340	\$ 1,307,227	\$ 1,949,306	\$ 1,976,596	\$ 2,004,269	
(zz) <b><u>Total Printing and Transportation Costs</u></b>	=(h) + (y) + (kk) + (yy)	\$ 58,017,203	\$ 101,763,749	\$ 156,946,957	\$ 218,909,433	\$ 262,138,113	
(aaa) 25% Markup on printing and transportation costs	=(zz) * 25%	\$ 14,504,301	\$ 25,440,937	\$ 39,236,739	\$ 54,727,358	\$ 65,534,528	
(bbb) <b><u>Total Revenue including Markup</u></b>	=(zz) + (aaa)	\$ 72,521,503	\$ 127,204,686	\$ 196,183,696	\$ 273,636,792	\$ 327,672,641	

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

**OCA/USPS-T5-17.** Please refer to USPS-T-5, Exhibit B.

- a. For 1999, please confirm that the envelope cost for "Letter Size Pieces" is \$108,308. If you do not confirm, please explain.
- b. For 1999, please confirm that the price of a No. 10 envelope, with a logo and no window, is \$0.027248. See USPS-T-2, Exhibit A, Table 16, at 28. If you do not confirm, please explain.
- c. For 1999, please confirm that the envelope cost for "Letter Size Pieces" is \$7,087,110 (260,096,523x\$0.027248). If you do not confirm, please explain.
- d. For 1999, please confirm that the price of a No. 10 envelope, with a logo and no window, as shown in Exhibit B would be \$0.000416416 (\$108,308/260,096,523). If you do not confirm, please explain.
- e. Please show the derivation of the price of a No. 10 envelope, with a logo and no window, referred to in part (d) of this interrogatory.

**OCA/USPS-T5-17 Response.**

- a. Not confirmed. My revised Exhibit B, attached to my response to OCA-T5-16, includes 1999 envelope costs for letter-sized pieces of \$6,820,530.
- b. Confirmed.
- c. Not confirmed. My revised Exhibit B includes 1999 envelope costs for letter sized pieces of \$6,820,530 (250,313,062 letter-sized pieces at \$0.0272 per envelope).
- d-e. Confirmed, but the envelope cost and the number of letter sized pieces used in Exhibit B as filed were incorrect. See response to part (c).

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

**OCA/USPS-T5-18.** Please refer to USPS-T-5, Exhibit B.

- a. For 1999, please confirm that the envelope cost for "Flat Size Pieces" is \$1,672,832. If you do not confirm, please explain.
- b. For 1999, please confirm that the price of a flat-sized (9x12) envelope, with a logo and no window, is \$0.0677976. See USPS-T-2, Exhibit A, Table 16 at 28. If you do not confirm, please explain.
- c. For 1999, please confirm that the envelope cost for "Flat Size Pieces" is \$2,409,455 (35,538,936x\$0.0677976). If you do not confirm, please explain.
- d. For 1999, please confirm that the price of a flat-sized (9x12) envelope, with a logo and no window, as shown in Exhibit B would be \$0.0470704. (\$1,672,832/35,538,936). If you do not confirm, please explain.'
- e. Please show the derivation of the price of a flat-sized (9x12) envelope, with a logo and no window, referred to in part (d) of this interrogatory.

**OCA/USPS-T5-18 Response.**

- a. Not confirmed. See my revised Exhibit B, attached to my response to OCA-T5-16, which includes a 1999 envelope cost for flat-sized pieces of \$2,122,000.
- b. Confirmed.
- c. Not confirmed. My revised Exhibit B includes 1999 envelope costs for flat-sized pieces of \$2,122,000 (45,351,960 flat-sized pieces at \$0.0468 per envelope). The envelope used was assumed to be a flat envelope (9x12") with no window and no logo.
- d-e. Confirmed, however the envelope cost and the number of flat-sized pieces used in Exhibit B as filed were incorrect. See response to part (c).

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

**OCA/USPS-T5-19.** Please refer to USPS-T-5, Exhibit B.

- a. Please confirm that the "Total Cost" for envelopes is \$1,781,140. If you do not confirm, please explain.
- b. Please confirm that the "Total Cost" for envelopes should be \$9,496,565. (\$7,087,110+\$2,409,455). If you do not confirm, please explain.

**OCA/USPS-T5-19 Response.**

a-b. Not confirmed. My revised Exhibit B, attached to my response to OCA-T5-16, includes a total cost for envelopes of \$8,942,530 (\$6,820,530 for letter-sized envelopes plus \$2,122,000 for flat-sized envelopes).

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

**OCA/USPS-T5-20.** Please refer to USPS-T-5, Exhibit A. Please confirm that prices shown in Exhibit A are "Sample Mailing Online Prices" for the year 1999. If you do not confirm, please explain.

**OCA/USPS-T5-20 Response.**

Confirmed.

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

**OCA/USPS-T5-21.** Please refer to USPS-T-5, Exhibit A, and the column "Envelope Costs."

- a. Please confirm that the envelope costs for a 2 Page, 8.5x11, Simplex, Black & White, First-Class mail piece, and a 5 Page, 8.5x11, Simplex, Spot Color, Standard (A) mail piece is \$0.000. If you do not confirm, please explain.
- b. Please confirm that the envelope costs for a 2 Page, 8.5x11, Simplex, Black & White, First-Class mail piece, and a 5 page, 8.5x11, Simplex, Spot Color, Standard (A) mail piece, should be \$0.027248. If you do not confirm, please explain.

**OCA/USPS-T5-21 Response.**

- a. Not confirmed. See my revised Exhibit A, which is attached, with documentation. An electronic version of the revised Exhibit A is being filed in library reference MC98-1/8.
- b. Confirmed.



**Exhibit A**  
**Sample Mailing Online Prices - 1999**

Revised August 10, 1998

	Impression Costs (A)	Paper Costs (B)	Envelope Costs (C)	Transportation Costs (D)	Subtotal (E)	Contribution (F) = (E) * 0.25	Fee (G) = (E) * 1.25	Postage (H)	Total Postage & Fee (I) = (G) + (H)
<u>Example 1</u> 2 Page, 8.5x11, Simplex, Black & White, First-Class	\$ 0.0322	\$ 0.0098	\$ 0.0272	\$ 0.0005	\$ 0.0698	\$ 0.0174	\$ 0.0872	\$ 0.2700	\$ 0.3572
<u>Example 2</u> 10 Page, 8.5x14, Duplex, Black & White, First-Class	\$ 0.3218	\$ 0.0534	\$ 0.0468	\$ 0.0008	\$ 0.4228	\$ 0.1057	\$ 0.5285	\$ 0.7400	\$ 1.2685
<u>Example 3</u> 5 Page, 8.5x11, Simplex, Spot Color, Standard (A)	\$ 0.1280	\$ 0.0244	\$ 0.0272	\$ 0.0012	\$ 0.1809	\$ 0.0452	\$ 0.2261	\$ 0.2190	\$ 0.4451
<u>Example 4</u> 22 Page, 8.5x14, Duplex, Spot Color, First-Class	\$ 1.1262	\$ 0.1174	\$ 0.0468	\$ 0.0008	\$ 1.2912	\$ 0.3228	\$ 1.6140	\$ 1.4000	\$ 3.0140

Detailed Calculation of Costs for Exhibit A, Example 1

2 Page, 8.5x11, Simplex, Black & White, First-Class

Source	Description		
<b>(A) Impression Costs</b>			
(a) USPS T-2, Exhibit A, page 2 line 34	Total Impression Cost, 8.5x11, Black & White	\$ 0.0165	
(b) USPS T-2, Exhibit A, page 2 line 33	Information Systems - Fixed	\$ 0.0004	
(c) =(a) - (b)	Total Impression Cost excl. Fixed Info. Systems Costs	\$ 0.0161	
(d)	Number of Impressions	2	
(e) =(c) * (d)	Total Impression Costs	\$ 0.0322	
<b>(B) Paper Costs</b>			
(f) USPS T-2, Exhibit A, page 28	8.5 x 11 Paper Cost per sheet	\$ 0.0049	
(g)	Number of Sheets	2	
(h) =(f) * (g)	Total Paper Costs	\$ 0.0098	
<b>(C) Envelope Costs</b>			
(i) USPS T-2, Exhibit A, page 28	# 10 Envelope - No window and logo	\$ 0.0272	
<b>(D) Transportation Costs</b>			
(j) USPS T-2, Exhibit A, page 7, line 140	First-Class letter transportation costs	\$ 0.0005	
<b>(E) Subtotal</b>			
(k) =(e) + (h) + (i) + (j)		\$ 0.0698	
<b>(F) Contribution</b>			
(l)	Markup	25%	
(m) =(k) * (l)	Contribution	\$ 0.0174	
<b>(G) Total Fee</b>			
(n) =(k) + (m)		\$ 0.0872	
<b>(H) Postage</b>			
(o)	Weight per 8x11 sheet of paper (ounces)	0.2	
(p)	Number of sheets	2	
(q) =(o) * (p)	Total paper weight (ounces)	0.4	
(r)	Weight per #10 envelope (ounces)	0.2	
(s) =(q) + (r)	Total mail piece weight (ounces)	0.6	
(t) =roundup[(s), 1]	Number of postage ounces	1.0	
	Rate		
(u) R97-1 rates eff. 1/10/99	First ounce automation basic presort rate letters	\$ 0.2700	
(v) R97-1 rates eff. 1/10/99	Additional ounce automation basic presort rate letters	\$ 0.2200	
(w) =(u) + [(t) - 1] * (v)	Total Postage	\$ 0.2700	
(x) =(n) + (w)	(I) Total Postage and Fees	\$ 0.3572	

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**Detailed Calculation of Costs for Exhibit A, Example 2**

10 Page, 8.5x14, Duplex, Black & White, First-Class

Source	Description		
<b>(A) Impression Costs</b>			
(a) USPS T-2, Exhibit A, page 2 line 34	Total Impression Cost, 8.5x14, Black & White	\$	0.0185
(b) USPS T-2, Exhibit A, page 2 line 33	Information Systems - Fixed	\$	0.0004
(c) =(a) - (b)	Total Impression Cost excl. Fixed Info. Systems Costs	\$	0.0181
(d)	Number of Impressions		20
(e) =(c) * (d)	Total Impression Costs	\$	0.3218
<b>(B) Paper Costs</b>			
(f) USPS T-2, Exhibit A, page 28	8.5 x 14 Paper Cost per sheet	\$	0.0053
(g)	Number of Sheets		10
(h) =(f) * (g)	Total Paper Costs	\$	0.0534
<b>(C) Envelope Costs</b>			
(i) USPS T-2, Exhibit A, page 28	Flat Envelope - no window no logo	\$	0.0488
<b>(D) Transportation Costs</b>			
(j) USPS T-2, Exhibit A, page 7, line 141	First-Class flats transportation costs	\$	0.0008
<b>(E) Subtotal</b>			
(k) =(e) + (h) + (i) + (j)		\$	0.4228
<b>(F) Contribution</b>			
(l)	Markup	25%	
(m) =(k) * (l)	Contribution	\$	0.1057
<b>(G) Total Fee</b>			
(n) =(k) + (m)		\$	0.5285
<b>(H) Postage</b>			
(o)	Weight per 8x14 sheet of paper (ounces)	0.254	
(p)	Number of sheets	10	
(q) =(o) * (p)	Total paper weight	2.54	
(r)	Weight per flat envelope (ounces)	0.4	
(s) =(q) + (r)	Total mail piece weight	2.94	
(t) =roundup[(s),1]	Number of postage ounces	3.0	
<b>(I) Postage and Fees</b>			
(u) R97-1 rates eff. 1/10/99	First ounce automation basic presort rate flats	\$	0.3000
(v) R97-1 rates eff. 1/10/99	Additional ounce automation basic presort rate flats	\$	0.2200
(w) =(u) + [(t) - 1] * (v)	Total Postage	\$	0.7400
(x) =(n) + (w)	(I) Total Postage and Fees	\$	1.2685

RESPONSE TO OCA-75-21  
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**Detailed Calculation of Costs for Exhibit A, Example 3**

5 Page, 8.5x11, Simplex, Spot Color, Standard (A)

Source	Description		
<b>(A) Impression Costs</b>			
(a) USPS T-2, Exhibit A, page 2 line 52	Total Impression Cost, 8.5x11 Spot Color	\$ 0.0260	
(b) USPS T-2, Exhibit A, page 2 line 51	Information Systems - Fixed	\$ 0.0004	
(c) =(a) - (b)	Total Impression Cost excl. Fixed Info Systems Costs	\$ 0.0256	
(d)	Number of Impressions	5	
(e) =(c) * (d)	Total Impression Costs	\$ 0.1280	
<b>(B) Paper Costs</b>			
(f) USPS T-2, Exhibit A, page 28	8.5 x 11 Paper Cost per sheet	\$ 0.0049	
(g)	Number of Sheets	5	
(h) =(f) * (g)	Total Paper Costs	\$ 0.0244	
<b>(C) Envelope Costs</b>			
(i) USPS T-2, Exhibit A, page 28	# 10 Envelope - No window and logo	\$ 0.0272	
<b>(D) Transportation Costs</b>			
(j) USPS T-2, Exhibit A, page 7, line 142	Standard Mail (A) Letters	\$ 0.0012	
<b>(E) Subtotal</b>			
(k) =(e) + (h) + (i) + (j)		\$ 0.1809	
<b>(F) Contribution</b>			
(l)	Markup	25%	
(m) =(k) * (l)	Contribution	\$ 0.0452	
<b>(G) Total Fee</b>			
(n) =(k) + (m)		\$ 0.2261	
<b>(H) Postage</b>			
(o)	Weight per 8x11 sheet of paper (ounces)	0.2	
(p)	Number of sheets	5	
(q) =(o) * (p)	Total paper weight	1.0	
(r)	Weight per #10 envelope (ounces)	0.2	
(s) =(q) + (r)	Total mail piece weight	1.2	
(t) =roundup[(s),1]	Number of postage ounces	2.0	
		Rate	
(u) R97-1 rates eff. 1/10/99	Standard (A) Letter Size Basic Piece rate	\$ 0.2350	
(v) R97-1 rates eff. 1/10/99	Destination Entry Discount - BMC	\$ 0.0160	
(w) =(u) - (v)	Total Postage	\$ 0.2190	
(x) =(n) + (w)	(I) Total Postage and Fees	\$ 0.4451	

