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Before the
UNITED STATES POSTAL RATE COMMISSION

In the Matter of: MAILING ONLINE SERVICE

Docket No. MC98-1

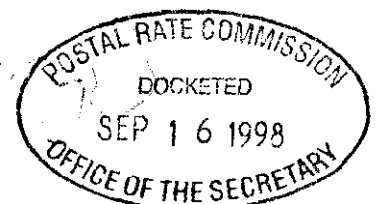
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

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WASHINGTON, D.C. 20268

Mailing Online Services)
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Docket No. MC98-1

REBUTTAL TESTIMONY
OF PATRICK BRAND

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September 4, 1998

REBUTTAL TESTIMONY OF PATRICK BRAND**Autobiographical Sketch and Purpose of Testimony**1
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6 My name is Patrick Brand and I am Vice President, Marketing for Pitney
7 Bowes' Small Office Division. I have responsibility for DirectNET among other
8 products. I have been employed by Pitney Bowes for 15 years and have been
9 responsible for DirectNET since the beginning of 1997, when we were market
10 testing the service. My prior experience and educational background are set
11 forth in more detail in the attached resume.

12 The purpose of this testimony is to demonstrate that Pitney Bowes'
13 DirectNET Service and the Postal Service's proposed Mailing Online Service are
14 functionally equivalent from the perspective of a potential user of these services
15 and that the testimony of Postal Service Witness Lee Garvey to the contrary is
16 simply mistaken. Because the services are functionally equivalent and in
17 competition for the same market of customers, mail users -- and particularly
18 small mail users -- will have a choice whether to use DirectNET or Mailing
19 Online. However, the Postal Service proposes to offer certain postage discounts
20 to its Mailing Online users who do not otherwise qualify for those discounts but
21 will not permit Pitney Bowes to pass through or make available those discounts
22 to its DirectNET customers unless the customer fully qualifies for the discount.
23 In my opinion, and based upon my experience, the Postal Service has conferred
24 upon itself an unfair competitive advantage in its structuring of the Mailing Online
25 market test.

1 In the testimony which follows, I first describe and compare the functional
2 characteristics of DirectNET and Mailing Online and, in that context, rebut Mr.
3 Garvey's erroneous characterization of the DirectNET Service. I then discuss
4 the obvious competitive advantages that the Postal Service will enjoy if it is
5 permitted to grant special discounts to users of Mailing Online that will not be
6 offered to users of competitive services such as DirectNET.

7 **Functional Equivalence**

8 Based upon my review of Mr. Garvey's testimony and cross-examination,
9 Mr. Garvey seems to be saying that the two services differ "fundamentally"
10 because DirectNET is exclusively a client-based, point-to-point dial-up service
11 while Mailing Online offers access to any consumer with Internet access and
12 Web Browser capability. (TR. 2/368) Mr. Garvey's characterization of DirectNET
13 is incorrect. Although DirectNET started out as a client-based, point-to-point
14 dial-up service, we recognized the growing importance of the Internet and
15 introduced an Internet-based service in March of 1998. Developed and
16 marketed in alliance with Microsoft, the new service allows users to submit their
17 jobs and track their progress on the Internet. The USPS also participates in this
18 project, by providing list cleansing services. Thus, DirectNET customers now
19 have a choice of dial-up access or Internet access.

20 To the extent that Mr. Garvey intended to differentiate Mailing Online from
21 DirectNET based upon the precise form of communications technology
22 employed, his statement does not reflect the communications technologies now

1 being employed by DirectNET. More importantly, the precise communications
2 technology -- e.g., dial-up vs. Internet access -- will not significantly influence the
3 user's decision whether to subscribe to Mailing Online or to DirectNET, so long
4 as the basic benefits of convenience and quality are the same and the cost of
5 access to the data center is not materially different. Mr. Garvey is basically
6 correct that users of Internet access through the Worldwide Web pay only the
7 cost of a local telephone call. Of course, that will be true of both DirectNET
8 Internet access and the Postal Service's proposed Mailing Online. But, even in
9 the case of dial-up DirectNET users, Pitney Bowes does not charge for the
10 software and has established toll-free lines for data communications, and the
11 client software can be downloaded from our Website. Therefore, from a
12 customer's viewpoint, the technological distinctions that Mr. Garvey seeks to
13 draw are immaterial.

14 In view of these considerations, I think the conclusion that DirectNET and
15 Mailing Online are functionally equivalent is inescapable. Both services are
16 designed to take advantage of recent advances in electronic communications,
17 state-of-the-art printing technologies and conventional postal functions to create
18 integrated services for the production, processing and delivery of mail. Both are
19 intended to enhance the capabilities of small businesses to use a PC and the
20 modern telecommunications network as a means of creating a mailing piece,
21 delivering it to a printer and having it entered into the mailstream for delivery by
22 the United States Postal Service. The Postal Service proposes to offer certain

1 service enhancements (such as mailing of flats) that Pitney Bowes does not now
2 offer. On the other hand, Pitney Bowes offers a number of service
3 enhancements (including the ability to produce and insert in the mailing a reply
4 envelope) that the Postal Service does not propose. But these differences in
5 service characteristics do not alter the fact that the two services are functionally
6 equivalent.

7 Competitive Effects

8 In these circumstances, it is not clear to us why Postal Service Witness
9 Garvey has chosen to omit DirectNET from his discussion of the competitive
10 effects of the proposed Mailing Online service, and why Witness Plunkett has
11 apparently ignored competitive considerations entirely in his pricing proposals.
12 Mr. Garvey's testimony (at pages 12-13) acknowledges that Mailing Online will
13 compete for mailing dollars with traditional printing and mail preparation houses.
14 I am at a loss to understand why the Postal Service believes that Mailing Online
15 will not compete with DirectNET for mailing dollars given the fundamental
16 similarities of the two services. Moreover, DirectNET is not the only electronic
17 communication-based access service in the market. I understand that Neopost
18 offers a similar service. The Postal Service should be aware of this fact because
19 Neopost is a participant in the Microsoft project along with Pitney Bowes and the
20 Postal Service.

21 The adverse effect on competition is exacerbated because of the way the
22 Postal Service has structured the postage rates applicable to mailings that it will

1 enter into the mailstream as agent for its Mailing Online customers. The Postal
2 Service proposes to exempt itself and therefore its Mailing Online customers
3 from the volume minima applicable to Standard (A) and automation First-Class
4 mail. The Postal Service also proposes to confer upon itself and pass through to
5 Mailing Online customers certain drop entry discounts even though, as I
6 understand it, no mail will be drop entered at a destination BMC during the
7 proposed Market Test. The Postal Service apparently believes that eventually
8 the volume of Mailing Online mail that does not qualify for discounts will be
9 relatively small. Of course, that remains to be seen. What is clear is that the
10 Postal Service has sought special discounts for itself so that it can pass through
11 to its customers very favorable postage rates for which those customers would
12 not otherwise qualify.

13 Despite the functional similarity of Mailing Online and DirectNET, Pitney
14 Bowes cannot offer these special discounts. On the contrary, Pitney Bowes has
15 been obliged to establish specific volume limitations on Standard (A) mail and on
16 First-Class automation compatible mail. We offer our customers the lowest rate
17 "practical" but we cannot, as the Postal Service proposes to do, offer a rate that
18 is lower than the customer would otherwise be able to obtain. The Postal
19 Service's rejoinder to this obvious pricing inequity is, from a marketing
20 perspective, unconvincing. The Postal Service admits that Pitney Bowes would
21 need to "solicit enough customers" to achieve the volume and geographic
22 distribution (in the case of drop entry discounts) in order to be able to offer the

1 rates that the Postal Service intends to offer to Mailing Online customers. Both
2 of these services are, however, in start-up. What happens until Pitney Bowes is
3 able to solicit enough customers? It must either lose money on postage or
4 remain noncompetitive. Of course, the Postal Service will not lose money on
5 unearned postage discounts; that revenue shortfall will be absorbed by other
6 customers.

