

ORIGINAL

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

RECEIVED

Nov 5 4 30 PM '98

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SECKAR TO INTERROGATORIES OF
PITNEY BOWES, INC.
(PB/USPS-T2-1-2)

The United States Postal Service hereby provides the responses of witness Seckar to the following interrogatories of Pitney Bowes, Inc.: PB/USPS-T2-1-2, filed on October 26, 1998.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

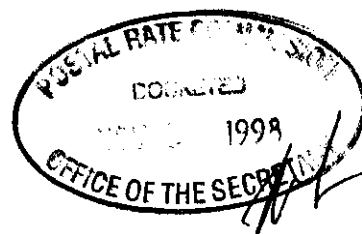
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -5402
November 5, 1998



RESPONSE OF POSTAL SERVICE WITNESS SECKAR
TO INTERROGATORY OF PITNEY BOWES

PB/USPS-T2-1. You indicate in your response to OCA/USPS-T5-10(b) that some of the costs shown in Table 14 of Exhibit A to your testimony have not yet been incurred. Which costs are these?

RESPONSE:

I did not provide a response to OCA/USPS-T5-10(b). I did provide a response to OCA/USPS-T5-4(b), which I believe is what you are referring to. In my response to OCA/USPS-T5-4(b), I stated that a portion of the costs in row (29) of Table 14 would be incurred during FY98, and the remainder of the costs would be incurred during 1999. The exact proportion that will be incurred in each year is unknown, since these contractual costs represent total possible expenditures for continuing development of the Mailing Online system as well as printing costs incurred during the operations test.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR
TO INTERROGATORY OF PITNEY BOWES

PB/USPS-T2-2. Should you also have treated as fixed costs some of the costs reported in Table 15 to Exhibit A of your testimony because they do not vary with projected increases in volume over the five year period for which you report estimates, e.g., technical help desk manager, processing center system manager and the like? If not, why not?

RESPONSE:

No. Witness Stirewalt provided the costs in Table 15 of Exhibit A. He divided information systems costs into two categories: fixed costs are one-time start-up costs for the experimental period, and ongoing costs are incurred continually throughout the five years. Also included in ongoing costs are some one-time costs that are not required for start-up of the experiment. In Table 1 of Exhibit A, I termed the ongoing costs as variable. However, despite the terminology, the real distinguishing factor between fixed and ongoing (variable) information systems costs is whether or not they are start-up costs (therefore fixed) for the experiment. The Table 15 costs referenced in your question are not start-up costs, and therefore should not be included in the "fixed" category.

While these costs do not vary based on the volume changes forecasted for the five-year period, moreover, they would vary with more extreme volume fluctuations. For example, if the Mailing Online service were to end after the experiment concludes, technical help desk manager costs in years 2001 through 2003 would not be incurred as a result of the volumes in these years disappearing. As discussed in Docket No. R97-1, LR-H-1, Appendix H, such

RESPONSE OF POSTAL SERVICE WITNESS SECKAR
TO INTERROGATORY OF PITNEY BOWES

PB/USPS-T2-2, Page 2 of 2

supervisory costs are classified as variable to the same extent as associated direct labor costs and are piggybacked onto the direct labor costs.

DECLARATION

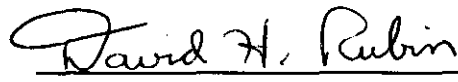
I, Paul G. Seckar, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul G Seckar

Dated: 11/5/98

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
November 5, 1998