ATTACHMENT TO  
RESPONSE TO OCA-TS-21  
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**Detailed Calculation of Costs for Exhibit A, Example 4**

22 Page, 8.5x14, Duplex, Spot color, First-Class

Source	Description		
<b>(A) Impression Costs</b>			
(a) USPS T-2, Exhibit A, page 2 line 52	Total Impression Cost, 8.5x14 Spot Color	\$	0.0260
(b) USPS T-2, Exhibit A, page 2 line 33	Information Systems - Fixed	\$	0.0004
(c) =(a) - (b)	Total Impression Cost excl. Fixed Info. Systems Costs	\$	0.0256
(d)	Number of Impressions		44
(e) =(c) * (d)	Total Impression Costs	\$	1.1262
<b>(B) Paper Costs</b>			
(f) USPS T-2, Exhibit A, page 28	8.5 x 14 Paper Cost per sheet	\$	0.0053
(g)	Number of Sheets		22
(h) =(f) * (g)	Total Paper Costs	\$	0.1174
<b>(C) Envelope Costs</b>			
(i) USPS T-2, Exhibit A, page 26	Flat Envelope - No window and no logo	\$	0.0468
<b>(D) Transportation Costs</b>			
(j) USPS T-2, Exhibit A, page 7, line 141	First-Class flat transportation costs	\$	0.0008
<b>(E) Subtotal</b>			
(k) =(e) + (h) + (i) + (j)		\$	1.2912
<b>(F) Contribution</b>			
(l)	Markup	25%	
(m) =(k) * (l)	Contribution	\$	0.3228
<b>(G) Total Fee</b>			
(n) =(k) + (m)		\$	1.6140
<b>(H) Postage</b>			
(o)	Weight per 8x14sheet of paper (ounces)	0.254	
(p)	Number of sheets	22	
(q) =(o) * (p)	Total paper weight	5.588	
(r)	Weight per Flat envelope (ounces)	0.4	
(s) =(q) + (r)	Total mail piece weight	5.988	
(t) =roundup[(s),1]	Number of postage ounces	6.0	
	Rate		
(u) R97-1 Automation basic presort	First ounce rate flats	\$	0.3000
(v) R97-1 Automation basic presort	Additional ounce rate flats	\$	0.2200
(w) =(u) + [(t) - 1] * (v)	Total Postage	\$	1.4000
(x) =(n) + (w)	<b>(I) Total Postage and Fees</b>	<b>\$</b>	<b>3.0140</b>

ATTACHMENT TO  
RESPONSE TO OCA-TS-21  
PAGE 5 OF 5

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

**OCA/USPS-T5-22.** Please refer to USPS-T-5, Exhibit A, and the column "Envelope Costs."

- a. Please confirm that the envelope costs for a 10 Page, 8.5x14, Duplex, Black & White, First-Class mail piece, and a 22 Page, 8.5x14, Duplex, Spot color, First-Class mail piece, is \$0.04499. If you do not confirm, please explain.
- b. Please explain the rationale for using the "Base - 1998" price of \$0.04499 for a flat-sized (9x12) envelope, with no logo and no window in Exhibit A, when Exhibit B uses the "Prices - 1999" of \$0.0677976 for a flat-sized (9x12) envelope, with a logo and no window.
- c. Please confirm that the envelope costs for a 10 Page, 8.5x14, Duplex, Black & White, First-Class mail piece, and a 22 Page, 8.5x14, Duplex, Spot color, First-Class mail piece, should be \$0.0467896. If you do not confirm, please explain.

**OCA/USPS-T5-22 Response.**

- a. Not confirmed. See my revised Exhibit A, attached to my response to OCA-T5-21, which includes envelope costs of \$0.0468 (Flat, 9x12", envelope with no window and no logo).
- b. The 1998 envelope price was used inadvertently. See part (a).
- c. Confirmed, if a flat envelope with no window and no logo is used. See my revised Exhibit A.

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

**OCA/USPS-T5-23.** Please refer to USPS-T-5, Exhibit A, "Example 2," "Postage" column. The First-Class postage for a 10-page document as \$0.74.

- a. Please explain how this postage figure was calculated.
- b. Assuming that the piece weighs 3 ounces, please confirm that the postage *should* be calculated by adding a 1-ounce automation-presort rate of 27 cents to 44 cents for an additional 2 ounces (2 x 22 cents). If you do not confirm, please explain.
- c. If you did assume that such a piece would weigh 3 ounces, how was it determined that this was an accurate assumption? Please set forth the formula used to estimate the weights of pieces considered in Exhibit A.

**OCA/USPS-T5-23 Response.**

- a. The postage was calculated for a three ounce, automation basic presort, First-Class flat mail piece using the Postal Rate Commission's R97-1 recommended rates. [PRC Op., R97-1, Vol. 1, Appendix 1 at 3.]

Automation Basic Presort Flat

First Ounce - Basic Presort	30.0 cents
Additional Ounces (2 at 22.0 cents)	<u>44.0 cents</u>
Total Postage	74.0 cents

- b. Not confirmed. See response to a.
- c. For the purposes of estimating the weight of the indicated 10 page document and envelope, the assumptions stated in Exhibit D, Note 4 of my testimony were used.

8.5x14 paper - 10 sheets at 0.254 oz. each	2.54 ounces
Flat envelope - 1 envelope at 0.4 oz. each	<u>0.4 ounces</u>
Total weight	2.94 ounces

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

**OCA/USPS-T5-24.** Please refer to your testimony at page 6, line 2.

- a. Please explain in detail how the markup figure of 25 percent was selected. Please include all documents related to the selection process.
- b. Please explain whether any other markup figures were considered and, if so, why they were rejected.

**OCA/USPS-T5-24 Response.**

- a. Please see pages 18-21 of my testimony. The selection of the 125 percent figure was a result of discussions among a group of Postal Service employees and contractors, including witnesses Seckar and Garvey. I am not aware of any documents relating to the selection of this figure other than my testimony (USPS-T-5) which itself relies upon the market research presented in USPS-LR-2/MC98-1.
- b. As indicated in USPS-LR-2/MC98-1, the Postal Service commissioned market research which tested markups of 25 percent and 50 percent. The reasons for using 25 percent are explained in my testimony at pages 18-21.



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

**OCA/USPS-T5-25.** Please refer to your testimony at page 11, lines 20-22. Please confirm that the proposed classification change exempting Mailing Online mail pieces entered as First-Class Mail from the 500 piece minimum is a temporary classification change, lasting for the duration of the experimental service. If you do not confirm, please explain.

**OCA/USPS-T5-25 Response.**

Confirmed, though the classification change would also apply during the market test period.

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

**OCA/USPS-T5-26.** Please refer to proposed DMCS language for section 321.231.

- a. Please confirm that the Postal Service is proposing a classification change that will exempt Mailing Online mail pieces entered as Standard Mail from the 200 piece / 50 pound minimum. If you do not confirm, please explain.
- b. Please confirm that any classification change exempting Mailing Online mail pieces entered as Standard Mail from the 200 piece / 50 pound minimum is a temporary classification change, lasting for the duration of the experimental service. If you do not confirm, please explain.

**OCA/USPS-T5-26 Response.**

- a. Confirmed.
- b. Confirmed, though the classification change would also apply during the market test period.

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

**OCA/USPS-T5-27.** Please refer to your testimony at page 12, lines 14-16. Please confirm that the proposed classification change exempting Mailing Online mail pieces entered as Standard Mail from the requirement that such pieces be entered at the destination Bulk Mail Center (BMC) in order to obtain DBMC rates is a temporary classification change, lasting for the duration of the experimental service. If you do not confirm, please explain.

**OCA/USPS-T5-27 Response.**

Confirmed, though the classification change would also apply during the market test period.

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

**OCA/USPS-T5-28.** Please refer to the attachment to your response to OCA/USPS-T5-21 and to USPS-LR-11, Part 1, Schedule, 1.1 Items and Prices.

- a. Please update your attachment to reflect the actual unit prices shown in the Schedule.
- b. Where in your attachment did you include the costs for any of items A through F under "Finishing?" Please cite specific page and line numbers. If your attachment does not contain these costs, please explain fully why they are not included.
- c. The section in the Schedule entitled "Print Mode (per impression)" does not contain unit prices for either simplex or duplex 11 X 17. Please explain why this size was excluded.

**OCA/USPS-T5-28 Response.**

- a. See attachment for updated table. Note that impression costs no longer include information systems costs, so a new column for information system costs has been added. Likewise, transportation costs are presumably included - though not identified - in the prices in USPS-LR-11, Part 1, Schedule, 1.1 and are therefore not shown in the updated table. A column for folding and insertion costs has also been added.
- b. The examples in the attachment assume no stapling, binding, or saddle stitching. Costs for finishing were not available when the original attachment was created. See page 7 of my testimony. Furthermore, the market research presented in USPS-LR-1/MC98-1 provides no guidance regarding which finishing options customers might prefer. In the attached exhibit, I have assumed only that letter-size pieces require two folds.
- c. Redirected to witness Garvey.

**Exhibit A**  
**Sample Mailing Online Prices - 1999**  
**(Using 8/19/98 Contract Prices)**

	Impression Costs (A)	Paper Costs (B)	Envelope Costs (C)	Folding & Insertion Costs (D)	Information Systems Costs (E)	Subtotal (F)	Contribution (G) = (F) * 0.25	Fee (H) = (G) * 1.25	Postage (I)	Total Postage & Fee (J) = (I) + (H)
<b>Example 1</b> 2 Page, 8.5x11, Simplex, Black & White, First-Class	\$ 0.0396	\$ 0.0094	\$ 0.0150	\$ 0.0336	\$ 0.0016	\$ 0.0992	\$ 0.0248	\$ 0.1240	\$ 0.2700	\$ 0.3940
<b>Example 2</b> 10 Page, 8.5x14, Duplex, Black & White, First-Class	\$ 0.3960	\$ 0.0680	\$ 0.0540	\$ 0.1550	\$ 0.0160	\$ 0.6890	\$ 0.1723	\$ 0.8613	\$ 0.7400	\$ 1.6013
<b>Example 3</b> 5 Page, 8.5x11, Simplex, Spot Color, Standard (A)	\$ 0.1490	\$ 0.0235	\$ 0.0150	\$ 0.0336	\$ 0.0040	\$ 0.2251	\$ 0.0563	\$ 0.2814	\$ 0.2190	\$ 0.5004
<b>Example 4</b> 22 Page, 8.5x14, Duplex, Spot Color, First-Class	\$ 1.3112	\$ 0.1496	\$ 0.0540	\$ 0.1550	\$ 0.0352	\$ 1.7050	\$ 0.4263	\$ 2.1313	\$ 1.4000	\$ 3.5313

**Detailed Calculation of Costs for Exhibit A, Example 1**

2 Page, 8.5x11, Simplex, Black & White, First-Class

Source	Description		
<b>(A) Impression Costs</b>			
(a) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x11, Black & White	\$ 0.0198	
(b)	Number of Impressions	2	
(c) =(a) * (b)	Total Impression Costs	\$ 0.0396	
<b>(B) Paper Costs</b>			
(d) USPS-LR-11, Part 1, Schedule, 1.1	8.5 x 11 Paper Cost per sheet	\$ 0.0047	
(e)	Number of Sheets	2	
(f) =(d) * (e)	Total Paper Costs	\$ 0.0094	
<b>(C) Envelope Costs</b>			
(g) USPS-LR-11, Part 1, Schedule, 1.1	# 10 Envelope - No window and logo	\$ 0.0150	
<b>(D) Folding &amp; Inserting Costs</b>			
(h) USPS-LR-11, Part 1, Schedule, 1.1	Two folds	\$ 0.0336	
<b>(E) Information Systems Costs</b>			
(i) USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs	\$ 0.0008	
(j)	Number of Impressions	2	
(k) = (i) * (j)		\$ 0.0016	
<b>(F) Subtotal</b>			
(l) =(c) + (f) + (g) + (h) + (k)		\$ 0.0992	
<b>(G) Contribution</b>			
(m)	Markup	25%	
(n) = (l) * (m)	Contribution	\$ 0.0248	
<b>(H) Total Fee</b>			
(o) = (l) + (n)		\$ 0.1240	
<b>(I) Postage</b>			
(p)	Weight per 8x11 sheet of paper (ounces)	0.2	
(q)	Number of sheets	2	
(r) = (p) * (q)	Total paper weight (ounces)	0.4	
(s)	Weight per #10 envelope (ounces)	0.2	
(t) = (r) + (s)	Total mail piece weight (ounces)	0.6	
(u) =roundup[(t),1]	Number of postage ounces	1.0	
(v) R97-1 rates eff. 1/10/99	First ounce automation basic presort rate letters	Rate \$ 0.2700	
(w) R97-1 rates eff. 1/10/99	Additional ounce automation basic presort rate letters	\$ 0.2200	
(x) =(v) + [(u) - 1] * (w)	Total Postage	\$ 0.2700	
(y) = (o) + (x)	<b>(I) Total Postage and Fees</b>	<b>\$ 0.3940</b>	