7 The question, then, is what effect these special postage discounts the
8 Postal Service proposes to offer to Mailing Online users will have on competition.
9 The answer, it seems to me, is quite clear. Certainly during the proposed Market
10 Test and the proposed two-year experimental phase, potential customers
11 deciding whether to use Mailing Online or DirectNET will be faced with the
12 opportunity to obtain from the Postal Service postage discounts for which they
13 would not otherwise qualify and which they cannot obtain from DirectNET. For
14 customers for whom price is the primary or perhaps the only consideration, the
15 choice seems reasonably clear – they will opt for Mailing Online. It is true that
16 some of the Postal Service's competitive edge in price terms may be offset
17 because of service enhancements that Pitney Bowes offers and that the Postal
18 Service does not propose. Nonetheless, my experience strongly suggests that
19 for many potential users of these two PC-based postal systems, the choice will
20 come down to price. As to price, the Postal Service has conferred upon itself a
21 significant and unfair competitive edge. I also do not understand how the Postal
22 Service can consider that the results of the proposed Market Test or the

1 experiment will provide meaningful information as to the value of Mailing Online
2 service in a competitive marketplace when it seeks to arrogate to itself, and its
3 Mailing Online customers, rate preferences that will not be available to other
4 functionally equivalent and competitive services.

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6

PATRICK BRAND
Resume

Pitney Bowes 1983 - 1998

- VP Marketing Small Office Division (1997 - Current)
Responsible for all revenue generation and business development for this new and growing division of Pitney Bowes
- Director Worldwide Product Management, Mailing Systems (1993-1997)
Responsible for managing the entire worldwide postage meter product line for Pitney Bowes
- Director, Small Business Marketing, Mailing Systems (1988-1992)
Responsible for all marketing efforts to small businesses through both direct sales and direct marketing channels
- Controller, Supplies and Direct Response Marketing (1986-1987)
Responsible for all aspects of financial reporting, budgeting and management of the *Supplies and Direct Response Marketing Division*
- Assistant Controller, Copier Division (1984-1985)
- Senior Internal Auditor (1983-1984)
- Deloitte, Haskins and Sells (1980-1983)
Staff Auditor and Senior Consultant

Education

- 1979 - BS Finance Major, University of Connecticut
- 1980 - MBA Finance/Accounting

Certifications

Certified Public Accountant - Connecticut 1983
Certified Management Accountant - 1983

Patents

Patentholder relating to printing security in postage meters - 1998

DECLARATION

I, Patrick Brand, declare as follows:

1. The testimony to which this Declaration is appended, styled "Rebuttal Testimony of Patrick Brand" was prepared by me or under my direction and control; and

2. If I were to testify orally, my testimony would be the same.



Patrick Brand

Dated: Sept. 10, 1998

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF ADDITIONAL
WRITTEN CROSS-EXAMINATION OF WITNESSES
AND INSTITUTIONAL RESPONSES

Party

Interrogatories

Lee Garvey (USPS-T-1)
United States Postal Service

DFC/USPS-T1-7 (amended)
MASA/USPS-T1-12-15, 18
OCA/USPS-T1-40-42
Response to Concerns Raised During Oral
Cross-Examination on August 26, 1998

Paul G. Seckar (USPS-T-2)
United States Postal Service

OCA/USPS-T3-26, redirected from witness
Stirewalt
OCA/USPS-T2-10

Daniel Stirewalt (USPS-T-3)
United States Postal Service

OCA/USPS-T3-17-25, 27-34
Response to Question Posed by Pitney Bowes
at the hearing of August 27, 1998
Response to Question Posed by OCA at
Hearing on August 27, 1998

Beth B. Rothschild (USPS-T-4)
United States Postal Service

MASA/USPS-T4-6-8

Michael K. Plunkett (USPS-T-5)
United States Postal Service

MASA/USPS-T5-11-12

Postal Service as Institution

DFC/USPS-1a, c-f, h-i
OCA/USPS-T1-20-21 redirected from witness
Garvey
OCA/USPS-T1-29(b-c) redirected from witness
Garvey
Responses to Questions Posed by Chairman
Gleiman during Prehearing Conference and
Hearings

Pitney Bowes as Institution

USPS/PB-1

Respectfully submitted,

A handwritten signature in black ink, reading "Margaret P. Crenshaw". The signature is written in a cursive style with a prominent, sweeping flourish at the end of the name.

Margaret P. Crenshaw
Secretary

AMENDED 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. Confirmed. There are two Processing & Distribution Centers (P&DCs) in Dallas, Texas metropolitan area, one is the North Texas P&DC, the other is the Dallas P&DC.
- b. My responses to OCA/USPS-T5-3(b) and (g) and OCA/USPS-T5-14(i) reflected my understanding at that time. Due to a lack of knowledge on my part about the existence of two P&DCs in the Dallas metropolitan area, I referred to the North Texas P&DC as the Dallas P&DC. To the best of my knowledge, all Mailing Online mailings have been entered through the North Texas P&DC as reflected in the round stamp on Exhibit 1 to Response OCA/USPS-T5-14.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
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ASSOCIATION INTERNATIONAL

MASA/USPS-T1-12.

- a. Referring to your Response to POIR-1-2, do any of the three categories of service providers you refer to
- (i) batch the files of different customers before presenting hard copy mailing pieces to the Postal Service;
 - (ii) enter a customer's nationwide mailing at a Postal facility in close geographical proximity to the addressee?
- b. Explain how a private business could replicate the batching and distributed entry features of MOL at a cost that is competitive with that proposed to be charged by the Postal Service for MOL. If you are aware of any private business that currently has or is developing such a capability, identify it and explain the basis for your understanding.

RESPONSE:

a.

(i) Although I am not specifically aware of any of the service providers batching electronic files of different customers prior to submission to the Postal Service, to my knowledge there are no barriers to them doing so.

(ii) To my knowledge, at least two of the service providers who are outsourcers for high end work electronically route and enter nationwide mailings at postal facilities chosen for their proximity to the addresses mailed. I would also tend to expect that many providers of distributed print-on-demand services may also perform similar routing on a smaller scale.

- b. I'm not sure that I understand the question. If the premise is that the Postal Service has some form of natural advantage in batching mailpieces for distributed entry, then it would only be appropriate that customers be

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allowed to take advantage of such features rather than be compelled to use higher cost service. Nevertheless, I'm not sure that this cost environment exists.

Certainly, the technical capability to perform the batching and distributed entry process is not unique to Mailing Online; several foreign posts currently offer such services as do certain foreign-based commercial organizations. I know of no particular barriers to entry that would preclude a private firm from launching a similar service and the rebuttal testimony of witness Brand on behalf of Pitney Bowes certainly confirms that firm's belief that it could offer such a service. The Mail 2000 company recently announced its intent to capture up to 10 percent of the current U.S. transactional mail volume using a model that appears to share some functional design characteristics with Mailing Online, but is aimed at very high volume mailers. To my knowledge, however, no commercial organization is doing what Mailing Online proposes to do for small mailers. In any event, the Postal Service's strategic decision is that it is in the public interest to create this service option in light of the increasingly convenience-oriented and electronically focused world.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
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ASSOCIATION INTERNATIONAL

MASA/USPS-T1-13. Referring to your response to OCA/USPS-4(e), have the costs associated with the Postal Service's efforts to "monitor and ensure the quality performance in all aspects of Mailing Online service" been estimated as part of the Postal Service's filings in support of the Request. If so, identify the testimony and/or exhibit(s) that contain such costs. If not, explain fully why not and provide your best estimate of such costs.

RESPONSE:

Quality monitoring will occur in all incidental and deliberate market research contacts with customers and via help desk activities. These are PostOffice Online activities. Specific performance monitoring of print site activity will be performed by the Mailing Online program office. These costs are not included, consistent, it is my understanding, with usual practice. I am unable to isolate these costs in order to estimate them.

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MASA/USPS-T1-14. You have indicated that there are 75 possible categories of batches for each page count combination of pieces using MOL (see OCA/USPS-T5-17(a)[sic!]). Referring to your response to MASA/USPS-T5-10(b) (redirected from witness Plunkett), where you state 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,"

- a. Will all 75 batch categories be capable of being entered at a Postal facility by the contract printer in one mailing? If not, explain how many of the different batch categories could be presented in one mailing, and estimate the percentage of MOL mail volume that will be attributable to each grouping.

RESPONSE:

- a. No. During the market test, each batch will be entered as an individual mailing accompanied by a mailing statement, PS Form 3600 or 3602. At this time I have no way to estimate the percentages represented by different batches accurately. See also my response to Presiding Officer questions, filed August 28, 1998.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
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MASA/USPS-T1-15. Referring to your response to POIR-1-1, confirm that if experience demonstrated that MOL pieces are in sufficient volume and density to qualify for a lower rate than the Basic Automation rate proposed in the Request, the Postal Service would be likely to request a decision from the PRC recommending that MOL users be charged a lower postage rate.

RESPONSE:

Not confirmed. The Postal Service has already made its request for market test and experimental Mailing Online service that specifies particular rate categories.

