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MAILING ONLINE SERVICE

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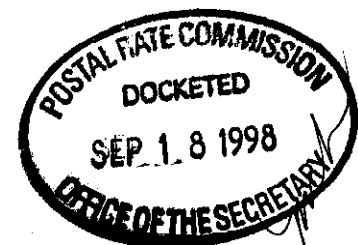
INITIAL BRIEF

CONCERNING MARKET TEST OF MAILING ONLINE

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## TABLE OF CONTENTS

|   |    |
|---|----|
| INTRODUCTION .....  | 1  |
| I. THE POSTAL SERVICE SHOULD BE REQUIRED TO COLLECT AND REPORT DETAILED VOLUME AND MAIL CHARACTERISTICS DATA PERMITTING THE VERIFICATION OF WITNESS ROTHSCHILD'S VOLUME ESTIMATES AND THE PROPRIETY OF OFFERING PRESORT DISCOUNTS ..... | 2  |
| A. At a minimum, the Commission should recommend the reporting of volume and mail characteristics data that are not disputed by any participant .....   | 2  |
| B. Data that the Postal Service resists collecting and reporting are essential to the verification of witness Rothschild's volume estimates and must also be ordered by the Commission .....  | 3  |
| C. Data by job type are essential to the assessment of whether mailings entered by the printers satisfy the eligibility requirements for the First-Class basic presort automation and the Standard A DBMC discounts .....               | 10 |
| D. The Postal Service should be directed to provide information on the number of users of MOL and track usage by individual customers (anonymously) .....   | 17 |
| II. POSTAL SERVICE INFORMATION SYSTEMS COSTS CAN BE DETERMINED ONLY AFTER INFORMATION COLLECTION PROCEDURES ARE ESTABLISHED DURING THE MARKET TEST .....  | 20 |
| A. Postal Service assumptions underlying information system cost estimates cannot be verified without additional data and information .....   | 21 |
| B. The Postal Service should collect and report actual costs related to the development and implementation of its information system for Mailing Online .....   | 24 |

|  |    |
|--|----|
| III. DAILY LOGS DOCUMENTING THE POSTAL SERVICE'S ABILITY<br>(OR INABILITY) TO TRANSMIT BATCHED FILES TO THE PRINT<br>SITE BY THE CUTOFF TIME, AND THE PRINTER'S ABILITY TO<br>ENTER THE MAILINGS AT THE BUSINESS MAIL ENTRY UNIT BY<br>THE CUTOFF TIME, MUST BE MAINTAINED .....   | 30 |
| IV. IT IS POSSIBLE TO FASHION A PROCEDURAL SCHEDULE FOR<br>THE EXPERIMENTAL PHASE OF THE PROCEEDING THAT<br>SATISFIES THE POSTAL SERVICE'S REQUEST FOR EXPEDITION<br>ONLY IF THE SERVICE FILES THE REQUIRED DATA ON A WEEKLY<br>BASIS, COMMENCING NO LATER THAN TWO WEEKS AFTER THE<br>INAUGURATION OF THE MARKET TEST ..... | 32 |
| CONCLUSION .....   | 34 |
| APPENDIX   |    |

## INTRODUCTION

The Office of the Consumer Advocate (OCA) does not challenge the rates that the Postal Service proposes for Mailing Online (MOL) during the market test. Too little is known about the costs of providing MOL, and there has been too little time in the market phase of the proceeding to make a thorough, informed assessment of these costs. Furthermore, since the market test is limited to 5000 participants, the risk of serious revenue erosion, or competitive harm, is slight. OCA's sole aim for the market phase of the proceeding is to ensure that one of the chief purposes of a market test, as contemplated by Commission Rule 162(i)—to gather and report data useful in a subsequent proceeding—is fulfilled.

I. THE POSTAL SERVICE SHOULD BE REQUIRED TO COLLECT AND REPORT DETAILED VOLUME AND MAIL CHARACTERISTICS DATA PERMITTING THE VERIFICATION OF WITNESS ROTHSCHILD'S VOLUME ESTIMATES AND THE PROPRIETY OF OFFERING PRESORT DISCOUNTS.

- A. At a minimum, the Commission should recommend the reporting of volume and mail characteristics data that are not disputed by any participant.

OCA's position—that there must be rigorous data collection and reporting during the market test—was first made clear in our Statement in Response to Order No. 1216, August 12, 1998.<sup>1</sup> Five days later, pursuant to a directive by the Presiding Officer,<sup>2</sup> OCA filed a Motion Concerning a Data Collection Plan for a Market Test of Mailing Online, August 17, 1998 (hereinafter, "OCA Motion"). This Motion presented a detailed description of the types of data that are necessary to verify the cost, volume, and revenue estimates that underlie the proposed MOL experimental rates. The Postal Service filed its Response to Motion of the OCA Concerning a Data Collection Plan for a Market Test of Mailing Online (hereinafter, "Postal Service Response") on August 19, 1998.

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<sup>1</sup> At 3:

[T]he plan for reporting the test data to the Commission lacks specificity and does not provide clearly for frequent reports to assist the Commission in resolving the request for the experimental phase of the program. For instance, the statement that data will be reported "periodically" is unsatisfactory. . . . If this proceeding moves forward under shortened procedures as contemplated by the Postal Service, market data, if filed quarterly, will not be available in time for review of the request for experimental classification.

<sup>2</sup> Tr. 1/43-44.

A comparison of the OCA Motion and the Postal Service Response reveals that there is agreement on a number of data items, namely the "mail characteristics" data listed in USPS-T-1, Appendix A at 2:

- Total transactions
- Total volume, broken down by simplex, duplex, and color
- Total pages
- Total revenue
- Volume by subclass
- Volume by shape
- Volume by page size
- Volume by envelope type

According to the Postal Service Response (at 3) such information is compiled every other week, by week; however, the Postal Service expressed a probable willingness to compile and report such information on a weekly basis.<sup>3</sup> In our view, provision of the Appendix A information, therefore, can probably be considered a settled matter. There is disagreement, however, about several other types of data that OCA believes must be collected and reported, but that the Postal Service resists providing.

B. Data that the Postal Service resists collecting and reporting are essential to the verification of witness Rothschild's volume estimates and must also be ordered by the Commission.