# **Detailed Calculation of Costs for Exhibit A, Example 2**

10 Page, 8.5x14, Duplex, Black & White, First-Class

Source	Description		
<b>(A) Impression Costs</b>			
(a) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x14, Black & White	\$ 0.0198	
(b)	Number of Impressions	20	
(c) =(a) * (b)	Total Impression Costs	\$	0.3960
<b>(B) Paper Costs</b>			
(d) USPS-LR-11, Part 1, Schedule, 1.1	8.5 x 14 Paper Cost per sheet	\$ 0.0068	
(e)	Number of Sheets	10	
(f) =(d) * (e)	Total Paper Costs	\$	0.0680
<b>(C) Envelope Costs</b>			
(g) USPS-LR-11, Part 1, Schedule, 1.1	Flat Envelope - no window no logo	\$	0.0540
<b>(D) Folding &amp; Inserting Costs</b>			
(h) USPS-LR-11, Part 1, Schedule, 1.1	No Folds	\$	0.1550
<b>(E) Information Systems Costs</b>			
(i) USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs	\$ 0.0008	
(j)	Number of Impressions	20	
(k) = (i) * (j)		\$	0.0160
<b>(F) Subtotal</b>			
(l) =(c) + (f) + (g) + (h) + (k)		\$	0.6890
<b>(G) Contribution</b>			
(m)	Markup	25%	
(n) = (l) * (m)	Contribution	\$	0.1723
<b>(H) Total Fee</b>			
(o) = (l) + (n)		\$	0.8613
<b>(I) Postage</b>			
(p)	Weight per 8x14 sheet of paper (ounces)	0.254	
(q)	Number of sheets	10	
(r) = (p) * (q)	Total paper weight	2.54	
(s)	Weight per flat envelope (ounces)	0.4	
(t) = (r) + (s)	Total mail piece weight	2.94	
(u) =roundup((t),1)	Number of postage ounces	3.0	
(v) R97-1 rates eff. 1/10/99	First ounce automation basic presort rate flats	Rate \$ 0.3000	
(w) R97-1 rates eff. 1/10/99	Additional ounce automation basic presort rate flats	\$ 0.2200	
(x) =(v) + [(u) - 1] * (w)	Total Postage	\$	0.7400
(y) = (o) + (x)	<b>(I) Total Postage and Fees</b>	\$	<u>1.6013</u>

**Detailed Calculation of Costs for Exhibit A, Example 3**

5 Page, 8.5x11, Simplex, Spot Color, Standard (A)

Source	Description		
<b>(A) Impression Costs</b>			
(a) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x11 Spot Color	\$ 0.0298	
(b)	Number of Impressions	5	
(c) =(a) * (b)	Total Impression Costs	\$ 0.1490	
<b>(B) Paper Costs</b>			
(d) USPS-LR-11, Part 1, Schedule, 1.1	8.5 x 11 Paper Cost per sheet	\$ 0.0047	
(e)	Number of Sheets	5	
(f) =(d) * (e)	Total Paper Costs	\$ 0.0235	
<b>(C) Envelope Costs</b>			
(g) USPS-LR-11, Part 1, Schedule, 1.1	# 10 Envelope - No window and logo	\$ 0.0136	
<b>(D) Folding &amp; Inserting Costs</b>			
(h) USPS-LR-11, Part 1, Schedule, 1.1	Two folds	\$ 0.0336	
<b>(E) Information Systems Costs</b>			
(i) USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs	\$ 0.0008	
(j)	Number of Impressions	5	
(k) = (i) * (j)		\$ 0.0040	
<b>(F) Subtotal</b>			
(l) =(c) + (f) + (g) + (h) + (k)		\$ 0.2237	
<b>(G) Contribution</b>			
(m)	Markup	25%	
(n) = (l) * (m)	Contribution	\$ 0.0559	
<b>(H) Total Fee</b>			
(o) = (l) + (n)		\$ 0.2796	
<b>(I) Postage</b>			
(p)	Weight per 8x11 sheet of paper (ounces)	0.2	
(q)	Number of sheets	5	
(r) = (p) * (q)	Total paper weight	1.0	
(s)	Weight per #10 envelope (ounces)	0.2	
(t) = (r) + (s)	Total mail piece weight	1.2	
(u) =roundup[(t),1]	Number of postage ounces	2.0	
(v) R97-1 rates eff. 1/10/99	Standard (A) Letter Size Basic Piece rate	Rate \$ 0.2350	
(w) R97-1 rates eff. 1/10/99	Destination Entry Discount - BMC	\$ 0.0160	
(x) =(v) + [(u) - 1] * (w)	Total Postage	\$ 0.2190	
(y) = (o) + (x)	<b>(I) Total Postage and Fees</b>	<b>\$ 0.4986</b>	



# **Detailed Calculation of Costs for Exhibit A, Example 4**

22 Page, 8.5x14, Duplex, Spot color, First-Class

Source	Description		
<b>(A) Impression Costs</b>			
(a) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x14 Spot Color	\$ 0.0298	
(b)	Number of Impressions	44	
(c) =(a) * (b)	Total Impression Costs		\$ 1.3112
<b>(B) Paper Costs</b>			
(d) USPS-LR-11, Part 1, Schedule, 1.1	8.5 x 14 Paper Cost per sheet	\$ 0.0068	
(e)	Number of Sheets	22	
(f) =(d) * (e)	Total Paper Costs		\$ 0.1496
<b>(C) Envelope Costs</b>			
(g) USPS-LR-11, Part 1, Schedule, 1.1	Flat Envelope - No window and no logo		\$ 0.0540
<b>(D) Folding &amp; Inserting Costs</b>			
(h) USPS-LR-11, Part 1, Schedule, 1.1	No folding		\$ 0.1550
<b>(E) Information Systems Costs</b>			
(i) USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs	\$ 0.0008	
(j)	Number of Impressions	44	
(k) =(i) * (j)			\$ 0.0352
<b>(F) Subtotal</b>			
(l) =(c) + (f) + (g) + (h) + (k)			\$ 1.7050
<b>(G) Contribution</b>			
(m)	Markup	25%	
(n) =(l) * (m)	Contribution		\$ 0.4263
<b>(H) Total Fee</b>			
(o) =(l) + (n)			\$ 2.1313
<b>(I) Postage</b>			
(p)	Weight per 8x14sheet of paper (ounces)	0.254	
(q)	Number of sheets	22	
(r) =(p) * (q)	Total paper weight	5.588	
(s)	Weight per Flat envelope (ounces)	0.4	
(t) =(r) + (s)	Total mail piece weight	5.988	
(u) =roundup((t),1)	Number of postage ounces	6.0	
<b>(J) Postage and Fees</b>			
(v) R97-1 Automation basic presort	First ounce rate flats	\$ 0.3000	
(w) R97-1 Automation basic presort	Additional ounce rate flats	\$ 0.2200	
(x) =(v) + ((u) - 1) * (w)	Total Postage		\$ 1.4000
(y) =(o) + (x)	( I) Total Postage and Fees		\$ 3.5313

**DECLARATION**

I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
MICHAEL K. PLUNKETT

Dated: August 24, 1998

**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.

A handwritten signature in cursive script that reads "David H. Rubin". The signature is written in black ink and is positioned above a horizontal line.

David H. Rubin

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
August 24, 1998

1 MR. BUSH: Commissioner, I apologize, I didn't get  
2 a chance to jump in ahead of you. I do have two additional  
3 questions that we received late yesterday that I would like  
4 to have the witness authenticate and have moved into  
5 evidence.

6 CHAIRMAN LeBLANC: Oh, he has not seen that at  
7 this point?

8 MR. BUSH: No, he hasn't. I brought it with me  
9 today.

10 CHAIRMAN LeBLANC: Please let him take a look at  
11 those. And for the record, do you have copies?

12 MR. BUSH: Yes, I do.

13 [Pause.]

14 CHAIRMAN LeBLANC: That should have been both  
15 copies, right, Mr. Hollies?

16 Mr. Bush. Mr. Plunkett.

17 THE WITNESS: Yes.

18 CHAIRMAN LeBLANC: Is there any problem with what  
19 was provided to you?

20 THE WITNESS: No.

21 CHAIRMAN LeBLANC: Have you reviewed those  
22 carefully?

23 THE WITNESS: Yes, I have.

24 CHAIRMAN LeBLANC: And there is no problem with  
25 them?

1 THE WITNESS: No, those are my responses.

2 MR. BUSH: I would move that they be accepted into  
3 evidence.

4 CHAIRMAN LeBLANC: Thank you. I will grant that  
5 they be put into evidence and transcribe the answers.

6 [Designation of Written  
7 Cross-Examination of Michael K.  
8 Plunkett, MASA/USPS-T5-11 and  
9 MASA/USPS-T5-12 were received into  
10 evidence and transcribed into the  
11 record.]  
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**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

**MASA/USPS-T5-12.** Refer to witness Garvey's Response to POIR-1-1 where he states that "there may be Mailing Online pieces required to be prepared in a manner that would ordinarily allow qualification for a lower 5-digit, 3-digit, or 3/5 digit automation presort rate, although they would still pay the basic automation rates (less the DBMC discount for Standard Mail). . . ."

a. For the periods before and during "full implementation," as you use the term in your answer to MASA/USPS-T2-4, redirected from witness Seckar, and extending for each year for which volume estimates have been made, provide estimates of volumes and percentages of MOL mail that would ordinarily allow qualification for a lower automation presort rate. If you are unable to give numerical estimates, provide your best narrative estimates of the volumes of MOL mail that would qualify for each of the referenced presort levels.

b. Assuming that experience demonstrates that significant volumes and/or percentages of MOL mail that is entered by contract printers would ordinarily qualify for lower automation presort rates than those proposed to be charged in this proceeding, is it your expectation that the Postal Service would seek a recommended decision authorizing it to charge a lower rate for MOL mail? If your answer is anything other than an unqualified yes, explain fully.

**MASA/USPS-T5-12 Response.**

- a. The requested information is unavailable. The Postal Service plans to collect data responsive to this question during the experimental offering of Mailing Online. However, it would be reasonable to assume that there will be some ramping of volume such that greater densities will be attainable as the service becomes more widely used.
- b. This question asks what form permanent Mailing Online service may take assuming volume projections for experimental Mailing Online service prove accurate; no decisions have been made regarding the form of permanent Mailing Online service. I expect, however, that considerations which guided the Postal Service's choice of postage rates proposed for market test and

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION**

experimental Mailing Online would retain their essential vitality - although how they would weigh in light of other information then available cannot be predicted at this time. Thus the interest in balancing the desire to provide access to discounted rates for individual customers with the wish to avoid direct competition with lettershops will continue to be important.

1 MR. BUSH: Perhaps we ought to identify them for  
2 the record. I don't know that anybody has stated what they  
3 are. It is MASA/USPS-T5-11 and T5-12.

4 CHAIRMAN LeBLANC: Thank you for that  
5 clarification, Mr. Bush.

6 Any other further problems, objections?

7 [No response.]

8 MR. RICHARDSON: Mr. Presiding Officer.

9 CHAIRMAN LeBLANC: Mr. Richardson.

10 MR. RICHARDSON: You did admit the interrogatory I  
11 moved?

12 CHAIRMAN LeBLANC: I did. I certainly did.

13 MR. RICHARDSON: Thank you.

14 CHAIRMAN LeBLANC: And you provided two copies to  
15 the reporter?

16 MR. RICHARDSON: Yes, we did.

17 CHAIRMAN LeBLANC: Mr. Reporter, are we up to  
18 date, as far as you know, as to all of the paper work in  
19 front of you?

20 Thank you.

21 As was mentioned earlier, there were indications  
22 during the pre-hearing conference that, again, MASA, OCA and  
23 Pitney Bowes might cross-examine this witness. Does any  
24 other participant want to cross-examine Witness Plunkett at  
25 this time?



1                   Then, again, we will start with the same order.

2           We will start with OCA, move to MASA and then go to Pitney  
3           Bowes. Mr. Richardson.

4                   MR. RICHARDSON: Thank you.

5

6                   BY MR. RICHARDSON:

7           Q       Good afternoon, Mr. Plunkett.

8           A       Good afternoon.

9           Q       Would you start by referring to your -- what is  
10          Exhibit B? It is the attachment to OCA/USPS-T5-16, which I  
11          think you previously indicated was revised on August 10th.  
12          It is a revision of original Exhibit B.

13          A       Yes.

14          Q       I would just like to ask a few general questions  
15          about this exhibit. I know it relates to the periods 1999  
16          through 2003, which is really the experimental period and  
17          beyond.

18          A       Yes.

19          Q       However, the -- what this exhibit does not have is  
20          anything for 1998, and my question is whether you prepared  
21          any similar exhibit for 1998 covering the market test  
22          period. To my knowledge, there is nothing in the record.

23          A       No, I have not, and my understanding is, well, I  
24          believe I filed an interrogatory response earlier that  
25          indicated that these years correspond more to time after the

1 introduction of the service than to specific calendar  
2 periods. So to the extent that the market test does not  
3 commence until October 1st, that would be in Fiscal Year  
4 1999 and in that case, there would be no market test data  
5 available for Fiscal Year 1998.

6 Q So you have incorporated your market test data in  
7 this first --

8 A Well --

9 Q -- first year, 1999, in your exhibit?

10 A No. I mean, the -- this refers to a nationwide  
11 service which would be more akin to what's contemplated for  
12 the experimental service. There are no volume estimates  
13 available for the market test service.

14 Q Well, for the 1999 year, you do assume a certain  
15 volume, just your impression costs assume a certain volume.

16 A That's correct.

17 Q And do those volumes assume the market test  
18 volumes, the printer number one that we have the printer  
19 contract for, which is Library Reference 11?

20 A These numbers are based on the market research  
21 presented by Witness Rothschild. What the first year of  
22 volumes indicate are the first year that the service is  
23 available on a nationwide basis. So to that extent, they  
24 would not necessarily reflect what's in the market test.

25 At the time this research was conducted, it was

1 not known that there would be a separate period during which  
2 the product would be tested prior to a national  
3 implementation, so I'm not sure there is any way to have  
4 prepared that kind of an estimate given the way the research  
5 was conducted.

6 Q Have you -- since this exhibit was prepared, have  
7 you gone back and prepared a pro forma for the market test  
8 period, the three-month period, October, November and  
9 December of '98?