The Commission may also have its own opinion on this issue. No decisions have been made regarding any permanent request for Mailing Online. However, the purpose of Mailing Online is to provide convenient entry to under-served small volume customers, not to replicate a traditional lettershop.

Accordingly, my response should certainly not be understood to imply that the Postal Service intends to request the deepest possible discounts for Mailing Online volume. Consideration of which rate categories are best should be guided by information gleaned from the market test and experiment, and the Postal Service's wish to avoid direct competition with lettershops. See also witness Plunkett's response to MASA/USPS-T5-12(b).

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MASA/USPS-T1-18. State the Postal Service's view of the relevance to the Commission's recommended decision of the impact of MOL on private businesses providing competitive services. Include in your answer a statement of what types of competitive impact would weigh against authorization of MOL and why.

RESPONSE:

It is not my position to render a legal interpretation of the Postal Reorganization Act (Act). My understanding of the process of ratemaking, however, is that it involves Commission consideration of competition with postal services in accordance with certain rate and classification criteria, as specified in the Act. These include the impact of rate increases on competition generally. Apart from such competitive effects, it is also my understanding that in making classification recommendations the Commission must consider factors such as the relative value to the people of kinds of mail matter, the desirability of special classifications and services of mail, particularly from the point of view of both the Postal Service and the user, and the importance of providing classifications with extremely high degrees of reliability and speed of delivery, among others.

I am not aware of any specific competitive effect that would prohibit the Commission from recommending an appropriate classification or reasonable rates and fees for Mailing Online. Obviously, as a matter of policy, the Postal Service will take into account the effects of its proposals on a wide spectrum of customers and other entities, including those firms in industries that provide services associated with the processing and delivery of mail. In this regard, the Postal

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
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Service would be unwise not to balance the interests of its customers and the public in the most efficient and effective postal services against the interests of those service industries who are in a position to further those objectives. As reflected in my testimony and the testimony of other Postal Service witnesses, I believe that the Postal Service's proposal for Mailing Online reflects that proper balance.

I also believe that, through the Act, the Postal Service has a charter from Congress and the American people to develop, plan, promote and provide efficient and economical correspondence and commercial services that bind the nation together. It has an obligation to maintain a healthy and fiscally viable service organization with which to respond to that mandate. In my view, responding effectively to that charter is an essential goal of Postal Service policy decisions. The Postal Service's proposal for Mailing Online is consistent with and furthers those objectives. Again, I know of no specific competitive effects of Mailing Online that would warrant interfering with the policy choice to offer it on a market test and later experimental basis.

While it is not a direct or perfect analogy, I see certain similarities in the policy choices faced by the Postal Service and certain of those faced by the Internal Revenue Service in dealing with the public. Almost all of American society interacts with both agencies. Both have made possible the emergence of service industries associated with that interaction. In the Postal Service's case, the

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE
ASSOCIATION INTERNATIONAL

decisions to offer various discounts for mailer worksharing have given rise to various presort bureaus and consolidators. In the case of the IRS, there is an *industry of tax preparers, tax accountants, software providers and tax attorneys.* As I understand it, one of the primary goals of the IRS is to make itself easier to use. This may come in the form of permitting the electronic submission of tax returns or simplifying regulations and forms. While the attendant tax services industries might feel threatened by specific measures directed at these goals, on balance they should not be avoided solely because of the effects on these businesses.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-40. Please refer to your response to DBP/USPS-T1-3(c).

- a. Please explain fully the relevance of the use of Priority Mail and Express Mail to screen candidates for inclusion in the expanded (market) test of Mailing Online.
- b. Define "multiple recipients" as you use the term in this response. Would two recipients qualify as "multiple recipients" in the screening process? If not, please explain fully why not.
- c. Please confirm that a "no" response to the question "Are you part of a small business?" would exclude individuals from the market test. Please explain your answer fully, including the reasons for excluding individuals from the market test.

RESPONSE:

- a. The market test of Mailing Online is part of the PostOffice Online market testing. PostOffice Online includes another service named Shipping Online which allows online users to calculate a rate for Priority and Express Mail packages, compose a shipping label for printing on their desktop printer and pay the appropriate postage and fees using a credit card. The requirement to consider using Priority and Express Mail would qualify potential users of this aspect of PostOffice Online.
- b. The defining of "multiple recipients" will lie in the hands of registrants filling out the screening questionnaire. It is meant to imply more than one, a condition that would be satisfied with two recipients. Our intent is to discourage frivolous or personal one-time uses during the market test.
- c. Confirmed. Given that a key purpose of the test is to validate our marketing assumptions, and that we are limiting the number of participants to 5000, it was necessary to put some restraints in place that make sure actual registrants provide us with data to achieve that goal. Significant appeal to, and usage of, the PostOffice Online by small

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
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businesses is one of our assumptions. To ensure validation of that assumption, we choose to limit participation, during the market test only, to self-identified small businesses.

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

OCA/USPS-T1-41. How will the Postal Service solicit potential customers for the Mailing Online expanded (market) test? Please explain your answer fully.

RESPONSE:

Potential customers for the Mailing Online expanded (market) test will come from the pool of customers signing up for the market test of the PostOffice Online.

Solicitation of PostOffice Online prospects will involve a variety of marketing techniques identified as being suitable for eliciting target customers in the market test area. In Boston, New York and Philadelphia, PostOffice Online will be advertised via spot cable television, business print, local newspapers, business journals, Internet banners and direct mail. In Hartford and Tampa, PostOffice Online will be advertised via business print, local newspapers, business journals, Internet banners and direct mail.

All PostOffice Online advertising will feature the full array of products and services available, including Express Mail, Priority Mail and First Class and Standard Mail, without focusing on any one specific product. All PostOffice Online advertising will direct customers to register at the URL, www.postofficeonline.com, where they will be able to access the Shipping Online (Express Mail, Priority Mail) and Mailing Online services.

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TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-42. Please refer to Appendix B your testimony, the "Market Test Data Collection Plan."

- a. Please explain by what methods the Postal Service intends to determine "customer reactions" to Mailing Online service.
- b. Please define and describe the "available data" which will be reviewed more frequently during the expanded (market) test.
- c. Please define and describe the "operational statistics" that the Postal Service intends to report for each Accounting Period.
- d. Please describe the types of "customer feedback data" that the Postal Service intends to report for each Accounting Period.

RESPONSE:

- a. We will use such broad and informal methods as voluntary customer surveys, both e-mail and telephone, as well as more formal one-to-one interviews of users to determine customer reactions to Mailing Online service. It will also be possible to gather comments from customers sent via an e-mail link on the PostOffice Online navigation bar and submitted directly to the help desk via telephone. Of course, customer reactions are also inherent in their choices among various service options.
- b. Available data will include: formatted reports of MOL activity and job characteristics such as submitted in USPS-LR-6/MC98-1; customer feedback data gathered from the activities described in response to part (a); and other raw data made available for analysis from such sources as server activity logs.
- c. Operational statistics will be primarily composed of formatted reports of MOL activity and job characteristics similar to those submitted in USPS-LR-6/MC98-1.

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- d. Customer feedback data will be contained in Accounting Period reports of help desk activity.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
TO CONCERNS RAISED DURING CROSS EXAMINATION**

In my Response to OCA/USPS-T1-17, part (a), I stated that I had calculated that during the operations test, for regular mail-merge mailings with on-line proofing, there are 75 possible categories of batches within each possible page count combination. Counsel for OCA asked for a verification of that number at Tr. 178.¹

RESPONSE:

After subsequent discussions with the technical designer and a review of the elements involved in defining the batches, I have recalculated the number of possible of batches to be 42. This was arrived at by the following calculation:

Letter & legal 2 possible plex options – simplex or duplex
 x 2 possible binding options – stapled or not stapled
 4
 x 2 possible paper sizes – letter or legal
 8
 x 5 possible color options – black, red, green, blue, magenta
 40

Newsletter 1 possible plex option – duplex
 x 2 possible binding options – stapled or not stapled
 2
 x 1 possible paper size – newsletter (11"x17")
 2
 x 1 possible color options – black
 2

I am unable to explain where the error occurred in calculating the previous number.

¹ This citation (and others in these responses) is to the transcript for August 26, 1998, erroneously identified as Volume 1. While a replacement transcript is being prepared, it is not yet available for citation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
TO CONCERNS RAISED DURING CROSS EXAMINATION

Counsel for the OCA requested a determination of whether the data file generated by the Mailing Online system, which is currently used by PriceWaterhouseCoopers to produce reports, contains sufficient information to come up with the different job types identified in my Response to OCA/USPS-T1-17 (a). Tr. 200.