In the OCA Motion (at 4), we asked that the Commission direct the Postal Service to give ballpark estimates of the proportion of transactions that consist of 1) invoices and statements, 2) standardized confirmations and announcements, 3) advertising mail, 4) newsletters, and 5) forms. These comprise the five applications

specified in LR-2/MC98-1.<sup>4</sup> We suggested the addition of a sixth, miscellaneous or residual category, for mailings that did not fall within one of these descriptions. The Postal Service opposes providing such information on the ground that “the contents of the mail would be intrusive and impractical to collect . . . and . . . likely useless.” A further objection is raised, that, “The software design does not ask customers to classify their mailings since no services provided to Mailing Online customers require it.”<sup>5</sup>

OCA disputes each difficulty alleged by the Postal Service. First, the information sought is far from useless. On the contrary, it is an integral element of the volume estimation procedure employed by witness Rothschild. She determined that it was appropriate to “identify the types of applications that appeared to have high potential for NetPost.”<sup>6</sup> Her qualitative research “suggested that there was a market for NetPost among a well-defined set of applications,” and that “[f]ive applications were determined to best meet” her criteria for suitability for NetPost use.<sup>7</sup> The universe for the study was defined, in large part, by use of the “five high priority applications,”<sup>8</sup> and “[o]rganizations were placed in a sampling cell based on their employee size, industry,

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<sup>3</sup> “[W]hile . . . [the every other week] schedule [is] the [one] the Postal Service would prefer to follow, it can probably accommodate a weekly one as well.” Postal Service Response at 3.

<sup>4</sup> At page 13. USPS-LR-2/MC98-1 is sponsored and adopted by witness Rothschild in USPS-T-4.

<sup>5</sup> A third reason for not providing the information is given: “There is . . . no reason why a customer could not combine multiple transaction types into a mailing.” OCA does not find this a serious obstacle, and it will be addressed, *infra*, in this section.

<sup>6</sup> NetPost, of course, is the precursor for MOL. USPS-LR-2/MC98-1 at 1.

<sup>7</sup> *Id.* at 3-4.

<sup>8</sup> *Id.* at 4.

and *applications produced*.”<sup>9</sup> It cannot be seriously contended that the application type was not a fundamental building block in the volume estimation process. Consequently, the ability to verify (or modify) witness Rothschild’s volume estimates by means of data collected during the market test is an eminently justifiable objective.

Witness Garvey himself has indicated that the Postal Service is open to the possibility of augmenting its volume estimates during the experimental procedural phase based upon data collected during the market test:<sup>10</sup>

[Counsel for MASA] Do you any plan to -- and by "you" in this question I am talking about the Postal Service, whether it is by you personally or anybody—to do a new volume estimate for the experimental test, based on any information you gathered during the market test?

[Witness Garvey] A new volume estimate for the market test based upon what we gathered?

[Q] No. For the experimental test.

[A] For the experimental test. Obviously, we will be analyzing the data that we gather during the market test. Some of that will be valuable in giving us some indication of whether estimates that we have made of individual customer usage are on target. I think, in a very broad sense, we will be able to validate some of our estimates of what the experimental service will look like. But it won't be a perfect opportunity for us to do that. So, yes, but they will not replace what we have already. They will augment the estimates that we have already.

[Q] Well, so I take it that you don't plan to do a new volume estimate. That much seems to be clear.

[A] No, we will do new volume estimates but they will not replace what we have already. They will augment our understanding of what we have done already, which represents the nationally-scaled service that we intend to implement.

[Q] All right. So it is conceivable that the new volume estimates could modify in some respects the existing volume estimates for the experimental test that are in the record now?

[A] It is conceivable, yes.

[Q] And is that something that you plan and anticipate will be done based on the volume evidence that you gather during the market test?

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<sup>9</sup> Id. at 13 (emphasis added).

<sup>10</sup> Tr. 2/331-33.



[A] If it appears to be necessary, yes. If we get some data that indicates that we are way off on something and we need to take a closer look at it.

Witness Plunkett relies on the Rothschild volume estimates to calculate total revenues for MOL:<sup>11</sup>

[Counsel for Pitney Bowes] . . . Now, you testified at page 5 that you relied on the market research for the volumes, and I presume the aggregate revenues that you have shown, and I assume—

[Witness Plunkett] Well, the revenues were calculated based on the volumes, and—

[Q] The revenues were calculated based on the volumes because your revenue calculation was a per-unit calculation.

[A] That's correct.

[Q] Okay. And so you'd produce aggregate revenues. Now I assume you got the volumes—from whom? I shouldn't assume. Who did you get the volumes from?

[A] I believe they appear in the testimony of Witness Rothschild, which is Library Reference 2, I believe.

Another essential element of MOL—that sufficient volumes are generated to qualify mailings for requested presort discounts—also is highly dependent on witness Rothschild's volume estimates.<sup>12</sup>

MASA/USPS-T2-3. Confirm the following. . . .

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

<sup>11</sup> Id. at 666.

<sup>12</sup> Id. at 572 (Response of witness Plunkett).

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.

Witness Stirewalt also makes extensive use of information contained in USPS-LR-2/MC98-1: "Information contained in Library Reference USPS-LR-2/MC98-1 is the primary information source calculating computer and telecommunications capacity shown in Attachment 1."<sup>13</sup> In Attachment 3 of USPS-LR-1/MC98-1, the library reference sponsored by witness Stirewalt, he states that he has relied upon Table 5, Section C, of USPS-LR-2/MC98-1. The cited table presents the five different types of applications that were the subject of OCA's Motion. He also employs information from USPS-LR-2/MC98-1 on total estimated volumes for the years 1999-2003, and the estimated number of MOL customers. The estimates of total volume are used by witness Stirewalt to calculate the average number of pieces (expressed as addresses) per mailing.<sup>14</sup> Ultimately, the telecommunications and computer capacity costs developed by witness Stirewalt are recovered by the 0.1 cent per impression fee proposed by witness Plunkett.

The weight of testimony of the Postal Service's own witnesses that many key calculations depend heavily on witness Rothschild's volume estimates easily overcomes the charge of "uselessness" leveled in the Service's Response to the OCA motion.

The Postal Service's further claim that "[t]he software design does not ask customers to classify their mailings" is a trifle disingenuous since the Postal Service

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<sup>13</sup> USPS-LR-1/MC98-1 at 4.

clearly has the capability of *modifying* the software so that this kind of information can be collected.<sup>15</sup> OCA proposes that the Postal Service be instructed to place a voluntary questionnaire at its MOL website in which a customer would be asked—wholly on a voluntary basis—to indicate which of the five applications comes closest to describing the user's particular application. A sixth, residual option should also be made available in the event that the specific application was not one of the five types used to define the MOL universe. If multiple applications are involved, customers could so indicate by marking an area on the questionnaire and be asked to identify each appropriate classification for multiple-application use.