10 A I have not and I'm not aware that anyone else has,  
11 either.

12 Q Would you refer to your response to  
13 OCA/USPS-T5-1(c).

14 A That was T5-1(c)?

15 Q Yes. That's correct.

16 A Yes.

17 Q Now, in that response, you say the contract, which  
18 is Library Reference 11, will be used only during the market  
19 test, but not as a basis for costs during 1999.

20 Is this the same type of response that you just  
21 gave me with respect to your Exhibit B?

22 A Could you repeat the question, please?

23 Q Well, given what your response here in the  
24 OCA-T5-1 states, your response seems to be saying that the  
25 contract prices are only going to be used during the market

1 test but not during 1999 for the purposes of determining  
2 fees. Would you explain that?

3 A Well, if -- if the experimental phase of this case  
4 proceeds according to the way it has been proposed by the  
5 Postal Service, there will be a number of printers operating  
6 during 1999. The printer in Boston that has been awarded  
7 the first contract would be among those. As such, their  
8 costs would form a subset of the total Mailing Online costs  
9 for 1999, but they would not be all of the costs for 1999  
10 for the service, assuming activation of additional printing  
11 sites during 1999.

12 Q I would like to turn you to the MASA/USPS-T5-7.

13 A I have it.

14 Q Now there, your response to that question says  
15 that Mailing Online will only have limited appeal to  
16 customers who are already using letter shop services because  
17 they already qualify for presort discounts. Is that what  
18 your response there is?

19 A If I may just review?

20 Q Sure.

21 A Essentially that's what it says, yes.

22 Q So that -- well then is it the Postal Service's  
23 intention that the presort discount which is being offered  
24 to small mailers is the primary attraction of Mailing  
25 Online?

1 A No, I would not say so.

2 Q Given your answer here, why would you not say  
3 that?

4 A Are you asking what is the primary attraction of  
5 Mailing Online service?

6 Q Yes.

7 A I would say the primary attraction is one of  
8 convenience. It allows a user to, from their desk top,  
9 submit mailings or submit documents for mailing without  
10 having to go to a Post Office or without having to leave  
11 their place of business or their home.

12 I would say the presort discounts are not without  
13 appeal but are essentially incidental to that greater appeal  
14 Mailing Online offers in the way of convenience.

15 Q If the presort discount were not offered, would  
16 the Mailing Online prices be competitive in the market?

17 A I have not done any analysis of what is available  
18 in the market and I'm not an expert on the -- on comparable  
19 services, so I'm not really qualified to answer that  
20 question.

21 Q Is there any plan where a mailer that might be  
22 using letter shop but had a volume that didn't qualify for  
23 the discount might, through special arrangement with Mailing  
24 Online, could obtain a discount?

25 A Do you mean a discount other than the discount

1 that will be available to Mailing Online users in general?

2 Q No. I'm talking about the discount that is  
3 available to Mailing Online users in general. If a -- has  
4 there been any consideration of allowing a mailer to use a  
5 letter shop?

6 A I guess I don't understand the question. If  
7 they're using a letter shop, are you suggesting that the  
8 letter shop would then use Mailing Online as the way to  
9 enter those documents into the mail stream?

10 Q Yes.

11 A I know of no reason why a letter shop would be  
12 prohibited from using Mailing Online to do such a thing,  
13 although they would only be entitled to the same discount  
14 that is available to all other users of the service.

15 Q Okay. Would you refer to OCA/USPS-T5-28, which is  
16 the interrogatory that we just designated.

17 A I have it.

18 Q And specifically part B, the last sentence. In  
19 the attached exhibit, you say, I have assumed only that  
20 letter-size pieces require two folds.

21 When you say that, do you mean that each sheet  
22 requires two folds?

23 A No. I mean that each mailing requires two folds.  
24 I might -- it was not explicitly clear from the printing  
25 contract as I read it. My understanding was that at the

1 point of insertion, the entire document is folded, not each  
2 individual sheet.

3 Q And if you could refer to the Exhibit A attached  
4 to that interrogatory.

5 A I have it.

6 Q Example 1, which involves two pages, under the --  
7 COMMISSIONER LeBLANC: Mr. Richardson, excuse me.  
8 For the record, what interrogatory is that?

9 MR. RICHARDSON: The same interrogatory --

10 COMMISSIONER LeBLANC: Oh, you're on the same  
11 interrogatory.

12 MR. RICHARDSON: T5-28.

13 COMMISSIONER LeBLANC: Thank you.

14 MR. RICHARDSON: Exhibit A, which is the  
15 attachment, the column folding and insertion cost.

16 BY MR. RICHARDSON:

17 Q If we delete the insertion cost of .0136 from that  
18 total of folding and insertion cost that you show on that  
19 column for Example 1 of .0336, that shows that you have  
20 assumed a .02 cents -- .02 dollars or 2 cents for folding,  
21 which is -- seems to me to be two folds; is that correct?

22 A Yes, that's correct.

23 Q And that's because your -- the two sheets, when  
24 placed together, are folded twice; is that correct?

25 A Yes, that's right.

1           Q     And likewise, in your Example 3, on the same  
2     exhibit, in the same column, folding and insertion cost, you  
3     have a total cost of .0336. Again, you assume 2 cents for  
4     folding because you're assuming the whole packet, the whole  
5     piece is folded twice rather than each sheet folded  
6     individually.

7           A     Yes, that's right.

8           Q     Now, referring again to the same response, T5-28,  
9     also part B, the first part of that response, you say the  
10    examples in the attachment assume no stapling, binding or  
11    saddle stitching.

12          A     Yes, that's right.

13          Q     Now I notice in the contract that was provided, if  
14    I can find my copy, it provides for binding at 45 cents per  
15    finished piece. Is that correct?

16          A     That's for tape binding.

17          Q     For tape binding; that's correct.

18          A     For an 8-1/2-by-11 document.

19          Q     That's correct.

20          A     Yes.

21          Q     And could you explain when that binding is used or  
22    how it is used for the number of sheets that are -- the  
23    number of sheets that are required before binding is used?

24          A     Well, I'm not an expert on the technical aspects  
25    of finishing options as they pertain to this service. In



1 part that's subject to customer choice. I mean, a customer  
2 can elect different binding options.

3 I believe the upper limit on the number of sheets  
4 in a Mailing Online document is 48 sheets. A customer could  
5 elect not to bind those sheets at all and instead to just  
6 have those inserted into an envelope, or the customer can  
7 request the binding options that are available through  
8 Mailing Online, in this case saddle stitching, tape binding,  
9 and primarily that's a matter of customer choice, whichever  
10 type of binding the customer thinks is most appropriate for  
11 their document.

12 Now presumably if you have a one-page document  
13 you're not going to use any binding.

14 Q Well, how would the customer make that selection?  
15 And my question really relates to how would the customer  
16 know what his options are when he's placing his order  
17 through Mailing Online.

18 A I'm not familiar with the customer interface and  
19 how customers are going to elect different options. I'm not  
20 really qualified to answer that question.

21 Q What I'm getting at is if tape binding were used  
22 for, say, three or four sheets, and I don't really know  
23 whether it would be or not, but I assume from your answer  
24 that it's up to the customer, and he may be able to use tape  
25 binding for three or four sheets, that would come down to --

1 that would be 15 cents a sheet if it were tape binding for a  
2 three-sheet piece.

3 A In this particular instance --

4 Q Which is very expensive.

5 A I'm sorry --

6 Q Yes, I'm done.

7 A In this particular instance, I don't think that's  
8 technically possible. My understanding is that the way the  
9 system works, all documents five pages or less are treated  
10 as letters and must be folded and inserted into No. 10  
11 envelopes, which precludes the use of tape binding. Now I  
12 don't know exactly how customers are informed of that  
13 constraint. Again that's not an issue that I've studied.  
14 But in this particular case I don't think that's a feasible  
15 option for a customer to select.

16 Q So you think that it probably relates to pieces  
17 that are at least greater than five sheets.

18 A Again, I'm not an expert. I would assume the tape  
19 binding would primarily be used for relatively thick  
20 documents.

21 Q If you could refer to Witness Seckar's Exhibit A,  
22 which is USPS-T-2, Exhibit A, page 8 of 28.

23 A I have it.

24 Q Lines 10 through 21.

25 A Yes.

1 Q Have the volumes, the pieces broken out by the  
2 page size per piece; is that correct?

3 A Yes, that's correct.

4 Q And there's pieces with one or two pages, three to  
5 four pages, five to six pages, and then there's several from  
6 line 15 through 21 with 7 to 10 pages, and all the way up to  
7 greater than 15 pages.

8 Now would it be fair to assume that the pieces  
9 with larger than five pages may be using tape binding?

10 A I have no basis on which to make an assumption  
11 like that. There's nothing in the market research that  
12 indicates customer preferences about different finishing  
13 options. Based on the little that I know, it seems unlikely  
14 that someone would use tape binding for a document as thin  
15 as five sheets. Again, that would, as far as I understand  
16 Mailing Online to operate, would be treated as a letter,  
17 which would preclude the use of tape binding, because you  
18 would not then be able to insert the document into a No. 10  
19 envelope.

20 Q Just so we're clear, if somebody had ten pages and  
21 they used tape binding and it's 45 cents per finished piece,  
22 it's 45 cents divided by 10 would be 4-1/2 cents per sheet.  
23 Is that correct?

24 A I guess that would be the per-sheet cost; yes.

25 Q And your responses with respect to tape binding

1 are also true for stitching and stapling with respect to the  
2 options of the mailer and then the frequency of use?

3 A You mean that that's a customer choice and --

4 Q Yes.

5 A That's what governs how many will be -- how many  
6 of each type would be used?

7 Q Yes.

8 A Yes, that's correct.

9 Q But you have done no studies as to the frequency  
10 of use of those options?

11 A No. And I'm not aware that any exist.

12 Q Just so the record is clear about the contract,  
13 which is Library Reference 11, the contract has presented us  
14 with contract prices for all the various options of  
15 printing, and as far as the market test is concerned, the  
16 Postal Service does intend to use the contract prices  
17 multiplied by 125 percent for purposes of the market test;  
18 is that correct?

19 A Essentially the way we've proposed to establish  
20 fees for the market test is to take the contract prices and  
21 apply a per-impression charge of one-tenth of one cent,  
22 which reflects an estimated Postal Service information  
23 systems cost. The markup would then be applied to the  
24 contract cost plus that .1 cent-per-impression charge.

25 Q And I wanted to talk to you a minute about that

1 impression charge, because I'm a little confused about that,  
2 because the .1 cent doesn't quite conform to Witness  
3 Seckar's variable and fixed costs for those amounts. Maybe  
4 you can clarify it for me.

5 A I'm looking at Exhibit A to Witness Seckar's  
6 testimony, page 2 of 28, in the rightmost column. There are  
7 essentially three types of impressions: black and white,  
8 black and white 11 by 17, and then spot color impressions.  
9 In each case the variable information systems cost rounds to  
10 seven one-hundredths of a cent. For pricing purposes we  
11 have rounded that amount to one-tenth of one cent, primarily  
12 because it is -- it's the existing practice to price only in  
13 increments of tenths of a cent.

14 Q I see.

15 A That's the derivation of the one-tenth of one  
16 cent.

17 Q And you have just focused on the variable  
18 information systems costs in that rounding.

19 A Yes, although I would point out that if you add  
20 the variable and fixed together, you would still round to  
21 one-tenth of one cent. That's just a coincidence. I was  
22 looking at the variable component of those costs in  
23 proposing that pricing structure.

24 Q How would you have handled the fixed costs if it  
25 hadn't been coincidental? Would you have included those in

1 the contract price?

2 A No, I would not have.

3 Q Why not?

4 A It's my view that it would not be appropriate to  
5 mark up fixed costs.

6 Q And along those lines, you responded to an  
7 OCA/USPS interrogatory T5-10(d).

8 A That was 10(d)?

9 Q 10(d).

10 A I have it.

11 Q You were referring -- you referred to Witness  
12 Seckar and stated that according to him, these costs are  
13 incurred only during the first two years that Mailing Online  
14 is expected to operate, referring to the fixed information  
15 systems costs.

16 A That's correct.

17 Q And is it your testimony that those costs will  
18 disappear after two years?

19 A That's contained in Witness Seckar's testimony.  
20 I'm only following what is contained in his testimony.

21 Q And you have no opinion as to whether that's  
22 correct or not?

23 A I have no reason to doubt it, but I've not -- I've  
24 not done any additional study or attempt to find fault with  
25 that number or that set of numbers.

1 Q Well, do you know what costs go into the fixed  
2 costs for information system? Isn't it the hardware cost  
3 that Witness Seckar talks about?

4 A I believe that's the main component, but I'm not  
5 an expert on Witness Seckar's testimony. I have used some  
6 components of it in preparing my testimony, but I'm not fully  
7 capable of answering a question of that nature.

8 Q Wouldn't it seem to you that the hardware would  
9 last significantly longer than two years?

10 A It depends what you mean by last. I --

11 Q Service life.

12 A Yes. But when you're dealing with technology,  
13 there is a pretty rapid period of obsolescence, and I'm not  
14 sure how such considerations would factor into Witness  
15 Seckar's cost.

16 Q There has been some discussion about another  
17 printing contract being entered into during the market test.  
18 What is your opinion about that at this time?

19 A My understanding is that could happen. I'm not  
20 sure whether it will or not. In part, that depends on the  
21 duration of the market test. As proposed by the Postal  
22 Service, the market test would end in three months. That  
23 issue has not been completely resolved yet, though.

24 Q If we could just go back to the contract, just a  
25 reference, a quick reference back to the RFP underlying the

1 contract. I noticed the RFP talks about impressions for  
2 11-by-17 sizes, and that appears on pages 9, 10 and 11 of  
3 the RFP and I guess part of the contract now, but your items  
4 and prices schedule doesn't refer to black-and-white  
5 11-by-17 impressions. Could you explain why not?