RESPONSE:

After discussions with the system developer I was able to discover that as currently configured the data file generated by the system does not contain sufficient information to determine different job types. However, in the new version of the system due to be implemented for the market test, a modification will be made to complete the data set so that such a determination can be made.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
TO CONCERNS RAISED DURING CROSS EXAMINATION

Counsel for MASA requested that a determination be made of the possible frequency for reporting help desk data as it relates to Mailing Online. Tr. 225.

RESPONSE

Currently, raw data on help desk usage is sent weekly by mail to PriceWaterhouseCoopers to be used in an Accounting Period PostOffice Online report. The data includes information to enable specific reporting on Mailing Online and could possibly be formatted for a weekly report. However, the delay in receipt of weekly data files via mail would make it difficult to provide the information with the same dispatch as other reports being generated from electronic data feeds.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY
TO CONCERNS RAISED DURING CROSS EXAMINATION**

Counsel for MASA asked whether copies of the mailing statements and reports generated by the sortation software in Mailing Online could be obtained before being sent to the printer and reported to the Commission. Page 232.

RESPONSE:

According to the system developer, these mailing statements and reports are currently not stored in the system nor is there any provision for printing them at the data site. Obtaining the copies from the printer would be the only method available today for acquiring them. I am told it would be possible to modify the system so as to store and forward the reports, but that it would require modifications to the software for a future release.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
OF OFFICE OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS
STIREWALT

OCA/USPS-T3-26. Please refer to the table below.

1999		
	[a]	[b]
Black & White 8.5x11 & 8.5x14		
Information Systems - Variable	\$710,294	\$9.90
Information Systems - Fixed	\$379,097	\$5.28
Cost per Transaction		\$15.18
Black & White 11x17		
Information Systems - Variable	\$199,401	\$2.78
Information Systems - Fixed	\$106,424	\$1.48
Cost per Transaction		\$4.26
Spot Color 8.5x11 & 8.5x14		
Information Systems - Variable	\$648,929	\$9.04
Information Systems - Fixed	\$346,346	\$4.83
Cost per Transaction		\$13.87
Total Transactions per Year [c]		71,772

NOTES AND SOURCES:

[a] USPS-T-2, Exhibit A, Table 1.

[b] [a] / [c]

[c] USPS-LR-1/MC98-1, Attachment 1, at 6. 71,772 = 5,981 users x 12 average customer sessions per user per year

Please confirm that the cost per transaction for Black & White 8.5x11 & 8.5x14, Black & White 11x17, and Spot Color 8.5x11 & 8.5x14 is \$15.18, \$4.26 and \$13.87, respectively. If you do not confirm, please explain and provide the correct cost per transaction.

RESPONSE:

I do not confirm the costs per transaction for the three print streams as displayed in the above table. The number of transactions is not detailed at the print stream level. Print stream costs per total annual transactions are not meaningful, and while the total numbers of users and sessions per user are useful for the

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
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STIREWALT

OCA/USPS-T3-26, Page 2 of 2

calculations witness Stirewalt makes, they should not be used to derive print stream-specific information systems costs on a unit, in this case transaction, basis. The correct unit for associating costs, information systems costs in this case, with unique print streams is impressions.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-10. Please refer to USPS-T-2, Exhibit A, Table 4.

- a. Please confirm that the average number of impressions per piece is 6.7823 (2,005,301,751 / 295,665,025). If you do not confirm, please explain.
- b. Please confirm that only one impression can be made on one side of a page. If you do not confirm, please explain.
- c. Please confirm that for a one page piece, the number of impressions will be either one or two. If you do not confirm, please explain.
- d. Please confirm that a piece with an average of 6.7823 impressions would have from four up to (and including) seven pages. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed, but only under the condition that the page is 8.5x11 or 8.5x14. If the page is 11x17, two impressions are made on one side of the page.
- c. Confirmed, but only under the condition that the piece is either 8.5x11 or 8.5x14. For a one page piece that is 11x17 (which is duplex, see Tr. 2/692), the number of impressions will be four.
- d. Confirmed, but only under the assumption that the piece is 8.5x11 or 8.5x14. An 11x17 piece with 6.7823 impressions would have between one and two pages.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-17. Please refer to USPS-LR-1/MC98-1, page 3, where it states,

Postal Service personnel within the existing Postal Service Information Systems Customer Support organization will handle the technical help desk function for Mailing Online.

Please reconcile the statement quoted above with the following statement of witness Garvey:

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. See response to OCA/USPS-T1-6.

RESPONSE

The first quote concerns the technical help desk at the Postal Service's San Mateo information systems facility. Witness Garvey's statement concerns the PostOffice Online customer help desk, which is run by a contractor.

The contractor fields calls regarding PostOffice Online, and not just Mailing Online. In the event the contractor help desk fields an inquiry or reports a problem that appears to be related to the operation of the Web server, computer processing, or telecommunications, the contractor's help desk representative then calls the San Mateo information systems customer support number.

The operation of the information systems customer support group is referred to in my testimony as the "Technical Help Desk".

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-18. Please refer to USPS-LR-1/MC98-1, page 3.

- a. Please explain the relationship between "the technical help desk function for Mailing Online" and the PostOffice Online Help Desk.
- b. Please confirm that the costs of the PostOffice Online Help Desk related to Mailing Online service are computed separately from the technical help desk function for Mailing Online. If you do not confirm, please explain.
- c. Please confirm that the costs of all customer support, education and training to be provided by the PostOffice Online Help Desk during the experiential [sic] Mailing Online service are included in Attachments 1 and 2 of your testimony. If you do not confirm, please provide the costs of all customer support, education and training. If you do confirm, please identify where the costs of all customer support, education and training are accounted for in Attachments 1 and 2.

RESPONSE

- a. Refer to my response to OCA/USPS-T3-17.
- b. Confirmed that PostOffice Online help desk costs are separate from technical help desk costs.
- c. Not confirmed. Customer support, education, and training are not included in my estimates. My involvement is limited to estimating information technology costs. It is my understanding that the costs of customer support, education, and training for the Mailing Online experiment have not been estimated because they are costs shared with other parts of PostOffice Online, but see my response to OCA/USPS-T3-21(c).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T3-19. Please refer to USPS-LR-1/MC98-1, page 3. Please confirm that the technical help desk function for Mailing Online will be operational during the expanded (market) test. If you do not confirm, please explain.

RESPONSE

Confirmed. The technical help desk will respond to questions related to Mailing Online.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
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OCA/USPS-T3-20. Please refer to USPS-LR-1/MC98-1, and the table, Cost Summary, on page 5, revised July 23, 1998. Please provide the following for each "Cost Category" in the table, Cost Summary:

- a. Finance Number;
- b. Cost Account and Subaccount, and;
- c. Budget Authorization Code.

RESPONSE

Costs shown in my testimony do not correspond directly to money allocated to Finance numbers, Cost Accounts/Subaccounts, or Budget Authorization Codes. The estimates in my testimony pertain to Mailing Online, and were developed independently of budget concerns. As such, the estimates do not correspond to a budget, project or cost plan for the PostOffice Online program. Information technology expenditures on the PostOffice Online project are not being tracked against the cost components in the Detailed Cost Estimates included in my testimony.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-21. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 11, concerning the Technical Help Desk Resource Years.

- a. Please confirm that the "Technical Help Desk Resource Years" is a subset of "Total Help Desk Resource Years." If you do not confirm, please explain.
- b. Please explain the difference, in terms of activities and responsibilities, between the "Help Desk" and the "Technical Help Desk."
- c. Please explain how the remaining 1.33 (2.66 - 1.33) of "Total Help Desk Resource Years" is related to the Mailing Online service.

RESPONSE

- a. Confirmed.
- b. Refer to my response to OCA/USPS-T3-17.
- c. While I did not attempt to estimate PostOffice Online help desk costs, this remainder could be interpreted as the estimated number of years associated with inquiries or problems that are called in by Mailing Online customers to the PostOffice Online help desk, but do not require referral to the technical help desk.

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OCA/USPS-T3-22. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 11, concerning the Technical Help Desk Resource Years, and Attachment 2, page 12, Technical Help Desk.