The voluntary character of the questionnaire that OCA has in mind should alleviate the Postal Service's concerns about intrusiveness.<sup>16</sup> Indeed, witness Garvey testified that there is no technical obstacle to obtaining such information,<sup>17</sup> and that if the decision to answer such a question were truly voluntary, it would be "less intrusive."<sup>18</sup> Witness Garvey felt strongly that placing such a question on a *qualifying* or *required* questionnaire would be intrusive, but that is not OCA's proposal. Rather, we advocate a voluntary questionnaire. We further propose that, in order to minimize any burden in collecting the information and any possible adverse reactions on the part of customers, such a question be posed randomly, say, for every tenth user of MOL.

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<sup>14</sup> USPS-LR-2/MC98-1, Attachment 1 at 6.

<sup>15</sup> This is corroborated by witness Garvey's oral statement that, "I can say it's possible to write software for anything, I think." Tr. 2/274.

<sup>16</sup> This concern was expressed in the Postal Service Response (at 4) to OCA's Motion and by witness Garvey when cross-examined by MASA counsel (Tr. 2/328).

<sup>17</sup> Tr. 2/328.

<sup>18</sup> Id. at 329.

The Postal Service's reluctance to gather such information is difficult to fathom since the Service intends to gauge customer reactions to MOL during the market test by means of "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."<sup>19</sup> At a minimum, whatever instrument the Postal Service uses to gauge customer reaction, whether a survey answered via e-mail, a telephone survey, or a one-to-one interview, should include a simple question about the type of application for which MOL was used. However, in our opinion, an on-line questionnaire would be far simpler to administer and far less intrusive than a telephone call or a one-to-one interview.

In addition to information about the "applications" component of the volume estimates, OCA also asks that two other types of information be solicited from customers on a voluntary basis—(1) employee size and (2) standard industrial classification (hereinafter, "SIC"). This information is necessary in order to compare adequately the market test data with the building blocks underlying witness Rothschild's estimates.

Witness Rothschild stratified her sample by the employee size and SIC criteria, as noted above.<sup>20</sup> One question that would be posed (and answered voluntarily) would be to classify the customer's company by three employee size groups (1) 1-9 and unknown, (2) 10-99, or (3) 100+, the three employee size strata used by witness Rothschild.<sup>21</sup> With respect to SIC, a customer would be asked either to provide the

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<sup>19</sup> Tr. 4/840 (witness Garvey's response to interrogatory OCA/USPS-T1-42); see also his oral testimony at Tr. 2/310.

<sup>20</sup> USPS-LR-2/MC98-1 at 5.

<sup>21</sup> *Id.*

particular SIC for his/her business or classify the business by one of the four groupings witness Rothschild used: (1) heavy industry, (2) wholesale or retail trade, (3) finance or public administration, or (4) services.<sup>22</sup>

C. Data by job type are essential to the assessment of whether mailings entered by the printers satisfy the eligibility requirements for the First-Class basic presort automation and the Standard A DBMC discounts.

The Postal Service proposes to allow MOL pieces to pay discounted First-Class and Standard A rates—Automation Basic, and Automation Basic DBMC, respectively.<sup>23</sup>

Witness Plunkett testifies that,<sup>24</sup>

In general, customers qualify for a given discount based on the degree to which they have prepared their mail. In the case of Mailing Online, *the degree of preparation that is possible will depend not on the characteristics of a particular mailing but on the characteristics of the batched job stream that is sent to a particular printing location.*

Witness Garvey agrees that the extent to which mail is “batched” or split up affects the value of presortation:<sup>25</sup>

[Counsel for OCA] Isn't it the case that if you split up a given volume prior to presorting, you significantly reduce the value of the presorting that you do accomplish?

[Witness Garvey] Once again, the definition of significant would change my answer somewhat, but yes, it does certainly reduce the value of

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<sup>22</sup> During the market test it will not be necessary to determine whether MOL is used by an individual for non-business reasons. The Postal Service intends to disqualify such usage. Tr. 4/837 (witness Garvey's response to interrogatory OCA/USPS-T1-40). However, during the experiment, it would be necessary to offer additional choices to reflect personal, non-business usage.

<sup>23</sup> USPS-T-5 at 11.

<sup>24</sup> Id. (emphasis added).

<sup>25</sup> Tr. 2/269. Witness Garvey testified about another facet of batching. During oral cross-examination he was asked: “Is it one of the operational assumptions behind Mailing Online that lots of relatively small jobs can be consolidated for purposes of presorting?” His answer was “Yes.” Id. at 266.

presorting. If you reduce the overall volume of what you're presorting, then the presort that comes out can't be as deep.

Therefore, precise, accurate, and complete data on the batch characteristics of MOL mailings are vital to the Commission's determination whether MOL should be eligible for discounted rates.

To that end, OCA proposed in its Motion that, "during the market test the Postal Service collect the data requested in OCA/USPS-T5-17 to witness Garvey, particularly the data requested in part b of that interrogatory."<sup>26</sup> OCA continues to view this as one of the most critical parts of the data collection effort.

In its Response, the Postal Service does not contend that it is unable to provide these data, as indeed it cannot since the raw data exist from which a report could be generated. During oral cross-examination of witness Garvey, counsel established that every time a job ticket was created for an MOL mailing, complete "job type" information would be generated for that transaction.<sup>27</sup> The job characteristics information, in turn, is used to define the batch to which it belongs.<sup>28</sup> Witness Garvey agreed that, even though such batch information is not routinely reported at the present time, software could be written that would create such a report.<sup>29</sup> In fact, that supposition was confirmed in the witness' Response to Concerns Raised During Oral Cross-Examination.<sup>30</sup> In a related answer, witness Garvey indicated that mailing statements and reports could either be obtained from the printer or possibly generated by the

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<sup>26</sup> OCA Motion at 8. (The cited interrogatory was incorrectly numbered; its correct number should have been OCA/USPS-T1-17 since it was directed to witness Garvey.)

<sup>27</sup> Tr. 2/273.

<sup>28</sup> Id.

<sup>29</sup> Id. at 274.

Postal Service computer operations center if the software were modified.<sup>31</sup> This information is also useful since each batch must be entered by the printer under cover of a separate mailing statement (PS Form 3600 or 3602).<sup>32</sup>

The Postal Service should be able to modify its software to generate a report that discloses the depth of sort characteristics for batches created in San Mateo and transmitted to the printers each business day. Witness Garvey testified orally that,<sup>33</sup>

[M]ailings that come out of the market test . . . will be processed through presort software, and the reports that come out of that presort software will indicate . . . what levels of density and what level of sortation we were able to achieve.

OCA asks that these reports generate the depth of sort characteristics for mailings on a daily basis. Each report should break down daily volume by subclass; then for each subclass, there should be a further breakdown of each daily batch into each presort level that was achieved.