6 A I may be able to. Again, this is not my area of  
7 expertise. My understanding is that after the RFP was let  
8 out, discussions with members of the printing industry and  
9 perhaps some associations informed us that there was no  
10 practical difference between an 11-by-17 impression and two  
11 8-1/2-by-11 impressions; therefore, for pricing purposes, we  
12 would treat an 11-by-17 as identical to two 8-1/2-by-11s.  
13 If I have misstated that, I'm sure counsel will caution me.

14 Q Will it still be a -- will an 11-by-17 impression  
15 still be available as an option to the mailer?

16 A I believe that it will and the price would be two  
17 times the price for an 8-1/2-by-11 impression.

18 Q How does that compare to the original estimate for  
19 the price for an 11-by-17?

20 A I would have to refer to Witness Seckar's -- I  
21 mean -- well --

22 Q That would be in Witness Seckar's testimony?

23 A I believe he has calculated impression costs for  
24 8-1/2 by -- I'm sorry -- for 11-by-17 documents, but I'm not  
25 sure what those are.



1 Q He did prepare those costs.

2 The if we could turn to the Mailing Online  
3 schedule, which has the contract prices in it -- let me back  
4 up.

5 Included in the Postal Service's request, the  
6 request itself document that was filed on July 15th, there  
7 are attached in Attachment B pro forma DMCS schedules, one  
8 for the market test and one for the experiment, and I am  
9 referring to Attachment B1, page 2.

10 A I'm sorry, I don't have a copy of the request in  
11 front of me.

12 Yes.

13 Q You have it in front of you now?

14 A Yes.

15 Q Now, that refers to the market test; is that  
16 correct?

17 A Yes, that's correct.

18 Q Now, that pro forma sheet shows a P in lieu of the  
19 printing contract price. Do you see that?

20 A A series of P's --

21 Q A series of P's.

22 A -- relating to the different components, yes.

23 Q Now, is it your understanding that the contract  
24 prices will be inserted in that copy when it's placed in the  
25 DMCS?

1           A     That is my understanding, yes.

2           Q     And I notice on that pro forma sheet, there is  
3 nothing for 11-by-17. Would that have to be corrected?

4           A     I don't believe so. Again, a customer who elects  
5 to print on 11-by-17 paper would for each impression be  
6 charged double the fee or an 8-1/2-by-11 impression.

7           Q     But that schedule purports to represent the fees  
8 for the services that the Postal Service is making available  
9 under Mailing Online, doesn't it? And so shouldn't it  
10 include every service that is available under Mailing  
11 Online? Isn't that the purpose of the DMCS?

12          A     I guess where we disagree is my impression is that  
13 it is included by virtue of the fact that an 8-1/2 -- or an  
14 11-by-17 impression is identical to two 8-1/2-by-11  
15 impressions.

16          Q     I see. And if during the market test another  
17 contract were entered into and, in all likelihood, I  
18 understand from the testimony, that the prices could well be  
19 different, would there then be a second schedule prepared  
20 and included in the DMCS which had a separate set of prices?

21          A     No. Our market test proposal is that we would use  
22 the contract that has just been awarded as the basis for the  
23 fees throughout the duration of the market test.

24          Q     Oh. Even if you have a second printer, you would  
25 not change your fees?

1           A     I believe that's the way it was proposed.

2           Q     And if you could flip over to the next page -- you  
3 have my only source of information, but I think we can go  
4 ahead -- the next page I believe includes pro forma language  
5 for the DMCS for the experimental phase, and there, there is  
6 no such detail for an SS schedule 7; is that correct?

7           A     No, there is not.

8           Q     Would that be changed once the experimental phase  
9 moves along and the contract prices and the fees, offerings  
10 would be included?

11          A     I suppose that it could. One of the reasons we've  
12 proposed a mark-up in lieu of a fixed fee schedule is  
13 because we anticipate that throughout the experiment, for  
14 whatever reason, we may develop the need to offer different  
15 services than are currently being offered. Contemplating  
16 that, it's difficult to have a fixed DMCS schedule akin to  
17 what's provided for in the request for the market test.

18          Q     If during the experimental phase you actually had  
19 different contracts with different prices, you would then  
20 need a separate page for every contract price, wouldn't you?

21          A     I'm not sure I'm qualified to answer that. That  
22 appears to me to be more of a legal question.

23          Q     If you followed the same format that you followed  
24 for the market test to lay out the options and the prices in  
25 the contract during the experimental phase and included the

1 prices available under every contract, then you would have  
2 multiple pages for that schedule, wouldn't you, in --

3 A Well, I mean, as we have proposed the DMCS  
4 language for the experiment, that is not what we have done.  
5 We have essentially indicated the way in which fees would be  
6 calculated for customers using the service, but it does not  
7 anticipate an individual page of fees for every printer that  
8 would be providing Mailing Online services during the  
9 experiment.

10 Q But then you would have a DMCS that does not  
11 include the fees; is that correct?

12 A Again, I think we'd probably disagree on the use  
13 of the word include. To my interpretation, it includes the  
14 fees insofar as it indicates how fees will be established.

15 Q And the only way a customer could determine those  
16 fees would be to go through the Mailing Online facility and  
17 on the Internet; is that correct?

18 A Well, that's where they will be, yes.

19 Q And so the DMCS would not include the actual fees  
20 under your scenario as you understand it at this point?

21 A I guess I'm confused by the use of the word fees  
22 in this case. We have not proposed fees for the experiment.  
23 We have proposed a markup that would be applied to actual  
24 printing costs in lieu of an established fee schedule. If  
25 there is no established fee schedule, I don't see how fees

1 per se could be included in the DMCS.

2 Q Well, I guess that's the point I'm getting to in a  
3 sense. I mean, it would be unwieldy to have the fees, the  
4 detail of the printers' contracts, in the DMCS, but it's my  
5 understanding that the DMCS should include the fees --  
6 that's one of the purposes of the DMCS -- should have the  
7 detail and it may not be there.

8 But if I could just conclude here with your  
9 testimony on page 21, which more or less goes to the same  
10 subject where you're discussing Mailing Online meeting the  
11 criteria, the pricing criteria of the Postal Reorganization  
12 Act.

13 Your last sentence is: The addition of Mailing  
14 Online to the DMCS will in no way add unnecessary complexity  
15 to the Postal Service's rate schedule, which is Criterion 7.  
16 Do you see that?

17 A Yes, I do.

18 Q And I would just ask you that wouldn't it be very  
19 complex if, during the experimental phase, there were a  
20 separate rate schedule in the DMCS for every printer or all  
21 25 printers be included?

22 A I guess to be perhaps more specific, in my  
23 testimony, I'm referring to the fact that for the  
24 experiment, we have proposed no changes to existing rates,  
25 meaning rates for <sup>F</sup>first-<sup>C</sup>lass or <sup>S</sup>standard mail. We have

1     instead proposed that customers be allowed to use the  
2     automation basic rates, and in that way, we have not added  
3     any additional complexity to the rate schedule in that we  
4     have not established a separate rate category for Mailing  
5     Online mail pieces. I was not referring to the mark-up  
6     itself.

7             MR. RICHARDSON: Thank you very much. Those are  
8     all the questions I have, Mr. Presiding Officer.

9             COMMISSIONER LeBLANC: Mr. Bush?

10            MR. BUSH: Thank you, Mr. Presiding Officer.

11            COMMISSIONER LeBLANC: Before we get started here,  
12     I know Mr. Plunkett has got a personal problem, that he may  
13     have to make a phone call prior to 4:30. Can you give me an  
14     approximate guess as to what you may be talking about?  
15     Another 15 minutes here, or what are we --

16            MR. BUSH: I'm going to commit to being done  
17     within 15 minutes. That's a promise.

18            COMMISSIONER LeBLANC: I will hold you to that.

19            MR. BUSH: All right. It's not going to be a  
20     problem.

21            COMMISSIONER LeBLANC: Mr. Volner, any thought --

22            MR. VOLNER: I will have some questions and it's  
23     going to take me more than 15 minutes.

24            COMMISSIONER LeBLANC: Then we'll hold Mr. Bush to  
25     his 15 minutes and let Mr. Plunkett make his phone call at

1 4:15, if that's still acceptable.

2 THE WITNESS: That sounds good to me.

3 COMMISSIONER LeBLANC: All right.

4 Mr. Bush?

5 MR. BUSH: Thank you, Mr. Presiding Officer.

6

7 CROSS EXAMINATION

8 BY MR. BUSH:

9 Q Mr. Plunkett, my name is Graham Bush and I'll be  
10 asking you some questions on behalf of Mail Advertising  
11 Service Association International.

12 Good afternoon.

13 A Good afternoon.

14 Q In your earlier testimony, you indicated that you  
15 thought the primary attraction of Mailing Online was its  
16 convenience and that the discount was an incidental benefit.  
17 Do you recall that testimony?

18 A Yes.

19 Q If you assume that someone is currently entering  
20 mail, less than 5,000 pieces, at a discount that is -- or at  
21 a rate that is lower than the discount available on Mailing  
22 Online, is it your testimony that the convenience of doing  
23 it through Mailing Online is likely to cause them to shift  
24 to Mailing Online even though they have to pay a higher  
25 postage rate?

1           A     I guess that would depend on what they were paying  
2     for the other services they are using to prepare their  
3     mailings and for the amount of effort they're required to  
4     expend to do so, and it -- I mean, I think it's difficult to  
5     answer a question like that in a general way.

6           Q     If you took the two components that we have of  
7     Mailing Online here, which I'm going to describe as the  
8     printing component or what you've called the contracting  
9     printing component and the postage component, and you  
10    compared those to the two components of the cost that the  
11    mailer in my hypothetical was already paying, you would  
12    predict, would you not, that if the mailer could put the  
13    same mailing through Mailing Online more cheaply, then he's  
14    likely to move to Mailing Online, and if he can't, he's not  
15    likely to move to Mailing Online regardless of the  
16    convenience, would you not?

17          A     Well, I mean, I would agree that all other things  
18    being equal, a customer is going to select the option which  
19    costs less. The difficulty I have is in equating, you know,  
20    one service versus another, including all of the possible  
21    variables. There is a postage component, there is  
22    pre-mailing component, for lack of a better term.

23                I'm not qualified, I'm not sure anyone is  
24    qualified to speak to how an individual customer or a small  
25    business customer accounts for their time and what that's



1     worth. That's why I say it's difficult to answer that  
2     question in a general way. It sort of relates to the  
3     specific circumstances or each customer.

4           Q     All right. Now, you also testified in response to  
5     some questions about -- I guess it really was about the fee  
6     schedule, or the lack a fee schedule -- I'm not quite sure  
7     what the question -- where we are on that.

8                     But you testified in that line of questioning that  
9     one of the reasons you're doing it or proposing it the way  
10    you're proposing it is because you anticipate during the  
11    experimental phase the possibility of offering different  
12    features or different services.

13           A     I think that's a possibility.

14           Q     All right. Is there -- has there been any  
15    discussion about the possibility that if different services  
16    are offered during the experimental phase, that that would  
17    be -- that the Postal Service could do that without coming  
18    back to the Rate Commission?

19           A     I don't know that there have been any discussions.  
20    I suppose that would depend on the nature of the decision  
21    that was rendered by the Commission and what --

22           Q     Well, let me ask it a little bit different way.  
23    Is it your understanding that the rate will be simply a  
24    mark-up over whatever services you ultimately decide to  
25    offer and are able to contract to offer, and that the

1 services that you offer are up to you?

2 A I think --

3 MR. RUBIN: Objection. I guess -- I mean, I have  
4 let this go on a little bit with the OCA, but we're getting  
5 into issues that I think are only related to the  
6 experimental filing.

7 COMMISSIONER LeBLANC: Mr. Bush, do you care to  
8 comment?

9 MR. BUSH: They do go to the experimental filing,  
10 but I'm interested because I think some of the -- where  
11 we're headed with this has some bearing on what we're doing  
12 now in the market test. I don't tend to pursue this line  
13 more than perhaps this question, but I would like to get the  
14 answer to this question.

15 COMMISSIONER LeBLANC: Mr. Plunkett, if you can  
16 answer this to the best of your ability --

17 THE WITNESS: Could you repeat it again, please?

18 MR. BUSH: I'm not sure.

19 [Laughter.]

20 COMMISSIONER LeBLANC: Would you like the reporter  
21 to play it back?

22 MR. BUSH: That would be great.

23 COMMISSIONER LeBLANC: Mr. Reporter?

24 [Whereupon, the reporter read the record as  
25 requested.]

1 THE WITNESS: What we have proposed is to  
2 establish a markup that would apply to services that are  
3 contracted by the Postal Service with a series of printers  
4 at different geographical locations.

5 As we have shown here, any contract into which we  
6 enter is going to be filed with the Commission. There will  
7 be recurrent opportunities for revisiting Mailing Online,  
8 whether it is in an experimental case, perhaps ultimately in  
9 a request for a permanent classification in subsequent  
10 omnibus cases, if we go that far. So to the extent that  
11 that implies that the Postal Service, once they establish a  
12 service, can just arbitrarily introduce any kind of  
13 additional component to the service, I am not really  
14 comfortable with that supposition. And I think this request  
15 implies some latitude to offer new services when technology  
16 or other considerations dictate that it is possible to do so  
17 within the current framework of Mailing Online. I don't  
18 know if that helps, but --

19 BY MR. BUSH:

20 Q Well, within the context of the market test  
21 itself, if you do enter into a second printer contract that  
22 has somewhat different services than are available under the  
23 contract, that is -- I guess that is Library Reference 11,  
24 at that point you would simply offer those services with the  
25 25 percent markup, is that correct?

1           A     I don't think -- I'm sorry, I thought you were  
2     done.

3           Q     That's all right. I am done.

4           A     I don't think there has been any consideration  
5     that we would attempt to offer additional service beyond  
6     what is contained in the contract that has been filed.