- a. In Attachment 2, page 12, Technical Help Desk, in the line "Workstations" for "FIXED COSTS, YR 1999," please confirm that the number 3 in the column, "No. of Units," means that there will be 3 help desk staff members allocated to Mailing Online service in FY 1999, since each help desk staff member requires a computer workstation. If you do not confirm, please explain.
- b. In Attachment 2, page 12, Technical Help Desk, in the line "Workstations" for "FIXED COSTS, YR 1999," please confirm that the number 3 in the column, "No. of Units," means that there will be 3 resource years allocated to Mailing Online service in FY 1999, since one unit equals one resource year. If you do not confirm, please explain.
- c. Please confirm that the number 3 in the column, "No. of Units," found in Attachment 2, page 12, Technical Help Desk, in the line "Workstations" for "FIXED COSTS, YR 1999," is the rounded 2.66 "Total Help Desk Resource Years" found in Attachment 1, page 11, Technical Help Desk Resource Years for "YR 1999 Estimate." If you do not confirm, please explain.
- d. In Attachment 2, page 12, Technical Help Desk, in the line "Workstations" for "ANNUAL COSTS, YR 1999," please confirm that the "Unit Cost" and "No. of Units" should be \$6,000 and 3, respectively. If you do not confirm, please explain.

RESPONSE

- a. Not confirmed. Refer to my response to OCA/USPS-T3-1, Cost Component Sources/Derivations Worksheet, page 1, concerning cost components HD1, HD2, HD3 and HD4 for an explanation of how the "no. of units" for HD 1 is derived. The current San Mateo technical help desk has a staff assigned to perform the functions described in my response to interrogatory MASA/USPS-T3-6 in support of all the systems operated at the San Mateo computer

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
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OCA-T3-22, PAGE 2 OF 2

operations site. Individuals are not dedicated full-time in support of any one system, and my understanding is that this will continue to be the case. In my analysis, I determined the number of staff hours required to support Mailing Online, not the number of people.

b. Refer to my response to part (a) above.

c. Refer to my response to part (a) above.

d. Not confirmed. The unit cost for workstations is \$2,000 as shown in Attachment 2, HD 1, and HD 15. Number of units for 1999 is shown under "FIXED COSTS YR 1999", not "ANNUAL COSTS YR 1999".

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OCA/USPS-T3-23. Please refer to USPS-LR-1/MC98-1, Attachment 2, page 12, concerning the Technical Help Desk.

- a. In the line "Technical Help Desk Staff," for "ANNUAL COSTS, YR 1999," please confirm you are assuming 3 technical help desk employees will be allocated to Mailing Online service in FY 1999. If you do not confirm, please explain.
- b. In the line "Training for New Hires/Replacements," for "ANNUAL COSTS, YR 1999," please confirm you are assuming training for 2 new hires/replacements. If you do not confirm, please explain.
- c. In the line "Training for New Hires/Replacements," for "ANNUAL COSTS, YR 1999," please confirm that the "Unit Cost" and "No. of Units" should be \$3,000 and 3, respectively. If you do not confirm, please explain and identify where the training costs of \$1,000 for the third technical help desk employees is located in your workpapers.

RESPONSE

- a. Not confirmed. I estimated a total of three resource years would be required to support mailing Online. I did not estimate that three employees would be allocated. Refer to my response to OCA/USPS-T3-22(a) for more detail.
- b. Confirmed.
- c. Not confirmed. "Training for New Hires/Replacements," for "ANNUAL COSTS, YR 1999," (HD 5) "Unit Cost" and "No. of Units" are not \$3,000 and 3, respectively. Training for three Technical Help Desk staff members is estimated for "FIXED COSTS, YR 1999", with unit cost of \$1,000 and 3 units. The estimate for training two employees in 1999 shown under "ANNUAL COSTS, YR 1999" (HD 19) is based on the assumption that two staff members will leave and be replaced during 1999 by another two, who will need training. .

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
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OCA/USPS-T3-24. Please refer to your response to OCA/USPS-T3-1, page 1 of the "Cost Component Sources/Derivations Worksheet." In row 4, under the column "No. of Units Source/Derivation," it states

Attachment 1 Item 22 Technical Help Desk Resource Years; HD 13, HD 14 = Item #22, rounded to the nearest resource year. Due to the lack of empirical data regarding the amount of customer calls expected, one additional year was added.

For the "YR 1999 Estimate," item #22, Technical Help Desk Resource Years, is 1.33. For the "ANNUAL COSTS, YR 1999," HD 13 and HD 14 show 1 Technical Help Desk Manager and 3 Technical Help Desk Staff.

- a. Please identify the figure to which "one additional year was added."
- b. Please explain, and show in mathematical terms, how item #22 and HD 13 and HD 14 are related.

RESPONSE

- a. With the exception of 2001, at least one resource year was added to item #22 to produce a value for HD 14. Additional time was added to provide an estimate that would avoid understating costs.

	1999	2000	2001	2002	2003
Attachment 1, Item #22	1.33	1.80	2.57	3.26	3.02
Attachment 2, HD 14	3.00	3.00	3.00	5.00	5.00

- b. HD 14 is item 22 plus one rounded up, except for 2001, as shown in my response to part (a) above. There is no mathematical relationship between HD 13 and HD 14. A manager is assumed to be required to oversee the Technical Help Desk activity and is estimated as one resource in HD 13.

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OCA/USPS-T3-25. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 6. Please confirm that the "YR 1999 Estimate" for the total annual number of Mailing Online transactions is 71,772 (5,981 users x 12 average customer sessions per user per year). If you do not confirm, please explain.

RESPONSE

a. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
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OCA/USPS-T3-27. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 6, at the line "Number of pages per Document."

- a. Please confirm that the term "Document" means the same as "pieces," as used in the testimonies of witnesses Seckar and Rothschild. If you do not confirm, please explain.
- b. Please explain how many impressions are associated with the figure 3.2.

RESPONSE

- a. Not confirmed. The term "Document" in my testimony refers to a document of one or more pages in electronic form. The term "Pieces" in my testimony refers to physical mail pieces. My understanding of Mr. Seckar's testimony is that the term "Document" refers to physical hard copy document except when qualified by the word "electronic". My understanding of witnesses Seckar's and Rothschild's testimonies is that the term "pieces" means the same as the term "piece" does in my testimony. My use of "document" is to estimate a size in bytes for purposes of determining computing and telecommunications capacities.
- b. Please refer to my response to part (a) above. In my estimates I defined a "Document" to represent a given estimated electronic data volume with assumed characteristics to determine computing and telecommunications capacities. Physical attributes of printed pages, including page size, and type of correspondence, have no relationship to my definition of "Document". I can therefore not associate a specific number of impressions with the figure 3.2.

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OCA/USPS-T3-28. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 6. Please reconcile the "Number of pages per Document" of 3.2 with the number of impressions per piece of 6.7823. See interrogatory OCA/USPS-T2-10(a).

RESPONSE

As discussed in my response to OCA/USPS-T3-27, my number of pages per document and the number of impressions per piece that can be calculated from Mr. Seckar's analysis are not directly comparable. To the extent that these figures can be compared, the difference between witness Seckar's numbers and my average number of pages per document arises primarily from my using an average of 15 pages for the 7 percent of documents in the 15+ page range, versus Mr. Seckar's use of an average of 25 pages. In addition, depending on the physical page size, a page may consist of up to four impressions. Please refer to witness Seckar's response to interrogatory OCA/USPS-T2-10.

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OCA/USPS-T3-29. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 6, and the line "Number of Bytes Per Page Word Processing/Desk Top Publishing."

- a. Please confirm that, all other things being equal, a one-page document consisting of plain text would involve fewer bytes than a one-page document consisting of graphics. If you do not confirm, please explain.
- b. Please confirm that, all other things being equal, a one-page document having more bytes would cost more in terms of computing power, storage and transmission than a one-page document having fewer bytes. If you do not confirm, please explain.

RESPONSE

- a. Substantially confirmed. In general graphics files are larger than text files, but there may be counter-examples.
- b. Not confirmed. My testimony focuses on peak capacities. While larger file sizes may at some point require recalculation of these capacities, until that point is reached there would be no change in costs.

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OCA/USPS-T3-30. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 7. Please confirm that the "Average mailing pieces per document" also represents the number of pieces per transaction. If you do not confirm, please explain.

RESPONSE

a. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
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OCA/USPS-T3-31. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 11.

- a. For the "YR 1999 Estimate," please confirm that the costs of the Technical Help Desk are dependent upon the estimated number and duration of first-time calls and on-going calls per year. If you do not confirm, please explain.
- b. For the "YR 1999 Estimate," please confirm that the estimated number and duration of first-time calls and on-going calls to the Technical Help Desk are dependent upon an the estimated number of customers per year. If you do not confirm, please explain.
- c. For the "YR 1999 Estimate," please confirm that, rather than using the number of customers to estimate the number and duration of first-time calls and on-going calls per year, you could use the estimated number of transactions per year. If you do not confirm, please explain.