The Postal Service's primary objection to providing batch data appears to be that it questions how representative such information would be.<sup>34</sup> Ironically, the representativeness of the data is precisely the opposite of what the Postal Service contends. During the market test, originating MOL will be limited to customers located in fairly close proximity to the printer that will prepare and enter the mail.<sup>35</sup> The

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<sup>30</sup> Tr. 4/843.

<sup>31</sup> Id. at 845.

<sup>32</sup> Id. at 832 (witness Garvey's response to interrogatory MASA/USPS-T1-14).

<sup>33</sup> Tr. 2/322.

<sup>34</sup> Postal Service Response at 8.

<sup>35</sup> It is not clear from the record whether XBS, the commercial printer located in Texas, that provides service during the operations test, will continue to prepare some of the MOL mailings. See Tr. 2/168 and 174. It appears that most MOL service will be provided by Vestcom Int'l, located in New Jersey. See USPS-LR-11/MC98-1. If XBS

probability is high that mail originating in the general proximity of the printer will also destinate in the general proximity of the printer. Witness Garvey testified that this phenomenon has been observed for mail generally: "What we know about destinating mail is that the majority of originating mail that comes into a particular facility that's produced locally actually destinate locally."<sup>36</sup>

The mailings of witnesses Campanelli and Wilcox are good examples of this. Witness Campanelli tends to target neighborhoods close to his place of business.<sup>37</sup> Witness Wilcox, too, mails to towns close to Tampa, where the Blues Ship Café is located.<sup>38</sup> This comes very close to approximating the printing and mailing conditions that will exist at the end of the experiment, when MOL is fully "ramped up." At that time, mail will be printed and entered close to its destination.

In contrast, during the first months of the experiment, only a few printers will have been retained,<sup>39</sup> and they will be responsible for preparing and mailing materials that will destinate in many regions distant from the printing site. This will greatly distort the batching and depth-of-sort characteristics likely to be seen near the end of the

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continues to prepare MOL mailings during the market test, then OCA asks that total volume be broken out on a weekly basis indicating the proportion of pieces prepared by XBS and the proportion prepared by Vestcom. This report should also include a description of where mailings are entered by each printer.

<sup>36</sup> Tr. 2/267. However, he is unsure that this tendency will be characteristic of MOL since the Postal Service has not verified the presence of this phenomenon. Id.

<sup>37</sup> Id. at 545 (his response to interrogatory OCA/USPS-T8-8).

<sup>38</sup> USPS-T-7 at 2: "I send [my calendars] to customers throughout the Tampa area and to nearby cities . . . ." (She also sends them to Chicago and other cities around the country.)

<sup>39</sup> USPS-T-1 at 17 presents a "Timeline for Mailing Online." This timeline indicates that approximately six months into the first year of the experiment, six printers will be handling all MOL mailings, but by the end of the experiment, seventeen prints sites are expected to be operational.



experiment. It is quite possible that the batch/presorting characteristics manifested during the *market test* will be more representative of conditions existing near the end of the experiment than data collected in the first months of the experiment. Consequently, the Postal Service should be directed to collect and report the type of data sought in OCA/USPS-T5-17b. and the depth of sort data described in detail above.

Witness Garvey's written and oral testimony is inconsistent with the position espoused by the Postal Service in its Response (at 8) that "the scope of the market test is too limited to provide useful information on depth of sort." On the contrary, witness Garvey's testimony is that:<sup>40</sup>

[I]f Mailing Online succeeds in attracting the number 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.

His written statement was confirmed during oral cross-examination.<sup>41</sup>

OCA requests that data be provided in the following format:

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<sup>40</sup> Tr. 2/158 (his response to interrogatory MASA/USPS-T5-10).

<sup>41</sup> Id. at 322.

**Table 1**  
**FIRST CLASS MAIL**  
**Daily Volume**  
**Date: ( \_ / \_ / \_ )**

|             | Number of Pages |      |        |      |        |      |        |      |       |         |      |
|-------------|-----------------|------|--------|------|--------|------|--------|------|-------|---------|------|
|             | 1 Page          |      | 2 Page |      | 3 Page |      | 4 Page |      | . . . | 48 Page |      |
|             | Ltr             | Flat | Ltr    | Flat | Ltr    | Flat | Ltr    | Flat |       | Ltr     | Flat |
| Job Type 1  |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 2  |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 3  |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 4  |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 5  |                 |      |        |      |        |      |        |      |       |         |      |
| . . .       |                 |      |        |      |        |      |        |      |       |         |      |
| . . .       |                 |      |        |      |        |      |        |      |       |         |      |
| . . .       |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 39 |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 40 |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 41 |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 42 |                 |      |        |      |        |      |        |      |       |         |      |

**Table 2**  
**STANDARD (A) MAIL**  
**Daily Volume**  
**Date: ( \_ / \_ / \_ )**

|             | Number of Pages |      |        |      |        |      |        |      |       |         |      |
|-------------|-----------------|------|--------|------|--------|------|--------|------|-------|---------|------|
|             | 1 Page          |      | 2 Page |      | 3 Page |      | 4 Page |      | . . . | 48 Page |      |
|             | Ltr             | Flat | Ltr    | Flat | Ltr    | Flat | Ltr    | Flat |       | Ltr     | Flat |
| Job Type 1  |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 2  |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 3  |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 4  |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 5  |                 |      |        |      |        |      |        |      |       |         |      |
| . . .       |                 |      |        |      |        |      |        |      |       |         |      |
| . . .       |                 |      |        |      |        |      |        |      |       |         |      |
| . . .       |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 39 |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 40 |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 41 |                 |      |        |      |        |      |        |      |       |         |      |
| Job Type 42 |                 |      |        |      |        |      |        |      |       |         |      |

Tables 1 and 2 request the type of volume information for First-Class Mail and Standard A in a format that would be most useful to the Commission in determining whether the Postal Service's discounts for Mailing Online are justified. The tables request First-Class and Standard (A) daily mail volume by "Job Type" by number of pages for letters and flats. "Job Type" refers to the 42 possible batches identified by Witness Garvey that could be sent to printers each day.<sup>42</sup> For example, Job Type 1 might be a black and white simplex document on letter-size paper, while Job Type 2 might be a spot color (red) document on legal-size paper that is stapled. The Postal Service should define each "Job Type" in the tables, and provide a key. Within each cell of the tables, volumes by presort level should be broken out.

In addition to the reports that would be generated by Tables 1 and 2, OCA asks that the Postal Service be directed to provide the raw data files (in electronic form) from which these reports are generated. In this way, the participants or the Commission could sort data in a manner not specifically requested for the data collection plan. It is possible that during the course of the experiment, certain trends or behaviors might be observed that are not currently envisioned. With the raw data available, other analyses could be performed that might be important, ultimately, to the consideration of a request for an experimental MOL classification. The raw data have been made available to Price Waterhouse during the course of the operations test.<sup>43</sup> They should also be made available to interested participants.