7           Q     Okay. In some of your testimony in interrogatory  
8     responses, you talked about the nature of the expected or  
9     potential customer for Mailing Online. And one of the  
10    descriptions you gave was of a relatively small mailing who  
11    has a geographically dispersed mailing. Are you planning to  
12    collect, and by you, I mean the Postal Service, planning to  
13    collect during the market test any information that would  
14    allow you to assess how many of your customers fall in that  
15    particular category?

16          A     I believe during his cross-examination, Witness  
17    Garvey talked about how valuable it might be to collect  
18    information on where mail destinate<sup>Code</sup>s by ZIP ~~code~~, I believe  
19    was what he was referring to, and I guess that is the kind  
20    of information you are referring to in this case.

21          Q     Well, but would you be able to tie that to a  
22    particular mailing, so that you would find out, if somebody  
23    is putting in 500 pieces, is that 500 piece mailing going to  
24    one ZIP ~~code~~<sup>Code</sup>, or is it going to 25 ZIP ~~codes~~<sup>Codes</sup> around the  
25    country?

1           A     I don't know if the existing software allows us to  
2 collect information of that type.

3           Q     Is that information that you would helpful or  
4 interesting?

5           A     Probably not. I don't know, though. I mean it is  
6 -- I haven't really thought very much about that. And I am  
7 speaking on my own behalf. I am not sure that would be all  
8 that helpful in trying to establish prices for this service.  
9 Now, somebody else may find information of that kind more  
10 valuable than I would.

11          Q     Okay. Is any of the information that is being  
12 collected during the market test, as you understand it,  
13 information that you intend to use in evaluating the rates  
14 that you have proposed?

15          A     Well, I will certainly be interested in the amount  
16 of volume that we are able to generate during the market  
17 test and how quickly we are able to generate it. Whether or  
18 not that will provide information that will prove valuable  
19 is a little difficult to say. I mean my interest primarily  
20 in the market test is what it tells us about, if anything,  
21 about the prices that we will be using for the service  
22 during the test.

23          Q     And what are the types of information that you  
24 would look at to evaluate that?

25          A     I think I just indicated what they were.

1     Essentially, the amount of volume that we are able to  
2     generate and how quickly we are able to do so. I suppose,  
3     to the extent that it is available, information on repeat  
4     use by specific customers would be valuable in indicating  
5     that customers perceived this product to be a good value, or  
6     a valuable service, perhaps is a better way to say it.

7                MR. BUSH: Mr. Presiding Officer, I am happy to  
8     announce that I am through in less than the 15 minutes I  
9     promised.

10              CHAIRMAN LeBLANC: I promise not to tie you to Tim  
11     May anymore.

12              [Laughter]

13              Ladies and gentleman, let's take a ten minute  
14     break. Will that give you enough time, Mr. Plunkett?

15              THE WITNESS: As far as I am concerned, we can  
16     press on.

17              CHAIRMAN LeBLANC: Well, but I don't want to be  
18     pushing that 4:30 limit for you. So --

19              THE WITNESS: Let's --

20              CHAIRMAN LeBLANC: Huh?

21              THE WITNESS: No, we can continue.

22              CHAIRMAN LeBLANC: Well, now, do you need to make  
23     the phone call or not? I mean that -- let's be --

24              THE WITNESS: I'll take my chances.

25              CHAIRMAN LeBLANC: You are a brave man. Mr.

1 Volner.

2 [Laughter]

3 MR. VOLNER: We can always break if it gets close  
4 to it.

5 CHAIRMAN LeBLANC: I understand. Thank you very  
6 much for your consideration.

7 MR. VOLNER: Indeed, if the witness has a personal  
8 problem and wants to come back tomorrow, I will come in and  
9 finish then.

10 CHAIRMAN LeBLANC: No, no. It is something else,  
11 but it is all right. Thank you very much for your  
12 consideration.

13

14 CROSS-EXAMINATION

15 BY MR. VOLNER:

16 Q Let me start by trying to follow up on a couple of  
17 questions that -- oh, incidentally, I am Ian Volner, and I  
18 will be cross-examining you on behalf of Pitney Bowes. Let  
19 me start by following up on a couple of questions that have  
20 been asked you counsel thus far. And I think maybe the  
21 easiest way to do this is to take a look at your Exhibit A,  
22 as most recently revised, which was OCA --

23 A Twenty-eight?

24 Q Twenty-eight, and the first page.

25 A Yes. I have it.

1 Q Now, there was a discussion about stapling --

2 CHAIRMAN LeBLANC: Mr. Volner, excuse me. This is  
3 the revised point, though, is it?

4 MR. VOLNER: Most recently revised. Right.

5 CHAIRMAN LeBLANC: Okay. Thank you.

6 BY MR. VOLNER:

7 Q So what we have got here is the actual contract  
8 prices factored in. There was a discussion you had with  
9 counsel for the OCA about stapling and tape binding and so  
10 forth, and I have several questions. When you assumed, as  
11 you did, that only letter size pieces require two folds,  
12 what sort of assumptions were you making with respect to a  
13 piece -- Example 4, which is 22 pages, 8.5 times 14. Were  
14 you assuming that is not stapled?

15 A I assumed nothing about stapling or other binding  
16 options.

17 Q So there was no stapling component on the 22 page  
18 item?

19 A That's correct.

20 Q Was there a stapling or a bind -- a tape binding  
21 component on the 10 page example?

22 A No, there was not.

23 Q All right. Now, then, let me go to a very  
24 interesting question that you have raised, and that we may  
25 have to ask you how you are going to get resolved.



1           Your assumption on folding is that folding occurs  
2 after the pieces have been printed, simplex or duplex, and  
3 that there would be one charge for the piece, so that two  
4 pages going into a single environment is one fold.

5           Was that what you testified to?

6           A     That was my assumption; yes.

7           Q     Okay. Could you take a look at the schedule of  
8 prices in 1.1? Now there are two schedules -- and I will be  
9 candid with you, I'm supposed to be a lawyer and I'm  
10 supposed to know these things -- but one says Schedule 1 and  
11 the other one says replace Schedule 1.1 with the following,  
12 and these pages are not numbered, but I want the one with  
13 all the fancy details on it. It's the second set of  
14 Schedule 1.

15           COMMISSIONER LeBLANC: Let's give him a chance to  
16 get there, Mr. Volner, and make sure that counsel is with us  
17 also.

18           [Pause]

19           THE WITNESS: I have that.

20           MR. VOLNER: Okay.

21           COMMISSIONER LeBLANC: Mr. Hollies, are you there?  
22 Do you have -- since we're getting technical, let's make  
23 sure we're on the same sheet of music.

24           BY MR. VOLNER:

25           Q     Was it this schedule that you were using, or was

1 it the Schedule 1 at the front?

2 A It was the one at the front.

3 Q It was the one at the front. All right, then  
4 let's take a look at what is marked as column O4A, which is  
5 under the Finishing heading.

6 A Yes.

7 Q It says per fold, folding with an asterisk, and  
8 then in the margin it says asterisk, per sheet.

9 A Yes, it does.

10 Q Does that -- I agree with you, I don't know what's  
11 going on here, but can you tell us how that kind of an  
12 ambiguity is going to be resolved when you're actually in  
13 the market test?

14 You're telling the customer up front what he has  
15 to pay. If your assumption is not consistent with the way  
16 the printer is actually going to charge you, what are you  
17 going to do? Go back to the customer, or are you going to  
18 eat it, you, the Postal Service?

19 A I mean, I don't think that will be a problem. I  
20 think what we have here is that I used the initial schedule  
21 in calculating my example. When an algorithm is built into  
22 a system that will calculate customer fees, I would assume  
23 it will be based on this one here. I'm not party to that  
24 system development, but my understanding -- well, my  
25 expectation would be that that is how the algorithm would be

1 built.

2 Q So you think this is going to be done with an  
3 algorithm, which means that the menu's going to have to say  
4 tell me what your options are, the menu's going to have to  
5 say tell me how many pages you've got. Is that right?

6 A Well, I don't know what you -- I don't know what  
7 you're getting at. I mean --

8 Q When I, as a Mailing Online customer, come into  
9 the system, I say here's this piece that I want done. The  
10 menu's going to say well, let's take a look at it, and it  
11 will format it for me, will it not?

12 A I'm not qualified to respond to that. I mean,  
13 they'll be submitting a file for printing. That file will  
14 have certain characteristics, among which will be some  
15 formatting characteristics. It will also have a specific  
16 length, which will result in a specific number of pages.

17 I don't think customers are going to have to say  
18 I'm submitting a ten-page document. They'll submit a file.  
19 The software will determine that it's a ten-page file, given  
20 the other options that they've selected, for example, duplex  
21 versus simplex printing.

22 Q Well, ten pages is not entirely a function of  
23 duplex versus simplex. It's a function of the length of the  
24 text, isn't it?

25 A I should have said "sheets" rather than "pages" --

1 Q Okay.

2 A In this case.

3 Q All right. So your position is that these  
4 ambiguities will be resolved in the market test. Is the  
5 algorithm going to be made available to the Commission?

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

7 Q Let me go back, however, now to the fabled Exhibit  
8 A. And the first is an obvious question. If you had made  
9 an assumption about stapling, binding, or folding different  
10 than the one that you made, the prices, the ultimate price  
11 that you chose in your revised Exhibit A would in fact be  
12 higher than the price that you've got.

13 A Yes, they would. They'd have been different  
14 examples.

15 Q And can we agree that the prices that you've  
16 actually shown are significantly higher than the revised  
17 Exhibit A that you earlier submitted and revised as of  
18 August 10, 1998?

19 A They're higher; yes.

20 Q Okay. And I don't want to burden the Commission  
21 or the record with a calculation. We can do it. But would  
22 you characterize those increases as slightly higher, or  
23 would you say that they're rather substantially higher?

24 A Well, I mean, I guess, you know, the term  
25 "substantially" implies relativity. You know, Witness

1     Seckar was developing national average costs. What we have  
2     here is a specific contract in what is generally considered  
3     to be a high-cost area. So the fact that they're different  
4     by, you know, some percentage amount, I'm not sure what  
5     significance that has. I mean, as we progress and add  
6     additional printers, my presumption is we'll have some  
7     others that are quite different from the ones we have now.

8           Q     During the market test.

9           A     Well, that would be during the --

10          Q     Okay. But we're here to discuss the market --

11          A     Correct.

12          Q     Test, aren't we? Now, you testified at page 5  
13     that you relied on the market research for the volumes, and  
14     I presume the aggregate revenues that you have shown, and I  
15     assume --

16          A     Well, the revenues were calculated based on the  
17     volumes, and --

18          Q     The revenues were calculated based on the volumes  
19     because your revenue calculation was a per-unit calculation.

20          A     That's correct.

21          Q     Okay. And so you'd produce aggregate revenues.  
22     Now I assume you got the volumes -- from whom? I shouldn't  
23     assume. Who did you get the volumes from?

24          A     I believe they appear in the testimony of Witness  
25     Rothschild, which is Library Reference 2, I believe.

1 Q Right. Do you know where Witness Rothschild got  
2 her price points to calculate the volumes from based on her  
3 surveys?

4 A No, but I think Witness Garvey testified to that  
5 earlier today, that they got their price points from him --  
6 I believe.

7 Q Well, he testified that they got them from the  
8 Postal Service. He did not say he got them from him. Let  
9 me put the question more directly.

10 A Maybe I misspoke.

11 Q Did you communicate the price points to her?

12 A No, I did not.

13 Q Had you looked at her price points in relation to  
14 what you now know from the contract?

15 A No, I have not.

16 Q Can we agree -- you testified as a pricing witness  
17 in R97-1, and I had the good fortune not to be worried about  
18 special services -- or maybe you had the good fortune that I  
19 wasn't worried about special services. But certainly in  
20 that case can we agree that a change in price may  
21 significantly affect volume?

22 A Depending on the product.

23 Q Depending upon the product.

24 A It may.

25 Q Now here we've got kind of an odd duck, don't we?

1 We've got a product which is partially a Postal Service  
2 product as to which we know elasticities or arguably know  
3 elasticities, and we have differences in elasticity between  
4 First and Third.

5 A Yes, we do.

6 Q Now we have no knowledge whatsoever of the  
7 elasticities of relative contract prices in this kind of a  
8 product, do we?

9 A No, we don't.

10 Q When Mr. Bush asked you what sort of information  
11 you thought the market test was going to be useful to  
12 produce, you suggested that in terms of revenues, it was not  
13 going to be particularly useful because of the duration of  
14 the test, or is that not correct?

15 A I am not sure that is what I said. I am not sure  
16 that it will be particularly useful. It will be a  
17 relatively short duration.

18 Q Well, let -- and I did indeed ask this question of  
19 Mr. Garvey earlier. Let me see whether I can get the same  
20 answer out of you. Do you contemplate that it would be  
21 necessary or desirable for the Postal Service, in order for  
22 you to have revenue figures for the experimental phase, to  
23 do -- to replicate or do a version of the Rothschild survey  
24 with the actual contract, or contracts, if there are now  
25 two, price?

1           A     If I may, I would like to rephrase that in the way  
2     that I understand it.

3           Q     Sure.

4           A     Are you asking do I think it would be valuable,  
5     based on data collected in the market test, to attempt to  
6     either replicate or validate Witness Rothschild's volume  
7     projections for the experimental phase of Mailing Online?

8           Q     There is only one -- there is one difference. My  
9     thought was forget the data that you get in the market test.  
10    To do another survey, now that you have the actual contract  
11    prices, at the outside of the market test, and then validate  
12    as you go along with the data from that market test.

13          A     No, I don't think that would be worthwhile at all.

14          Q     But we do agree that we really have no idea of  
15    what these actual contract prices are going to do to volumes  
16    in the market test or beyond?

17          A     Well, we know that -- I mean we know, I believe,  
18    that the prices we have now, as a result of this contract,  
19    are different from the ones that Witness Rothschild used  
20    when she conducted her surveys. That is only one of several  
21    variables that have changed during that time. I believe  
22    Witness Rothschild conducted, or began this research some  
23    time ago.