RESPONSE

- a. Confirmed.
- b. Confirmed.
- c. Not confirmed. Basing Technical Help Desk costs on the number of transactions per year would assume that all or a definite percentage of transactions requires follow up action to answer a technical question or problem. I do not feel it is reasonable to assume that a particular percentage of transactions will generate Technical Help Desk calls.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T3-32. Please refer to USPS-LR-1/MC98-1, Attachment 2.

- a. For the "ANNUAL COSTS, YR 1999," please confirm that the following represent labor, or labor-related, costs of providing the information technology services related to Mailing Online:
- i. Technical Help Desk Manager, \$100,000 (1 @ \$100,000);
 - ii. Technical Help Desk Staff, \$180,000 (3 @ \$60,000);
 - iii. Training for New Hires/Replacements, \$2,000 (2 @ \$1,000);
 - iv. Program Manager (Primary and Secondary Processing), \$120,000 (1 @ \$120,000);
 - v. System Manager (Primary and Secondary Processing), \$120,000 (1 @ \$120,000);
 - vi. Data Base Administrator (Primary and Secondary Processing), \$150,000 (1.5 @ \$100,000);
 - vii. Systems Administration (Primary and Secondary Processing), \$150,000 (1.5 @ \$100,000);
 - viii. Application Software Support (Primary and Secondary Processing), \$200,000 (2 @ \$100,000);
 - ix. "Install Equipment at addtl Print Sites," \$0 (40 hrs. @ \$65/hr. x 0 sites); and
 - x. "USPS Equipment Maintenance at all Print Sites," \$52,000 (80 hrs. @ \$65/hr. x 10 sites).

If you do not confirm, please explain. Also, please identify and provide the estimated costs for any labor costs in Attachments 1 and 2 not identified in this part above.

- b. Please confirm that the labor costs identified in part (a), subparts (i)-(x), above are labor costs for postal employees. If you do not confirm, please explain and identify those costs that are labor costs for other than postal employees.

RESPONSE

- a. Confirmed.
- b. Not confirmed. Labor costs identified in part (a), subparts (i-viii) are estimated labor costs for Postal Service employees. Subparts (ix-x) are estimates for contracted labor.

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OCA/USPS-T3-33. Please refer to USPS-LR-1/MC98-1, Attachment 2, page 18.

- a. Please explain why you treated the costs to "Install Equipment at Initial Print Sites - Labor" as a fixed cost, rather than a variable cost, in "YR 1999."
- b. Please explain why you treated the costs to "Install "Equipment at Initial Print Sites - Travel" as a fixed cost, rather than a variable cost, in "YR 1999."

RESPONSE

a-b. I treated all costs related to the set up of the Mailing Online service, including installing equipment at the initial print sites, as "fixed".

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
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OCA/USPS-T3-34. Please refer to USPS-LR-1/MC98-1, Attachments 1 and 2, and the "NOTES" on page 18, which state:

All labor estimates are in resource years, not number of personnel.
Personnel are not assumed to be working full-time on Mailing Online.
Actual number of personnel assigned to Mailing Online over time will vary according to work load.

- a. Please define the term "work load."
- b. Please define the term "resource years."
- c. Please convert the number of resource years wherever they appear in Attachments 1 and 2 to the number of full-time equivalent (FTE) employees.
- d. Please explain the other duties, activities and responsibilities of the personnel assigned to Mailing Online, since such "Personnel are not assumed to be working full-time on Mailing Online."

RESPONSE

- a. The current San Mateo technical help desk has a staff assigned to perform the functions described in my response to interrogatory MASA/USPS-T3-6 in support of all the systems operated at the San Mateo computer operations site. Individuals are not dedicated full-time in support of any one system. At any given point in time the staff of the technical help desk will be performing technical help desk functions in support of any number of systems. "Work Load" refers to the number of Technical Help Desk functions required to be performed at any given point in time.
- b. I defined "resource year" as 1800 workhours.
- c. In my testimony, the number of Help Desk staff resources per year was calculated based on an estimated number of work hours in a calendar year of 1800. Office of Management and Budget Circular 11 (1998), Section 13.3(c) states that "to determine FTE employment, the total number of regular hours (worked or to be worked) is divided by the number of compensable hours applicable to each fiscal year. For a year of 260

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO
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compensable days, the divisor is 2080; and for 261 days, 2088." Given this, the following resource calculations would be affected by conversion to FTEs as shown in the following table:

Year	1999	2000	2001	2002	2003
Compensable Days shown in OMB Circular 11, Section 13.3(c)	261	261	260	261	261
FTE Work Year	2088	2088	2080	2088	2088
Technical Help Desk Resources Hours shown in Attachment 1, page 11	2392	3238	4630	5875	5436
Technical Help Desk Resource FTEs	1.15	1.55	2.23	2.81	2.60

Note that FTEs are calculated for federal government fiscal years while the resources estimates in my testimony are for calendar years. I did not factor that difference into the the above table.

d. Refer to my response to part (a) above.

Response Of United States Postal Service Witness Stirewalt
To Question of Pitney Bowes During Oral Cross-Examination on August 27, 1998

Question (Tr. 3/789-94):

Counsel for Pitney Bowes requested that the Postal Service provide the information systems costs expended to date to prepare the Mailing Online service within the categories of the original testimony (USPS-LR-1/MC98-1, p.5)

RESPONSE

The following are the total estimated information systems costs to-date of the Mailing Online program, as provided to me by the Postal Service information systems managers responsible for preparing and operating the Mailing Online service, broken down into categories that are comparable to the categories of my original testimony (USPS-LR-1/MC98-1, p.5). Included are costs to prepare and run the Operations Test, in addition to costs to prepare for the Market Test. Because Mailing Online is a component of PostOffice Online, these estimates may not isolate Mailing Online costs perfectly.

Category	Estimated Cost
Technical Help Desk	\$15,000
Telecommunications (Dallas print site and FDMS)	\$39,500
Processing Center & Print Site (Hardware)	\$400,000
Processing Center (Software)	\$75,000
Processing Center (Systems Administration)	\$151,200
Processing Center (Application Support)	\$94,250
Total	\$774,950

Note: All costs for print sites and management and administration are included in the above categories.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT
TO QUESTION POSED BY THE OFFICE OF THE CONSUMER ADVOCATE
AT THE HEARING ON AUGUST 27, 1998

Question (Tr. 3/780-82):

During the operations test period, how many access ports were available at the MOL processing center to receive transmissions from MOL customers?

Response:

The term "Access Ports" refers to a concept, not a physical entity, and equates to the number of users that can concurrently access Postal Service Web sites housed in the San Mateo computer operations center. The number of users that can access a Web site is dictated by two primary considerations: the capacity of a given Web server to accept concurrent users, and the internet telecommunications capacity into the San Mateo site. Factoring in: 1) the capacity of the Web server used by Mailing Online during the operations test, 2) that each Mailing Online user requires high data volume capacity during a Mailing Online session to upload and download text documents with embedded graphics, and 3) the internet telecommunications capacity into San Mateo during the operations test, I estimate that capacity for at least 160 Mailing Online users to simultaneously up load documents has been maintained at San Mateo during the operations test.

**Response of Postal Service Witness Rothschild
To MASA Interrogatories**

MASA/USPS-T4-6. Refer to witness Garvey's response to MASA/USPS-T1-5(I), in which he states that National Analysts provided the information that one third of all *direct mail pieces designed using desktop computer technology* are produced in *short-run quantities*" (defined as consisting of mailings of less than 5000 pieces). State in detail the basis for this information. Include an identification of all information sources, market surveys, research or other sources upon which you relied or to which you referred in reaching the conclusion attributed to National Analysts by witness Garvey.

RESPONSE: The source of the information was The Rochester Institute of Technology's School of Printing, provided upon National Analysts' request.

**Response of Postal Service Witness Rothschild
To MASA Interrogatories**

MASA/USPS-T4-7. Were the participants in your survey told a price at which NetPost would be available to them in connection with questions they were asked about their likely use of the service (see e.g., Q3, 4, 11, 12)?

- a. If so, what was the price, how were they informed of the price, and where does the price appear in the questionnaire or other survey material attached to your report?**
- b. If not, explain how you were able to estimate volumes for NetPost without identifying the price at which the service would be offered.**

RESPONSE:

Participants in the survey were told a price at which NetPost would be available to them. They were sent a rate card along with the questionnaire that listed NetPost's price per piece, based on its physical characteristics and the sender's status as a commercial or non-profit mailer. There were two sets of rate cards, one for each set of prices being tested. These rate cards appear at the end of Attachment E in Library Reference USPS-2.