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<sup>42</sup> Tr. 4/842. Written Response of United States Postal Service Witness Garvey to Concerns Raised During Oral Cross-Examination on August 26, 1998. See Tr. 2/271-72.

<sup>43</sup> Tr. 2/293.

OCA also seeks provision of the type of information that was requested in interrogatory OCA/USPS-T1-19. In this interrogatory, we requested data that could be used to measure directly the costs actually avoided by the presortation of MOL mailings. Collection and reporting of these data would permit direct verification of the Postal Service's assumption that the basic automation presort rates for First-Class and Standard A accurately reflect MOL mail processing. Witness Garvey was unable to provide these data in response to the interrogatory but indicated that the Postal Service intends to collect such data during the market test. He explained that: "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."<sup>44</sup> Clearly, he views the market test as a fitting medium for gathering this information.

D. The Postal Service should be directed to provide information on the number of users of MOL and track usage by individual customers (anonymously).

In the OCA Motion, we asked that the Postal Service furnish the number of users each day; but the Postal Service resists furnishing such information. The Service contends that no additional insight into the classification issues and fees for MOL would be gained.<sup>45</sup> In addition to the number of users per day, OCA requests that the Postal Service track usage of MOL by individual customers (anonymously). This type of information was furnished by the Postal Service in response to interrogatory OCA/USPS-T1-24<sup>46</sup>

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<sup>44</sup> Tr. 2/195 (his response to interrogatory OCA/USPS-T1-19) (emphasis added).

<sup>45</sup> Postal Service Response at 4.

<sup>46</sup> Tr. 2/201-06.

Postal Service witness Plunkett recognizes the value of this kind of information. During oral cross-examination, he was asked about information collected during the market test that he would use to evaluate the rates he proposes. He testified that the following are the types of information he would look at:<sup>47</sup>

Essentially, the amount of volume that we are able to generate and how quickly we are able to do so. I suppose, to the extent that it is available, information on repeat use by specific customers would be valuable in indicating that customers perceived this product to be a good value, or a valuable service, perhaps is a better way to say it.

Chairman Gleiman saw value in such information, too, and asked witness Garvey whether the Commission would have such data available for review. Witness Garvey responded that: "Well, in the same way in which we've provided information so far about individual usage, I think we could provide that information for the market test as well."<sup>48</sup> The chief body of data on individual usage was filed in witness Garvey's response to interrogatory OCA/USPS-T1-24, in which the Postal Service furnished the number of pieces generated by individual users per day. OCA asks that the same kind of information be collected and reported routinely. It must also be stressed that, in addition to its use in evaluating the public's response to MOL, the number of users per day is also vital to a verification of witness Stirewalt's assumptions concerning peak usage of MOL.

Witness Stirewalt's estimates of information system costs are based upon a system configuration that will be large enough to handle peak usage.<sup>49</sup> In fact, a review

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<sup>47</sup> Id. at 659.

<sup>48</sup> Tr. 2/390.

<sup>49</sup> Tr. 4/861.

of USPS-LR-1/MC98-1,<sup>50</sup> Attachment 1 at 6, reveals that the number of “customer sessions per business day” is a key determinant of the peak capacity needed for the “telecommunications internet connection.” During oral questioning, witness Stirewalt acknowledged the value of actual data to verify his assumptions.<sup>51</sup>

If this customer usage has been significantly underestimated, and the Postal Service does not wish to discourage MOL use by prospective customers, then capacity will have to be expanded at a cost higher than that estimated by witness Stirewalt. The 0.1 cent proposed by witness Plunkett to recover such costs may then prove to be insufficient.

Witness Stirewalt employs a similar figure—“total transactions per day”—in estimating the “processing center-data storage” requirements. (Attachment 1 at 8-10). Therefore, OCA asks that data on the total transactions per day be collected and reported.

In summary, OCA asks that the Postal Service be directed to collect and report the total number of users per day, volume by user (anonymously, as in the response to interrogatory OCA/USPS-T1-24), and the total number of transactions per day.

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<sup>50</sup> Adopted and sponsored by witness Stirewalt.

<sup>51</sup> Tr. 3/783-85.

**II. POSTAL SERVICE INFORMATION SYSTEMS COSTS CAN BE DETERMINED ONLY AFTER INFORMATION COLLECTION PROCEDURES ARE ESTABLISHED DURING THE MARKET TEST.**

The Postal Service's information system cost estimates for Mailing Online are one of the most problematic aspects of its filing. Actual information system costs are unknown, in part, because additional costs will be incurred during the market test (and, presumably the experimental phase). Moreover, cost estimates are based upon assumptions that lack any empirical support. Both situations, of course, reflect the current early stages in the Postal Service's development of Mailing Online.

The ability of the Commission and the participants to determine the total actual information system costs, and rely on actual data to verify assumptions underlying cost estimates, requires a structured cost and data collection effort, beginning with the market test. Toward this end, the Postal Service should be directed to collect and provide the total actual costs of developing and implementing information systems for Mailing Online, including costs incurred jointly with other postal products and services that involve Mailing Online. Moreover, the Postal Service should be directed to collect and provide actual data relevant to the assumptions underlying its information system cost estimates.

At this point in time, the Postal Service seems willing to provide only certain information relevant to Mailing Online information systems. Its offering is insufficient, however, if the Commission is to estimate total information system costs and verify assumptions.

- A. Postal Service assumptions underlying information system cost estimates cannot be verified without additional data and information

The Postal Service's assumptions concerning information systems costs are found in USPS-LR-1/MC98-1, Attachment 1, "Computer and Telecommunications Capacity Analysis," sponsored by witness Stirewalt.<sup>52</sup> A number of these assumptions, having an important bearing on information systems cost estimates, lack empirical support and, consequently, cannot be verified without additional data.

For example, witness Stirewalt estimates that the "Number of pages per Document" is 3.2, and assumes that the "Number of Bytes Per Page Word Processing/Desktop Top Publishing" is 5,020; the "Number of Addresses Per Mailing List" is 4,120; and, the "Number of bytes per address" is 200.<sup>53</sup> These figures are used to estimate the "Average Bytes Per Incoming Customer Transmission." None of these assumptions is based on actual data from the operations test.<sup>54</sup>

Similar examples abound, although the following are not exhaustive. For instance, witness Stirewalt assumes the same proportion of mail merge and non-mail merge print jobs, at 50 percent. Witness Stirewalt professes ignorance of any data from the operations test revealing the actual percentage of customer orders involving

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<sup>52</sup> See also USPS-T-3.