24                I would assume that any assumptions they made at  
25    the time about the level of Internet use by businesses, the



1 number of businesses that may be producing documents of this  
2 type, those would have changed as well. And I think it  
3 would be difficult, at best, to isolate the price effects  
4 from the other -- from changes in those other variables when  
5 you compare volumes between surveys conducted then with  
6 surveys conducted now.

7 Q Okay. Then let me try it slightly differently.  
8 Forget the price effect changes in isolation. Let's take  
9 the totality of changes that you have just discussed, the  
10 changes in the nature of the service, the changes in  
11 technology, conceivably, the changes in telecommunications  
12 costs, all of which you bear -- some of which you bear, and  
13 the change in the printer's price. Are you saying that in  
14 the experimental phase, you nonetheless intend to rely upon  
15 here data for volumes?

16 A I see no reason to conduct an additional survey,  
17 because I don't believe it would provide any meaningful  
18 improvement over what we have now for the experimental case.

19 Q Okay. Let me go on to a slightly different, or a  
20 variation on a slightly different topic. In your response  
21 to the OCA interrogatory, --

22 A Is this 28?

23 Q 28-A.

24 A Yes.

25 Q You say transportation costs are presumably

1 included in the contract prices.

2 A Yes.

3 Q Now, of course, I believe that Witness Garvey  
4 testified that, in fact, transportation here is not going to  
5 be any big deal because he is transporting to the SCF in  
6 Waltham, and the plant, I assume, is fairly close by.

7 A It is not far.

8 Q Okay. Was it that consideration that you had in  
9 mind when you calculated the now inoperative transportation  
10 costs in Exhibit A?

11 A Well, I didn't calculate the transportation costs,  
12 those were calculated by Witness Seckar.

13 Q Did you discuss those costs with Witness Seckar at  
14 all?

15 A What do you mean by discuss?

16 Q Well, do you know how the Postal Service  
17 customarily costs transportation?

18 A I am somewhat familiar, I am by no means an expert  
19 in transportation costing.

20 Q Would you accept, subject to check, that it is,  
21 for local transportation, cubic feet, and for non-local  
22 transportation, cubic feet/miles?

23 A Subject to check, yes, I would.

24 Q Okay. Now, the thing that had me intrigued about  
25 your transportation costs here is that they did not appear

1 to be distance-sensitive. And you didn't inquire from  
2 Witness Seckar as to why that was the case?

3 A No, I didn't.

4 Q It also appeared to me that in one way they might  
5 not be cubic-sensitive either. Can we agree that, as a  
6 general proposition, a ten page -- I'm sorry, a 22 page  
7 duplex piece is going to occupy more cube than a 10 page  
8 duplex piece?

9 A All other things being equal, it would have to.

10 Q And yet when you had transportation costs in your  
11 illustrative pricing schedule, and I recognize it was only  
12 illustrative, you had the same transportation cost for those  
13 two pieces?

14 A I believe, if my memory serves correctly, Witness  
15 Seckar distributed transportation costs on the basis of  
16 pieces rather than pages.

17 Q I see.

18 A And, again --

19 Q All right. Now, let me take this out a little bit  
20 further. During the market test, there never will be  
21 situation in which mail is being trucked to a destination  
22 BMC?

23 A My understanding is all mail will be deposited at  
24 the SCF facility in Waltham.

25 Q So that the market test is not going to tell us

1 anything, is it, about a contractor who was later, in the  
2 experimental phase, required to truck to a destination BMC?

3 A My understanding is that any future contracts that  
4 we award would have essentially the same pricing schedule  
5 that exists in this one, and that there will be no separate  
6 costs for transporting the mail. Any transportation costs  
7 that the contractor incurs would be embedded in the  
8 per-impression, per-page, or per-component charges that they  
9 assess to the Postal Service through this price schedule.  
10 So there will be no -- I don't know that that would ever  
11 become a relevant statistic for us in Mailing Online as we  
12 proposed it.

13 Q Is it your -- do you understand the contract here  
14 to require -- well, you've answered that question. Let me  
15 frame it slightly differently.

16 Do you contemplate that any subsequent contracts  
17 during the market test or thereafter are going to  
18 affirmatively require that mail qualifying for drop entry  
19 discounts in fact be delivered to the destination BMC?

20 A I don't know.

21 Q Are you going to affirmatively require that?

22 A I don't now that.

23 Q You do not know that. Okay.

24 MR. VOLNER: I have one other topic, but it is 25  
25 after. I've -- actually, it's two other topics. And I

1 think that we ought to let the witness make his coach.

2 THE WITNESS: As far as I'm concerned, let's  
3 proceed.

4 MR. VOLNER: Okay.

5 COMMISSIONER LeBLANC: How much time do you have,  
6 Mr. Volner?

7 MR. VOLNER: I don't know. It depends -- I'm  
8 going to use Mr. Bush's line -- it depends upon how he  
9 responds. He's been --

10 COMMISSIONER LeBLANC: That's fine.

11 MR. VOLNER: Entirely forthcoming, and I don't  
12 think it's going to take long.

13 COMMISSIONER LeBLANC: That's fine. Are you  
14 comfortable with that?

15 THE WITNESS: That's fine. Sure.

16 COMMISSIONER LeBLANC: Fine. Let's move on.

17 BY MR. VOLNER:

18 Q Let's talk about the fabled advertising costs for  
19 a moment. And I understand that you're the pricing witness,  
20 not the costing witness. But depending upon how the costs  
21 are handled, it could affect prices, couldn't it?

22 A It could.

23 Q Okay. Do you -- you testify at one point that you  
24 really can't figure out what the contribution to system  
25 institutional costs is going to be during the market test or

1 even the experimental phase; is that correct?

2 A No. I mean, I have an exhibit to my testimony  
3 that estimates the revenues from Mailing Online during the  
4 experimental phase of the service. Implicit in that is an  
5 estimate of the contribution to institutional costs, which  
6 is any revenue over and above the associated costs.

7 Q But you're assuming that the fixed -- in making  
8 that calculation you've assumed Witness Seckar's distinction  
9 between fixed and variable costs.

10 A That's correct.

11 Q Okay. Are you familiar with the concept of  
12 specific fixed costs?

13 A Somewhat. Again, I'm not an expert on costing,  
14 but I'm somewhat familiar with that concept.

15 Q Well, you did testify, didn't you, that you did  
16 not believe it appropriate to mark up fixed costs?

17 A I'd say I -- my testimony is that the more  
18 appropriate way to price the product is to mark up the  
19 volume-variable costs.

20 Q Okay. And will you accept subject to check that  
21 the Commission agrees with you?

22 A Subject to check. I'm not sure that they do,  
23 but --

24 Q Do you know how the advertising costs associated  
25 with Overnight Mail are treated?

1           A     I can't -- I'm not an expert on costs. I don't  
2 know the answer to that question.

3           Q     I think I've exhausted that line. I've got one  
4 more -- no, I've got two more. Let me take them I think in  
5 the order that they occurred to me, although one is actually  
6 really more important than the other.

7                     There was testimony this morning about repair  
8 costs. When the file server on site at the printer goes  
9 down, it's your file server, or at least the house server is  
10 yours, you've got to send -- conceivably send your IT people  
11 out there to fix it or possibly in some circumstances to get  
12 the hot backup to start working.

13                    In calculating your contributions, how was that  
14 cost treated?

15           A     My prices are based on the costs that are  
16 presented in the testimony of Witness Seckar. The costs you  
17 are referring to sound like, although I'm not certain, they  
18 may be accounted for in the testimony of Witness Stirewalt,  
19 but I'm not sure of the answer to that question.

20           Q     Well, I think I will reserve it for Witness  
21 Stirewalt, but to the extent that that cost is not included  
22 in the cost that you received, that would affect your  
23 calculation of contributions, wouldn't it?

24           A     Well, I mean --

25           Q     Well, let me phrase it slightly differently. Do

1 you treat -- do you believe that those costs are variable?

2 A I don't know if I have enough information to  
3 answer that question. I mean, presumably breakdowns of the  
4 kind you suppose are in some way a function of the use that  
5 these -- this equipment gets, although I'm by no means  
6 qualified to describe how. There may be -- they may be  
7 fixed. I'm not sure.

8 Q I don't want to be unfair and I do want to get on  
9 to the next topic, but repair and telecommunications costs,  
10 to the extent that they are included in Seckar's or  
11 Stirewald's estimations, would be included in your  
12 calculation of the contribution. To the extent that they  
13 are not included, would you agree that your calculation of  
14 contribution would be reduced, should they be included  
15 because of Commission policy?

16 A Not necessarily. As I indicated a little bit  
17 earlier, I mean Witness Seckar has slightly less than  
18 7/100ths of an cent in variable information systems costs,  
19 which I have rounded to a tenth of a cent for the purposes  
20 of pricing during the experimental -- I mean the market test  
21 phase of the product. If those costs were to double,  
22 essentially, you would still round to a tenth of a cent.  
23 So, I mean we have been conservative, I think, in trying to  
24 account for those costs in establishing the prices during  
25 the market test phase. So, I mean I think there is



1 considerable room in there to accommodate additional costs  
2 of the kind that you are discussing.

3 Q Depending upon the dollar magnitudes of the costs,  
4 and whether they treated as variable.

5 A Well, again, I mean I have --

6 Q Is that correct?

7 A I have included a tenth of a cent to cover volume  
8 variable, or variable information systems costs.

9 Q And all the rest is in the 25 percent markup?

10 A Right. If additional costs were identified that  
11 were proven to be variable, again, even if it doubles the  
12 estimated costs, it wouldn't necessarily change the amounts  
13 that we have identified for pricing purposes.

14 Q Understood. But if the cost were determined to be  
15 specific fixed and were therefore recovered through your 25  
16 percent markup, which is the purpose of the markup, isn't  
17 it? To make sure that you have got your fixed costs  
18 recovered, to the extent that you -- and I understand that  
19 through the rounding you have gotten more than you really  
20 need for your variable costs, as you have estimated the  
21 variable costs, or the Postal Service has estimated the  
22 variable costs. But the contribution therefore turns on the  
23 25 percent markup.

24 A Right.

25 Q So that the return to the Postal Service might

1 decline if these types of costs that we have been talking  
2 about proved to be specific fixed and allocable to Mailing  
3 Online?

4 A Well, I wouldn't agree that the return to the  
5 Postal Service would decline. The return to the Postal  
6 Service would essentially be unchanged. You might, in that  
7 kind of a scenario, have additional costs to cover out of  
8 that revenue. Again, that would depend on the treatment of  
9 the costs.

10 Q Do you intend to do anything during the market  
11 test to measure the reliability of your calculations of  
12 contribution?

13 A No, I mean I have presented nothing in the way of  
14 estimates of contribution during the market test, so I am  
15 not sure how any data we would gather during the market test  
16 would enable me to do that.

17 Q And so your contemplation is that we go into the  
18 experimental phase without any data about contribution,  
19 other than the data which is already here?

20 A Could you repeat that again?

21 Q That going into the -- and counsel may have -- is  
22 about to objection. I'll withdraw the question. We'll draw  
23 the conclusion at the appropriate time.

24 I have one other category of cost affecting  
25 contribution. Do you, in your discussions with Witness

1 Stirewald or Witness Seckar, did you talk about the  
2 questions that were discussed this morning about the  
3 potential for legal liability?

4 A Not that I recall, no.

5 Q Do you know whether the Postal Service made any  
6 kind of internal reserve against the potential for legal  
7 liability?

8 A Not that I am aware of. I mean to the extent that  
9 such costs would occur, they would tend to be sort of  
10 extraordinary expenses and somewhat difficult to project.  
11 But I am not aware of any attempt to do so.

12 Q Well, if there wasn't any discussion of it, this  
13 may be a foolish question. Do you know whether the  
14 contemplation is to treat those as specific fixed or  
15 variable with -- assignable to Mailing Online in one way or  
16 the other?

17 A I don't know why --

18 Q Is it your contemplated that they are going to be  
19 treated as institutional costs, the hazards of doing  
20 business in the modern world?

21 A I don't know why there would be costs of Mailing  
22 Online as opposed to costs of either First Class or Standard  
23 A mail. But, again, I am not a witness on Postal Service  
24 costing.

25 Q Well, because it is near and dear to the heart of

1 the Chairman and because it is a subject which has always  
2 intrigued me anyway, there are damages calculable for  
3 violations of the Privacy Act, and they can get -- and the  
4 Postal Service, I am sorry to say, has occasionally gotten  
5 stung rather badly for violations of the Privacy Act. If we  
6 were to run into problems in Privacy Act violations here,  
7 where damages were assessed, how would you contemplate that  
8 that would be treated?

9 A I am in no way qualified to speak to how those  
10 costs would be treated.

11 MR. VOLNER: Well, I came close. I thank you. I  
12 have no further questions.

13 THE WITNESS: Thank you.

14 CHAIRMAN LeBLANC: Is there any follow-up?

15 MR. BUSH: None here.

16 CHAIRMAN LeBLANC: Questions from the bench?

17 COMMISSIONER GOLDWAY: No, I have no questions.

18 CHAIRMAN LeBLANC: Mr. Chairman? Chairman  
19 Gleiman.

20 CHAIRMAN GLEIMAN: Welcome back.

21 THE WITNESS: It's great to be back.

22 CHAIRMAN GLEIMAN: You have moved up from number  
23 40 to number 6, as witness, right?

24 THE WITNESS: I thought I was going to be number  
25 3, but, oh, well.

1 [Laughter]

2 CHAIRMAN GLEIMAN: Well, the last time -- well, I  
3 guess it is two times ago, they all run together after a  
4 while, you proposed a 125 percent cost coverage for  
5 provisional service involving packaging. And in that case,  
6 you marked up volume variable costs and excluded a number of  
7 categories of startup costs. Have you excluded startup  
8 costs in this, do you know, from the markup?