**Response of Postal Service Witness Rothschild
To MASA Interrogatories**

MASA/USPS-T4-8. Confirm that if MOL were not limited to short-run mailings (defined as less than 5000 pieces), and that mailings of greater than 5000 pieces would qualify for the service, then your market survey did not represent the full range of potential end users of MOL. If you cannot confirm, explain why in detail. If you do confirm, provide any information you have with respect to what the potential volume is from mailings greater than 5000 pieces.

RESPONSE:

We confirm that the market survey did not represent the full range of potential end users of MOL. Given that the study's purpose was to support business planning, our objective was to determine whether there was sufficient demand among NetPost's most likely users to justify its further development. The volume estimates include the volume of all mailings, including those with more than 5000 pieces, sent by mailers who typically produce mailings of less than 5000 pieces. No information was gathered about the potential volume that could be generated by mailers who typically produce mailings with greater than 5000 pieces.

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

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.

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

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.

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

DFC/USPS-1. Please refer to Attachment 1 to DFC/USPS-1. This attachment is a newspaper article titled "Postal Service Tests Online Delivery" from the *San Francisco Chronicle* on July 18, 1998, discussing a new electronic-mail service called PostECS. (Please explain any negative answers.)

- a. Please confirm that the Postal Service is testing PostECS (or a similar service by a different name).
- c. Does the Postal Service have any plans for joint marketing of PostECS and Mailing Online?
- d. Will PostECS and Mailing Online be offered through a common Web site?
- e. Will PostECS use the same San Mateo data center as Mailing Online uses?
- f. Will economies of scale from these combined operations potentially reduce the costs for processing Mailing Online transactions from the current estimated costs?
- h. When will any economies of scale gained from these operations potentially be reflected in lower costs and lower rates or fees for Mailing Online transactions?
- i. Will the Postal Service promise to submit a request to the Commission by a particular date to lower Mailing Online rates to reflect these economies of scale?

RESPONSE:

- a. Confirmed.
- c, d. The Postal Service has not decided whether to pursue such plans at this time.
- e. Yes, as do many other postal applications.
- f, h. There are no such current or planned combined operations; therefore there would be no economies of scale.
- i. See response to f-h above. In general, however, any reduction in costs resulting from changes in Mailing Online operations as the service evolves would be reflected in the Postal Service's eventual filing for a permanent Mailing Online service.

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

OCA/USPS-T1-20. Will the Mailing Online data or information received via the internet into the custody of the Postal Service at its "computer network control center" have the status of mail prior to its transmittal to commercial print sites? If so, what will be the mail classification of the Mailing Online data?

RESPONSE.

This question and OCA/USPS-T1-21 (which asks the parallel question regarding Mailing Online pieces en route from the printer to the postal entry facility) seek a legal opinion regarding when mailpieces originating from Mailing Online service (MOL pieces) become mail. Accordingly, both questions are addressed by the Postal Service as an institution in the discussion that follows.

The question of when MOL pieces become mail can only be answered in a specific context, since at a given point during production, a piece may be mail for one purpose but not for another. Examples¹ include: (1) When does an MOL piece become mail for the purpose of being sealed against inspection?² (2) When does an MOL piece become mail for purposes of Title 18, United States Code (criminal code)? (3) When

¹ The Postal Service does not believe that the first three contexts discussed raise issues that need to be resolved in this forum. The fourth, however, is more clearly relevant and is being addressed generally in response to a number of outstanding interrogatories.

² Under 39 U.S.C. § 3623(d), the Postal Service must maintain at least one class of mail "for the transmission of letters sealed against inspection." Mailpieces within these classes cannot "be opened except under authority of a search warrant authorized by law, or by an officer or employee of the Postal Service for the sole purpose of determining an address at which the letter can be delivered, or pursuant to the authorization of the addressee."

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

does an MOL piece become mail in the sense that Commission jurisdiction attaches?³

And, (4) when does the Federal Tort Claims Act's exemption from liability for negligent transmission, etc. of mail (28 U.S.C. § 2680(b)) apply?

(1) When a sender deposits a First-Class letter in a collection box, thus relinquishing its custody to the Postal Service, it is clear that the seal against inspection has attached. The seal remains attached until it is delivered to the addressee, unless the addressee authorizes otherwise. In short, the letter is sealed against inspection while it remains under the physical control of the Postal Service.

In the case of MOL, pieces sealed against inspection will be treated as such when they are within the custody of the Postal Service (either electronically in its server or as physical mail). While the pieces are within the custody of printers, the contract, as specified in USPS-LR-5/MC98-1, will require them to provide adequate security measures to preserve the seal. The Postal Service has not determined at this time that any regulatory changes will be necessary.

(2) In interpreting the mail obstruction and criminal mail theft statutes, courts have addressed the question of the circumstances under which mailpieces in deposit and collection receptacles were covered. For example, in *Smith v. United States*, 343 F.2d 539 (5th Cir.), *cert. denied*, 382 U.S. 861 (1965), the court held that outgoing

³ This question is more typically posed in the form of whether a product or service is postal, but this examples informs the discussion of the questions posed.

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

mailpieces placed in an unlocked hotel mailbox used for incoming mail were deemed to be within the scope of section 1708. *Accord, United States v. Lopez*, 457 F2d 396, 399-400 (2d Cir.), *cert denied*, 409 U.S. 866 (1972) (letter placed in apartment house receptacle for carrier pickup within scope of section 1708). The *Smith* court, following *Rosen v. United States*, 245 U.S. 467 (1918), looked to the scope of postal regulations defining mail depositories to determine the scope of the criminal statute.⁴

Applied to the context of Mailing Online mailpieces, one can see that the Postal Service could change its regulations in an attempt to define when a Mailing Online mailpiece, whether virtual or physical, becomes subject to the criminal code -- conceivably by defining the Mailing Online Web server as a mail receptacle.⁵

(3) That Mailing Online service, as proposed, involves a postal service subject to the Commission's jurisdiction is effectively conceded by the Postal Service Request. Since the only fees requested are for "pre-mail" services, this also means that the

⁴ Erstwhile mailpieces in unlocked receptacles may in fact be opened or inspected by non-postal parties -- whether inadvertently or otherwise. The preclusion against such acts, however, arises not from a non-postal party's violation of the seal against inspection (which focuses specifically upon postal persons), but from the criminal code and civil enforcement as between the addressee and the interloper. This illustrates how the scope of what is mail is greater for the criminal code than the one that proscribes inspection of sealed mail.

⁵ The Postal Service has no current plans to change the regulations discussed in this interrogatory response to reflect the provision of Mailing Online market test or experimental services.

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

purely electronic transactions are essentially mail, or perhaps more strictly, a convenient means for electronic induction of mail.

(4) As for application of the Federal Tort Claims Act exemption from liability, a number of outstanding interrogatories will respond to questions regarding what recourse may be available to customers for errors at various stages of the Mailing Online process. The short answer to when an MOL piece becomes mail for tort claim purposes is that the Postal Service has no current plans to make special accommodation in its regulations for MOL pieces – although if a need can be shown this position can be revisited. Indeed, one purpose of conducting a market test and experiment is to determine whether such a need exists. An MOL piece would certainly be mail for this purpose upon its entry as physical mail. In general, liability for errors that occur prior to physical entry is defined by the printer's responsibilities for its own work, as specified in USPS-LR-5/MC98-1, and the availability of refunds for jobs that are not entered successfully as physical mail. No new guarantees or specific promises are offered as part of Mailing Online service.

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

OCA/USPS-T1-21. Will the Mailing Online data or information received by the commercial printers from the Postal Service "computer network control center" have the status of mail between the time it reaches the commercial print site and when it is entered at a local post office? If so, what will be the mail classification of the Mailing Online data?

Response.

See the Response to OCA/USPS-T1-20.

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

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

- 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:

b-c. There will be no advertising specific only to Mailing Online. Any advertising of the Mailing Online service will be part of more comprehensive advertisements promoting the use of existing Postal Service products such as Priority Mail or Standard Mail (A), or focusing on a means of obtaining service, such as PostOffice Online. If Mailing Online were not offered, the Postal Service would still undertake these advertisements. Accordingly, there are no advertising costs directly associated with Mailing Online, and no such costs are identified by witnesses Seckar and Stirewalt.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS POSED BY CHAIRMAN GLEIMAN AT HEARINGS

Tr. Vol. 1, page 89 (August 14, 1998)

Question (1) beginning on line 11:

Do the Postal Service's many routine uses that allow disclosure of information from files contained in Privacy Act systems of records apply to the following system of records: USPS 040.050, Customer Programs – Customer Electronic Document Preparation and Delivery Service Records?