<sup>53</sup> USPS-LR-1/MC98-1 at 6.

<sup>54</sup> Witness Stirewalt relies on USPS-LR-2/MC98-1 to calculate the "Number of pages per Document." However, witness Rothschild admits that it was not the objective of the research that lead to USPS-LR-2/MC98-1 "to estimate the total volume." Tr. 3/453.



mail merge.<sup>55</sup> Such data do in fact exist and suggest that the assumed 50-50 split is far from accurate.<sup>56</sup>

On another matter, witness Stirewalt assumes that 50 percent of calls by Mailing Online customers will require assistance of the technical help desk. His professional experience suggests that this percentage should be lower. Nevertheless, he used 50 percent, even though experience during the operations test was higher, albeit slightly. Tr. 3/761-62. Moreover, witness Stirewalt estimates "first time" calls will average one-half hour, while subsequent "on-going calls" will last 6 minutes.<sup>57</sup> With respect to first time calls, the information from the operations test is anecdotal. Tr. 3/757. With respect to on-going calls, the assumption that on-going calls would be of shorter duration than first time calls, while reasonable, does not alter the fact that the exact duration of on-going calls "is not based on any information made available to me regarding the Mailing Online operations test." Tr. 3/759.

These and other assumptions have a direct bearing on the estimated costs for information systems. Should the number of pages per document and bytes per page be larger than assumed by the Postal Service, peak capacities may be understated, resulting in higher costs. Tr. 4/861. If the actual percentage of non-mail merge print jobs were significantly greater than the percentage of mail merge jobs, telecommunications capacity requirements could be significantly reduced. Tr. 3/770. Moreover, assumptions about the number and duration of first-time calls and on-going

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<sup>55</sup> USPS-LR-1/MC98-1 at 7. See also Tr. 3/770.

<sup>56</sup> USPS-LR-6/MC98-1, "Mailing Online Report, Program Total For AP 11, 07/29/98 Draft."

<sup>57</sup> USPS-LR-1/MC98-1 at 11.

calls are directly related to the cost of the Mailing Online technical help desk. Tr. 4/863; Tr. 3/804.

The Postal Service is willing to supply certain data to permit verification of assumptions underlying its information system costs. Specifically, the Postal Service, in its Response (at 5), "agrees that collecting information regarding help desk functions is appropriate." This would include "logging specific calls and their nature, which will permit a determination of the proportion of PostOffice Online help desk calls that relate to Mailing Online." Id. at 5. It appears, however, that there will be two types of calls to the PostOffice Online help desk related to Mailing Online: those requiring referral from the PostOffice Online help desk to the Mailing Online technical help desk, and "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." Tr. 4/853. The number of both types of customer calls — those answered with the help of the Mailing Online technical help desk, and those answered directly by the PostOffice Online help desk — should be collected daily and reported weekly. With this modification, the collection of this information would provide a substantial portion of the information related to the help desk sought by OCA in its Motion.

However, the Postal Service is unwilling to record the length of each call, which the OCA also requested in its motion. In large measure, this reluctance is founded upon the expense of recording call length. The Postal Service Response (at 5) concludes by asserting that simply the "Logging of calls and their nature will provide sufficient information to develop a recommendation on experimental Mailing Online service."

The Postal Service is mistaken. Both the number *and* duration of Mailing Online customer calls are essential to determine the costs of the technical help desk. Tr. 4/863. Moreover, the Postal Service's claim that recording the duration of calls will "add substantially" to the operation of the help desk is unsupported, and unpersuasive. The Postal Service is already preparing "problem tickets" that contain a summary of the nature of calls to the technical help desk. Tr. 3/804. It would seem only a small step to record the duration of calls to the technical help desk, and of Mailing Online customer calls responded to directly by the PostOffice Online help desk.<sup>58</sup> This information should be collected daily and reported weekly.

Additional information, other than that related to the technical help desk, must be collected to verify Postal Service assumptions concerning information system costs. Some assumptions of witness Stirewalt, such as the "Number of Mail Pieces Per Business Day," can be verified directly, or calculated, from Tables 1 and 2, *supra*. Other information must be provided by the Postal Service. Appendix A lists the assumptions relied upon by witness Stirewalt in developing his capacity analysis for information system costs that cannot be verified without additional data from the Postal Service. For purposes of the market test, the information requested in Appendix A should be collected daily and reported weekly.

- B. The Postal Service should collect and report actual costs related to the development and implementation of its information system for Mailing Online

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<sup>58</sup> Recording the duration of calls could be as simple as checking boxes on problem tickets representing categories or periods of time, i.e., 0-5 minutes, 5-10, 10-15, etc.

The total actual costs incurred in developing and implementing the Postal Service's Mailing Online information system, up to the beginning of the market test and thereafter,<sup>59</sup> should be provided to the Commission. The Postal Service has begun this process by providing the estimated information systems costs "to-date" for Mailing Online comparable to the cost categories developed by witness Stirewalt in his testimony.<sup>60</sup> These include "costs to prepare and run the operations test, in addition to costs preparing for the market test." *Id.* The Postal Service should continue to provide these costs subsequent to September 3, 1998. However, additional comments are warranted on each of the cost categories.

Presently, only the costs of the Mailing Online technical help desk have been estimated by witness Stirewalt.<sup>61</sup> However, the PostOffice Online help desk will incur costs responding to Mailing Online customers that are separate from the costs of the Mailing Online technical help desk — costs that to date have not been determined. Tr. 4/853. To determine the portion of PostOffice Online help desk costs that relate to Mailing Online requires that the Postal Service report the total cost of the PostOffice Online help desk. In the alternative, the Postal Service should provide that portion of

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<sup>59</sup> During the operations test, the Postal Service used Express Mail dropship so that MOL mail could be entered close to the customer's location. Tr. 2/195. OCA asks that total Express Mail expenditures for the operations test be reported immediately upon termination of the operations test. If the practice of Express Mail dropship is continued during the market test, then OCA asks that these expenditures be reported on a weekly basis.

<sup>60</sup> Tr. 4/868. Response of United States Postal Service Witness Stirewalt to Question Posed by Pitney Bowes at the Hearing on August 27, 1998 (herein "Response of Witness Stirewalt"), September 3, 1998.

<sup>61</sup> USPS-LR-1/MC98-1 at 12-13.

PostOffice Online help desk costs that involve responding directly to Mailing Online customers.