9 THE WITNESS: Not that I am aware of.

10 CHAIRMAN GLEIMAN: So this time you have included  
11 the markup -- the startup costs? When you marked up, you  
12 marked up the startup costs?

13 THE WITNESS: What do you mean by startup costs?

14 CHAIRMAN GLEIMAN: Well, the Postal Service has  
15 incurred some cost to get up and running on this.

16 THE WITNESS: I mean my -- to the extent that  
17 those costs are included in the testimony of Witness Seckar,  
18 they have been included.

19 CHAIRMAN GLEIMAN: We will check Witness Seckar.  
20 Okay.

21 Don't you think 154 percent cost coverage is a  
22 better guard against improper competition on the part of the  
23 Postal Service? That's what you said in USPS-T-40, at page  
24 7, lines 6 and 7 in R97-1.

25 THE WITNESS: I am not sure about the context in

1 which that was said.

2 CHAIRMAN GLEIMAN: Well, you were talking about  
3 special services, which we know Mr. Volner wasn't paying any  
4 attention to. Fortunate, as all of us were. But, you know,  
5 you seem to be concerned about improper competition on the  
6 part of the Postal Service with respect to bulk insurance in  
7 that case. And you indicated that 154 percent was a  
8 reasonable markup. You also indicated that 132 percent was  
9 a reasonable markup for certified mail, that 159 percent was  
10 a reasonable markup for COD. That 147 percent was a  
11 reasonable markup for return receipt, and that on electronic  
12 delivery confirmation in Standard B, which is a new service,  
13 that a markup of 165 percent was reasonable. And I don't  
14 understand why a markup of only 125 percent is reasonable,  
15 given a markup on electronic confirmation of 165 percent on  
16 Standard B and 154 percent to guard against improper  
17 competition on the part of the Postal Service in the case of  
18 bulk insurance, which involves Parcel Post, Express Mail and  
19 the like.

20 THE WITNESS: Well, --

21 CHAIRMAN GLEIMAN: I mean is it just happenstance  
22 that you wound up in a previous case involving a provisional  
23 service, two year experiment, in effect, with 125 percent  
24 markup and here you wind up with the same markup for an  
25 experiment and a market test?

1 THE WITNESS: Well, not exactly. We have relied  
2 heavily on market research that was conducted for this  
3 product in which the interviewers or the researchers applied  
4 two different mark-ups, 25 percent and 50 percent.

5 Now, I was not forced to comply with using either  
6 of those, but any decision to use a different number would  
7 have been essentially arbitrary. I chose to use the 25  
8 percent mark-up for the reasons identified in my testimony,  
9 but again, I did not guide the choice of those numbers by  
10 the market research team. The fact that one of them  
11 happened to be 25 percent, which was identical to a number  
12 used in a previous case, is completely coincidental.

13 CHAIRMAN GLEIMAN: Okay. But when you're looking  
14 at market research and you're looking at marking up by 25  
15 percent or 50 percent, doesn't the response -- and I guess  
16 this question was asked in a different manner -- maybe the  
17 same manner earlier on, doesn't the response that you would  
18 get have to reflect the respondent's understanding of what  
19 costs were being marked up, that if the costs -- I mean, if  
20 the costs were real low, I wouldn't mind a 50 percent  
21 mark-up on very low cost. If the costs were real high, I  
22 would be upset with a 25 percent mark-up because it means  
23 that ultimately the price I'm going to pay is going to be  
24 much higher.

25 You didn't take into account, you know, the

1 underlying issue of what you were marking up over?

2 THE WITNESS: No, that was taken into account.

3 But again, at the time, we had no real empirical data with  
4 which to compare the market research, so the implicit  
5 assumption was that we would get prices from contracting  
6 that would be near the numbers used in Witness Rothchild's  
7 research, again because we had no other empirical data on  
8 which to base any alternative assumption.

9 CHAIRMAN GLEIMAN: Were you aware when you were  
10 doing your pricing that there were other parties either  
11 planning to offer or offering services that were in the same  
12 league, I'll say, rather than the same ball park as Mailing  
13 Online?

14 THE WITNESS: Yes.

15 CHAIRMAN GLEIMAN: And given your position in  
16 R97-1 on 154 percent cost coverage being the proper cost  
17 coverage to guard against improper competition on the part  
18 of the Postal Service, knowing that there was going to be  
19 some type of competition out there didn't affect, you know,  
20 ultimately where you would come out? I mean, you felt that  
21 level was necessary to protect others before. Why not now?

22 THE WITNESS: Well, I mean, that's a variable that  
23 I considered. I make what I think is an important  
24 distinction here. I mean, most other -- well, as far as I  
25 know, all of the products that the Postal Service offers are



1 subject to increases in cost which can erode contribution on  
2 a per-unit or by-subclass basis.

3 As we have proposed Mailing Online, that is not  
4 likely to happen. We have proposed that as costs change,  
5 that the prices change accordingly by application of a  
6 mark-up that would be then based on the new costs.

7 So since this product is less subject to having  
8 its contribution eroded by increases in cost over time, it  
9 is for that reason and perhaps for some other reasons less  
10 necessary to have a higher mark-up than would otherwise be  
11 the case.

12 CHAIRMAN GLEIMAN: Well, let's look at the market  
13 test where the indications are that if the Postal Service is  
14 very successful, that there is a fair to middling chance  
15 that they might enter into a second contract for printing  
16 services. And let's assume for the sake of discussion that  
17 the folks who came in number two to the current contract  
18 decide they're really going to go great guns and get this  
19 because, you know, they know where these guys came out who  
20 won the first contract. So they come in with a lower  
21 contract cost.

22 To the extent that the volumes during the market  
23 test are then directed to the new printer who has lower  
24 costs which are only going to be marked up 25 percent,  
25 hasn't the dollar amount of your contribution eroded

1 somewhat as a consequence because you're marking up 25  
2 percent over a lower printing cost?

3 THE WITNESS: I will attempt to respond. If I  
4 misunderstood the question, clarify.

5 You have supposed that a second contract is  
6 awarded which results in lower per-unit costs than the one  
7 -- than the costs that exist in the current contract?

8 CHAIRMAN GLEIMAN: That's correct.

9 THE WITNESS: Well then the per-unit contribution  
10 would be greater because we have proposed that fees during  
11 the market test be based on the first contract.

12 CHAIRMAN GLEIMAN: Okay.

13 THE WITNESS: So the Postal Service would get  
14 greater contribution if that were to happen.

15 CHAIRMAN GLEIMAN: All right. Then I missed that  
16 point, that you would maintain the fees based on the first  
17 contract, but do I understand correctly, assuming this thing  
18 were to go forward, that in the scenario that I gave you,  
19 that you would have a lower contribution if you got printers  
20 who had bid a lower bid than initially?

21 For example, let's say I'm a registered user and  
22 I've been using -- you know, I've been participating in the  
23 market test and this whole thing goes forward, and suddenly,  
24 I find that instead of mailings that are handled by this  
25 printer in the Northeast, and all my mail going in to

1 Waltham, Mass., that there are other printers out there who  
2 have higher bids, they're in higher cost areas, okay? And  
3 my mail is going to be batched up by the Postal Service and  
4 sent to the printer that's closest to the destinating point  
5 for my mail.

6 So I'm sending the same 500 pieces of mail, you  
7 know, one impression per piece, you know, no color, exactly  
8 the same -- you know, we're having a car sale, a tent sale  
9 for cars or whatever -- and I suddenly find that my mailing  
10 is higher because instead of my mail going through the  
11 printer that you have now in Waltham, Mass., it's going to  
12 go out to California where the printer bid a contract that  
13 was higher. So I'm going to pay more money, the Postal  
14 Service is going to have a larger dollar contribution.

15 That's correct?

16 THE WITNESS: Then under that scenario that would  
17 be correct.

18 CHAIRMAN GLEIMAN: And if I do a nationwide  
19 mailing after you roll this thing out all the way, if it  
20 ever gets that far, then I'm going to have -- the bill that  
21 I'm going to get is going to be a blended bill that reflects  
22 25 different printer costs?

23 THE WITNESS: That's theoretically possible; yes.

24 CHAIRMAN GLEIMAN: And if the Postal Service winds  
25 up with a whole lot of heavy volume in one BMC and my mail

1 is destined for that BMC but because of the volume involved  
2 it gets redirected to another BMC to get printed by a  
3 different printer, which could happen, as I understand it,  
4 if I read this correctly --

5 THE WITNESS: My understanding is that's not going  
6 to happen.

7 CHAIRMAN GLEIMAN: Well, then I will stop there,  
8 if your understanding is that I'm not correct in that.  
9 Okay.

10 THE WITNESS: I could be incorrect, but that's now  
11 how I understand the system to work.

12 CHAIRMAN GLEIMAN: The bottom line is, though, if  
13 you get printers who charge less money, that the dollar  
14 amount of the contribution would go down after the market  
15 experiment -- after the market test.

16 THE WITNESS: Right, and conversely, if it's  
17 higher, then we'd get more.

18 CHAIRMAN GLEIMAN: Okay. Thank you.

19 COMMISSIONER LeBLANC: Any questions from the  
20 bench cause anybody heartburn? Another question?

21 [Laughter]

22 Mr. Richardson.

23 MR. RICHARDSON: Yes, I just have one followup  
24 question.

25

## FURTHER CROSS EXAMINATION

BY MR. RICHARDSON:

Q Mr. Plunkett, you indicated that if there was a second contract during the market test period that the prices charged for that -- printing under that contract would be the same as the existing contract in Library Reference 11. You just said that I guess to the Chairman; is that correct?

A Well, I'd like to clarify that a little bit. The prices charged by the Postal Service for Mailing Online services would remain the same. The prices charged by the second printer to the Postal Service for those services could be different.

Q Could I ask you why you're planning to do that?

A Well, I mean, that was done primarily to give participants in this proceeding a better indication of what the fees that would be in force during the market test will be, with the presumption that the printing costs will not vary substantially from the first printer to the second, and that if a second printer were brought on line, it would be, if at all, at the very end of the market test phase. It would not result in much volume going to that printer at all. And as I've I think indicated earlier, my understanding is that there won't be a second contract awarded if the market test extends for the duration that

1 we've proposed.

2 Q I was wondering if this was more or less a  
3 recognition that perhaps maybe going to a universal pricing  
4 scheme would be more desirable than to have individual  
5 prices for each contract.

6 A No, quite the opposite. I mean, it was done  
7 because since we only have one contract presently, it's not  
8 that difficult to do. If you have 25 contracts, then  
9 calculating a national average fee becomes extremely  
10 complicated, especially when you have to give appropriate  
11 weight to the types and amounts of volume going to each  
12 printer prospectively.

13 Q One last question. Is there any fee for  
14 registering on Postal Online initially for --

15 A Postoffice Online?

16 Q ~~Postoffice~~ <sup>PostOffice</sup> Online. Is there a charge?

17 A Not that I'm aware of.

18 MR. RICHARDSON: That's all.

19 COMMISSIONER LeBLANC: Any other followup?

20 Mr. Rubin? I mean, I guess Mr. Rubin or Mr.  
21 Hollies, whoever's going to take the lead there, would you  
22 care for some time to prepare for redirect?

23 MR. RUBIN: Yes, we do.

24 COMMISSIONER LeBLANC: Ten minutes? Fifteen  
25 minutes?

1 MR. RUBIN: Ten minutes would be --

2 COMMISSIONER LeBLANC: Say again? I'm sorry?

3 MR. RUBIN: Ten minutes, please?

4 COMMISSIONER LeBLANC: That would be fine. We'll  
5 see you back here at five o'clock.

6 [Recess.]

7 CHAIRMAN LeBLANC: Mr. Reporter, are we back on  
8 the record? Mr. Rubin.

9 MR. RUBIN: Yes. We just have one small piece of  
10 redirect.

11

12 REDIRECT EXAMINATION

13 BY MR. RUBIN:

14 Q In discussions with the OCA, you discussed how the  
15 pricing for 11 by 17 pieces would be done. Could you  
16 elaborate on your earlier answer?

17 A Yes. Apparently I was mistaken as to how printers  
18 would handle such documents. The pricing will essentially,  
19 for an 11 by 17 page, the price would be four times the per  
20 impression charge for an 8-1/2 by 11 piece of paper. The  
21 reason being that, as a practical matter, there are no  
22 Simplex 11 by 17 pages, so they are always printed on both  
23 sides, so you get four times the <sup>printer's</sup> ~~print per~~ impression charge  
24 rather than two.

25 MR. RUBIN: Thank you. That's all we have.

1 CHAIRMAN LeBLANC: Any recross?

2 MR. BUSH: Yes, I have got a half an hour.

3 [Laughter.]

4 CHAIRMAN LeBLANC: I was laughing. I started to  
5 say, well, I gave you another 15 minutes, but you picked up  
6 on it, so.

7 Thank you, Mr. Plunkett, I sure so appreciate you  
8 coming today, and the Commission appreciates your  
9 contributions to our record. I look forward to hearing from  
10 you during the next phase of the case.

11 THE WITNESS: Thank you.

12 [Witness excused.]

13 CHAIRMAN LeBLANC: We will continue hearings  
14 tomorrow, Thursday, August 27, 1998, when we hear the  
15 testimony of Postal Service Witness Stirewald -- did I say  
16 it right? Stirewald.

17 MR. VOLNER: Stirewald.

18 CHAIRMAN LeBLANC: Stirewald.

19 MR. HOLLIES: It's a long "I" in the traditional  
20 American phonemic system. Stirewald.

21 CHAIRMAN LeBLANC: Stirewald. Okay. Thank you  
22 very much. See if I can remember that for tomorrow.

23 With that, we will conclude today's hearings.  
24 Thank you very much. Off the record.

25 [Whereupon, at 5:02 p.m., the hearing was



1 recessed, to reconvene at 9:30 a.m., Thursday, August 27,  
2 1998.]

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