RESPONSE:

Customers' Mailing Online transactions result in the establishment of agency records which, because they can be referenced by an individual's name or Mailing Online customer number, are subject to the conditions of maintenance, access and disclosure established by or under the Privacy Act (5 U.S.C. § 552a). The May 21, 1998, Federal Register notice (63 Fed Reg 28016-18) referenced in the August 10, 1998, response to OCA/USPS-T1-22, reflects that there are four Privacy Act routine uses applicable to records maintained in USPS 040.050. The Postal Service is reviewing its Privacy Act regulations for the purpose of determining the need to clarify that the portions of records in USPS 040.050 which reflect the content of the messages which the Mailing Online customer intends to send will be treated as mail matter sealed against inspection and that portions of records which reflect the names and addresses to which the messages are intended to be sent will be afforded the same privacy protections as name and address information on mail piece covers.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS POSED BY CHAIRMAN GLEIMAN AT HEARINGS

Tr. Vol. 1, page 89 (August 14, 1998)

Question (2) beginning on line 13:

Are records maintained in USPS 040.050 available for law enforcement purposes and the like?

RESPONSE:

Under subsection (b)(1) of the Privacy Act, 5 U.S.C. 552a, all records contained in Postal Service Privacy Act systems of records are subject to examination by the Postal Inspection Service when it has a need for such records in the course of law enforcement investigations within the scope of its jurisdiction. Similarly, in accordance with subsection (b)(7) of the Privacy Act, these same records may be disclosed

to another agency or to an instrumentality of any governmental jurisdiction within or under the control of the United States for a civil or criminal law enforcement activity if that activity is authorized by law, and if the head of the agency or instrumentality has made a written request to . . . [the Postal Service] specifying the particular portion desired and the law enforcement activity for which the record is sought.

Under subsection (b)(3), which operates in conjunction with subsections (a)(7) and (e)(4)(D) of the Privacy Act, the Postal Service may disclose information from a Privacy Act system of records for a "routine use" which is compatible with the purpose for which the record is maintained, provided that the Postal Service publishes a Federal Register notice which includes each routine use, the categories of users and the purpose of such use. The Privacy Act system notice for USPS 040.050, at 63 Fed Reg 28018, indicates that the routine uses of records from this system include disclosure:

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS POSED BY CHAIRMAN GLEIMAN AT HEARINGS

Response to Question 2 (page 2)

[w]hen the Postal Service becomes aware of an indication of a violation or potential violation of law, whether civil, criminal, or regulatory in nature, and whether arising by general statute or particular program statute, or by regulation, rule, or order issued pursuant thereto, or in response to the appropriate agency's request on a reasonable belief that a violation has occurred, the relevant records may be referred to the appropriate agency, whether federal, state, local or foreign, charged with responsibility of investigating or prosecuting such violation or charged with enforcing or implementing the statute, rule, regulation, or order issued pursuant thereto.

That Federal Register notice, at page 28017, emphasizes that no routine use permits the disclosure of mailing lists submitted by Mailing Online customers which may be contained in USPS 040.050.

Because the Postal Service intends to treat those portions of Mailing Online customers' records which reflect message content as mail matter sealed against inspection, all law enforcement access to such information will be governed by the same restrictions which apply to other mail matter sealed against inspection. Likewise, because the Postal Service intends to treat the names and addresses of a Mailing Online customer's correspondents in USPS 040.050 as if they were on the covers of mail pieces, law enforcement access to Mailing Online customer mailing lists in USPS 040.050 will be afforded the same level of privacy protection as other name and address information on mail piece covers. Law enforcement access to other portions of USPS 040.050 Mailing Online files will be subject to the aforementioned provisions of the Privacy Act.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS POSED BY CHAIRMAN GLEIMAN AT HEARINGS

Tr. Vol. 1, page 90 (August 14, 1998)

Question (3) beginning on line 1:

Among the many routine uses that apply to almost all Privacy Act systems of records maintained by the Postal Service is the availability of that information for law enforcement purposes and the like. Do these routine uses apply to USPS 040.050 in such a manner that, while a site visit may be inappropriate, that law enforcement people or others could have access to that information?

RESPONSE:

As indicated in response to Question 2, the Privacy Act, at 5 U.S.C. 552a(b)(7), permits disclosure of some information from USPS 040.050 to law enforcement agencies. It is the Postal Service's intention that disclosure of a Mailing Online customer's message content and the names and addresses of that customer's correspondents be subject to the same protections afforded mail matter sealed against inspection and the requirements which currently govern mail covers. A review of existing Privacy Act implementing regulations is presently underway to consider any necessary clarifications.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS POSED BY CHAIRMAN GLEIMAN AT HEARINGS

Tr. Vol. 1, page 90 (August 14, 1998)

Question (4) beginning on line 15:

This question has to do with security and protection of data generated by Mailing Online transactions which is maintained by the Postal Service. It has been implied by the Postal Service that its electronic data reflecting the content of Mailing Online messages (which Mailing Online customers intend for the Postal Service to convert into hard copy mail pieces that are then delivered to correspondents on their mailing lists) are sealed against inspection. Who can have access to the data reflecting the contents of Mailing Online customer messages? To what extent do electronic Mailing Online data files consist of mail matter sealed against inspection if, in accordance with the USPS 040.050 Privacy Act notice, access to them may be obtained by various law enforcement agencies?

RESPONSE:

All postal records generated in connection with the provision of Mailing Online service are subject to the terms and conditions of the contract between the Postal Service and its contract printer which spell out the security and privacy requirements. See USPS-LR-5/MC98-1, pages 11-12, 29-31. As indicated in the responses to questions 1 through 3, it is the Postal Service's intention to insure that Mailing Online message content is afforded the same protection as mail matter sealed against inspection and that access to addressee information also is restricted. Accordingly, the agency currently is reviewing its Privacy Act implementing regulations, the provisions of USPS Administrative Support Manual § 274 pertaining to mail matter sealed against inspection and mail covers, and the Electronic Communications Privacy Act, 18 U.S.C. § 2701 *et seq.*, to determine what administrative, technical and physical safeguards may be necessary and appropriate to insure the security and confidentiality of sensitive Mailing Online records.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS POSED BY CHAIRMAN GLEIMAN AT HEARINGS

Response to Question 4 (page 2)

It also should be noted that lists of names and addresses generated as a result of Mailing Online transactions are subject to the general prohibition against Postal Service disclosure of mailing lists to the public (39 U.S.C. § 412). By operation of 39 U.S.C. § 410(c)(2), Mailing Online records reflecting the name or address of any postal patron (whether or not compiled as part of a list) also are exempted from the mandatory public disclosure provisions of the Freedom of Information Act (5 U.S.C. § 552).

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Question (5), beginning on line 12:

What, if any, interaction exists between Mailing Online and 39 U.S.C. §3005 [false representations and lotteries]?

RESPONSE:

Mail matter containing false representations or lotteries is actionable under 39 U.S.C. § 3005. Since Mailing Online introduces physical mail into the mail stream, Mailing Online mailpieces are covered by that section of the Reorganization Act. No monitoring of the content of Mailing Online pieces takes place during the electronic processing of Mailing Online pieces. Physical Mailing Online mail would accordingly be subject to the same scrutiny under section 3005 as any other mail.

USPS/PB-1. With respect to mailpieces created via the DirectNET service described in the testimony of witness Brand,

- a. admit that Pitney Bowes can enter mail at discounted rates of postage under the existing Domestic Mail Classification Schedule (DMCS);
- b. admit that Pitney Bowes does enter some mail at discounted rates of postage under the existing DMCS;
- c. admit that Pitney Bowes does enter some mail at rates of postage more deeply discounted than those requested for use with Mailing Online market test service.

Responses:

(a) Pitney Bowes admits that it may lawfully enter mail at discounted rates of postage under the existing Domestic Mail Classification Schedule ("DMCS"), so long as the volume and other discount preparation requirements of the existing DMCS are satisfied. Pitney Bowes cannot enter mail that does not qualify for discounted rates under the existing DMCS at a discount as the Postal Service proposes to do for its Mailing Online customers.

(b) Admitted.

(c) Admitted. However, Pitney Bowes does not understand the Postal Service's classification change associated with Mailing Online to preclude it from entering "some mail at rates of postage more deeply discounted" than those proposed with the classification change, so long as the mail otherwise qualifies for such deeper discounts under the existing DMCS.