OCA's Motion requested that Postal Service managers and administrators be required to maintain a log of time spent on Mailing Online. The Postal Service, in its Response (at 6), objects to doing so, claiming that collection of this information would be "odiously burdensome, [and] is simply unwarranted." The Postal Service further argues that the purpose of data collection "is to permit the Commission to treat costs in accordance with the approach employed for other products and services." *Id.*

The Postal Service confuses the data needs of classification cases with those of rate cases. The decision to launch a new product requires (at a minimum) the comparison of total costs with total revenues, not the comparison of marginal costs with prices that the Postal Service urges in rate cases. A new product should never be launched in the first place unless there is a realistic expectation of recovering all expenditures associated with that product over the life of the product, taking into account the time value of money invested up front and the uncertainty associated with introducing a new product. Thus, until the Commission recommends and the Governors adopt a permanent Mailing Online service, a record of all expenditures incurred in developing the service should be maintained, so that only truly sunk costs (as opposed to fixed or joint costs) are excluded from the cost-benefit analysis required for evaluating adoption of Mailing Online. Indeed, the Commission may even wish to include sunk costs in its calculus in order to discourage future attempts to promote new products that require the incurrence of large up-front unrecoverable expenditures prior to Commission recommendations.

The cost of management and administration devoted to a postal product is an essential aspect of determining the postal product's cost. According to the Postal Service Response (at 6), management and administration "costs . . . [are] handled via piggyback factors or the costs are simply treated as institutional." The applicable piggyback factors for management and administration of Mailing Online have not been calculated and applied by any witness in this proceeding. Rather, all such costs are treated as institutional, to be recovered (one hopes) by means of the 25 percent markup. The costs of management and administration, as determined by the applicable piggyback factors, should be provided to determine whether the Postal Service's treatment of these costs as institutional is appropriate, or whether they should be attributed to Mailing Online. Accordingly, the Postal Service should be required to calculate and apply the appropriate piggyback factors for the purpose of developing Mailing Online information systems costs. However, in the event the Postal Service can't, or won't, calculate the applicable piggyback factors so that the management and administration costs can be determined, the Postal Service should be directed to report the actual management and administration costs associated with the information system for Mailing Online.<sup>62</sup>

The Postal Service's processing center, telecommunications, and print site expenditures were also requested in OCA's Motion. The Postal Service, in its Response (at 6), states that it is willing to report "actual costs . . . to the extent they

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<sup>62</sup> It should be noted that the Postal Service is able to report the known costs for "management and administration which are included in the [ ] categories" reported by witness Stirewalt. Tr. 4/868.

are representative of the experimental period.”<sup>63</sup> Actual costs the Postal Service is willing to report relate to “establishing electronic links with each print site.” *Id.* In other respects, however, the Postal Service qualifies its willingness to report actual expenditures by arguing that other costs “will be incurred regardless of Mailing Online.” *Id.* The Postal Service cites the PostOffice Online web service costs as one example. Nor is the Postal Service willing to provide any Mailing Online personnel costs related to the processing center, telecommunications and print site activities. *Id.*

The Postal Service’s protestations are disingenuous. It appears the Postal Service is quite capable of isolating Mailing Online costs from PostOffice Online costs, although not “perfectly.” Tr. 4/868. Moreover, the Postal Service should report total PostOffice Online costs where joint costs related to Mailing Online are involved, as well as the costs directly related to Mailing Online. Joint expenditures that have benefit for Mailing Online cannot, by definition, serve to benefit other postal services. For example, access ports may be available for any PostOffice Online service, but when an access port is actually used for Mailing Online, it is unavailable for use by a Shipping Online customer. This is no different than a cubic foot of surface transportation

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<sup>63</sup> The Postal Service’s qualification of its willingness to report actual costs “to the extent they are representative of the experimental period” is meaningless, and irrelevant. The issue of whether costs in the market test will be representative of some future period, i.e., the experimental period, cannot be answered *a priori*. Under this requirement, no data would be collected or reported for use in making estimates for some future period.

More importantly, the Postal Service’s formulation is irrelevant. The purpose of a market test is “to produce information needed to support a permanent change in mail classification.” 39 CFR § 3001.161. The type of cost information requested by the OCA directly relates to the type of costs to be incurred by the Postal Service in the operation of Mailing Online during the market test, and which will continue to be

capacity: once used by one category of mail, it is unavailable for use by any other category.

Another cost is the expense of advertising and promotion for Mailing Online. The Postal Service maintains "[t]here will be no advertising specific only to Mailing Online."<sup>64</sup> It is clear, however, that advertising for Mailing Online will be part of more comprehensive advertisements mentioning other postal products and PostOffice Online. *Id.* With respect to advertisements or promotions specific to PostOffice Online, there are only two services to be offered: Shipping Online and Mailing Online.<sup>65</sup> The Postal Service should report the total costs of any advertisements or promotions for PostOffice Online, or any other postal product or service, mentioning Mailing Online. Only in this manner can the Commission know total joint costs, some of which are incurred for the benefit of Mailing Online. Moreover, in both cases of broader advertising for postal products and services generally, or PostOffice Online specifically, the advertising and promotion costs of Mailing Online should be determined and provided separately. The advertising and promotion is being undertaken, with some of the benefit therefrom flowing to Mailing Online. Clearly, if the Commission refuses to recommend the market test, there can be no benefit to Mailing Online associated with advertising or promotion. Finally, in the event Postal Service plans change and Mailing Online is supported with specific advertising or promotional activities, the Postal

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incurred during the experimental period. Those costs will be relevant to any request for a permanent classification change.

<sup>64</sup> Tr. 4/881. Nor does it appear the Postal Service will conduct educational seminars during the market test of the type offered during the operational phase.



Service should be required to report the costs associated with such advertising and activities.

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<sup>65</sup> Tr. 2/345. Witness Garvey describes payment of postage online as the "third component" of PostOffice Online. Tr. 2/346. However, payment online is permitted for "payment for service received through PostOffice Online only." Tr. 2/347.

III. DAILY LOGS DOCUMENTING THE POSTAL SERVICE'S ABILITY (OR INABILITY) TO TRANSMIT BATCHED FILES TO THE PRINT SITE BY THE CUTOFF TIME, AND THE PRINTER'S ABILITY TO ENTER THE MAILINGS AT THE BUSINESS MAIL ENTRY UNIT BY THE CUTOFF TIME, MUST BE MAINTAINED.

OCA asks that the Postal Service be instructed to maintain and report daily logs for each printer indicating whether the batched files are received by the contractually established time of 8 p.m.<sup>66</sup> and whether the printer, in its turn, is able to enter the mailings for which it is responsible at the Business Mail Entry Unit (BMEU) by the date and time represented to the MOL customer at the time the customer purchased the service.<sup>67</sup> The purpose of gathering and reporting this information is threefold: (1) the ability of the Postal Service and its printers to meet internal and external deadlines indicates whether witness Stirewalt has accurately estimated the peak load capacity of the information system;<sup>68</sup> (2) the success or lack of success in meeting deadlines indicates whether there is sufficient redundancy in equipment used at the operations center and at the print site;<sup>69</sup> and (3) the successful attainment of these deadlines will

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<sup>66</sup> Tr. 2/278.

<sup>67</sup> Witness Garvey has presented written testimony that customers are informed at the time they approve the MOL purchase of "the expected mailing date." Tr. 2/134 (his response to interrogatory DFC/USPS-T1-3).

<sup>68</sup> Witness Garvey testified orally that the batching process begins at 2 p.m. each business day and takes place over a period of time, not instantaneously. Tr. 2/279. If witness Stirewalt has underestimated the computer processing capacity needed to complete the batching process by 8 p.m., then more capacity may have to be added at a higher than estimated cost.

<sup>69</sup> During oral cross-examination, witness Garvey stated that the Postal Service recognized the importance of adequate system redundancy and, he assumed, would want to include it as part of the data collection plan for the market test:

permit an overall appraisal of the Postal Service's ability to live up to claims it makes to potential users of MOL.

The specific details OCA wishes to see in such a report are the following:

- 1) Furnish the percentage of transmissions each day that were received by the 8 p.m. cutoff in a condition ready to be printed.
- 2) For each transmission not received by the 8 p.m. cutoff, list the reason(s) that the deadline could not be met and state how many hours past 8 p.m. the transmission was eventually received in "print-ready" condition.
- 3) Furnish the percentage of mailings each day, for each printer, that were entered at the BMEU in a timely manner (as represented to the MOL customer at the time the service was purchased).
- 4) For each mailing that was not entered in a timely manner, list the reason(s) for the delay and state how many days late the mail was entered.

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[Counsel for OCA] Do you know whether the Postal Service will be evaluating whether it needs to increase system redundancy during the market test?

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

Tr. 2/287.

IV. IT IS POSSIBLE TO FASHION A PROCEDURAL SCHEDULE FOR THE EXPERIMENTAL PHASE OF THE PROCEEDING THAT SATISFIES THE POSTAL SERVICE'S REQUEST FOR EXPEDITION ONLY IF THE SERVICE FILES THE REQUIRED DATA ON A WEEKLY BASIS, COMMENCING NO LATER THAN TWO WEEKS AFTER THE INAUGURATION OF THE MARKET TEST.

With the sole exception of expenditures that can be reported on a weekly basis and that cover a week's time, OCA asks that the remaining information be collected collected daily and reported every week. The Postal Service prefers to report some types of information—e.g., help desk information—on an accounting period (hereinafter, "AP") basis, but would be willing to report it as often as biweekly.<sup>70</sup> The Service has offered to report information system costs on an AP basis.<sup>71</sup>

OCA suggested weekly reporting in its Motion to maximize the opportunity to develop as thorough a record as possible, as quickly as possible, during the experimental phase of the proceeding. Weekly reporting might make it feasible for the participants and the Commission to assess the plausibility of some Postal Service volume, revenue, and cost estimates. If Postal Service assumptions made before the market test, without the benefit of data, hold up well under a real-data comparison, then the participants and the Commission can be more sanguine about the fees proposed for MOL. All concerned could legitimately harbor an expectation that these fees may indeed cover the costs of providing the service and make a significant contribution to institutional costs.

On the other hand, if the Postal Service is unable or unwilling to expend the effort to collect and report the data expeditiously, but would prefer to report data on an

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<sup>70</sup> Postal Service Response at 6.

AP basis, then the Postal Service should be permitted to collect and report the data in that manner. However, it is obvious that the unavoidable consequence of less frequent reporting, with a significant lag, is that the market test would have to run for several APs. The Commission would then be unable to issue a recommended decision on the experimental request by the end of November, as the Postal Service has requested.<sup>72</sup>

Based on a presumption that the Postal Service more strongly wishes a Commission decision by the end of November than it does reporting data on an AP basis, OCA asks that the Postal Service be directed to have a data collection plan ready for implementation immediately after the market test is initiated (assuming a favorable decision by the Commission on the market test request), and that data be reported weekly, beginning two weeks after the inauguration of the market test.

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<sup>71</sup> Id. at 7.

<sup>72</sup> Motion of the United States Postal Service for Expedition, and for Waiver of Certain Provisions of Rule 161 and Certain Provisions of Rule 64(h), July 15, 1998.

## CONCLUSION

The purpose of a Market Test is to produce data useful for evaluating a subsequent classification proposal--in this case the Mailing Online Experiment. If the Market Test is to be a legitimate precursor to the Experiment (and not just a sham device for extending an experiment beyond two years), then the test must generate data such as that described in this Brief. And the data must be produced in time for use in evaluating the Experiment. As this Brief demonstrates, such data can be generated on a timely basis and are essential to an evaluation of the Mailing Online Experiment.

**APPENDIX A\*****Assumptions Underlying Computer and Telecommunications Capacity Analysis**

Total Number of Users

Average customer sessions per user per year

Customer sessions during peak period

Average session duration (no. [of] hours)

Peak Usage Period Hours

Average Number Concurrent Sessions During Peak Hours

Access Ports Required During Peak Hours

Incoming Documents/Mailing Lists Per Second During Peak Period

Number of pages per Document

Number of Bytes per Page Word Processing/Desk Top Publishing

Number of Addresses per Mailing List

Number of bytes per address

Average Bytes Per Incoming Customer Transmission

Bytes Per Second During Peak Hours

Number of Bytes Per Mailing Piece Transaction

Number of Mail Pieces Per Year

Percent mail merge jobs

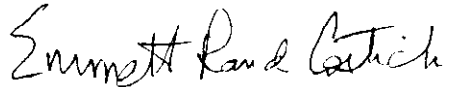
Number of Bytes Per Business Day

Total Transactions Per Year

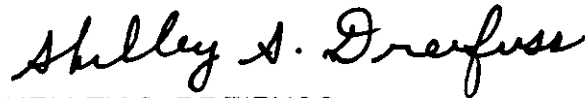
\* The assumptions identified in this Appendix, including those estimated as annual figures, should be verified/evaluated by data collected daily and reported weekly.

Respectfully submitted,

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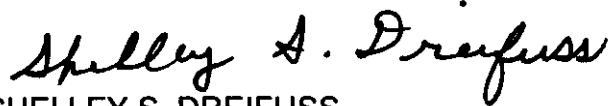
EMMETT RAND COSTICH  
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Attorney

CERTIFICATE OF SERVICE

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



SHELLEY S. DREIFUSS  
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Washington, D.C. 20268-0001  
September 18, 1998