

ORIGINAL

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

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

Mailing Online Service)

Docket No. MC98-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS: LEE GARVEY
(OCA/USPS-T1-58-70)
(November 6, 1998)

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

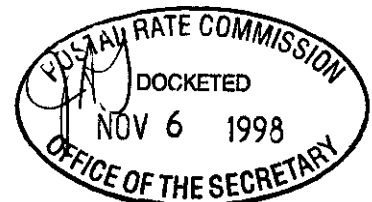
Respectfully submitted,



Gail Willette
Acting Director
Office of the Consumer Advocate



Emmett Rand Costich
Acting Assistant Director



OCA/USPS-T1-58. Please refer to your response to interrogatory OCA/USPS-T5-14, redirected to you from witness Plunkett.

- a. Please provide an updated response to part b. of that interrogatory.
- b. Do you consider printing costs incurred during the operations test to be part of the development costs of Mailing Online? If not, why not?
- c. At what point in time will the development costs of Mailing Online be fully recovered with interest? Please provide detailed calculations to support your response.

OCA/USPS-T1-59. Please refer to part b. of your response to OCA/USPS-4, redirected to you from the Postal Service. You state, "Although the capability is not required at this time, system design allows automatic routing of jobs based upon specific printing requirements as well as destination ZIP Codes."

- a. Do you mean that "the capability" is built into system software at present? If so, please provide a copy of the computer code that implements "the capability." If not, please define the term "system design."
- b. Please explain in detail how the computer code for the system will be adjusted as new print sites are added.
- c. Please explain in detail how the computer code for the system will be adjusted as prices in printer contracts change.
- d. Please explain in detail how the computer code for the system will be adjusted as specialized capabilities are added at one or more print sites.

- e. Please provide documentary verification (e.g., correspondence from the system developer) of your response to this interrogatory.

OCA/USPS-T1-60. In answer to Presiding Officer's Information Request No. 2, Question 5, you refer to a document described as an industry guide entitled *The Print on Demand Opportunity* (Norwell, MA: CAP Ventures, 1997). You also attached a copy of the guide's "Introduction" as Attachment 1 to the POIR. The "Introduction" refers to other parts of the document (e.g., chapter 2). Please provide a copy of the complete document as a library reference.

OCA/USPS-T1-61. Please refer to the attachment to your response to POIR No. 2, question 5. At page 12 of the attachment, short-run printing is defined as "a limited number of *impressions*—usually fewer than 5,000 but sometimes as many as 20,000—for a single job. This could mean 5,000 copies of a single-page, or 200 copies of a 25-page document." (Emphasis added.)

- a. Please confirm that MOL is aimed at the market for mailings consisting of fewer than 5000 *impressions*, not 5000 *documents*. Compare USPS-T-1, page 9, note 7 (5000 printed impressions) with Tr. 2/398 (mailings of less than 5000). See also, USPS-T-3, which assumes an *average* mailing of 4120 pieces of 3.2 pages each, or at least 12,000 impressions per mailing.
- b. Please confirm that 100 copies of a duplex 25-page document would constitute 5000 impressions. If you do not confirm, please explain.

- c. Please confirm that an MOL job consisting of duplex 25-page documents would never qualify on its own for automation discounts. If you do not confirm, please explain.
- d. Please confirm that an MOL job consisting of duplex 25-page documents would be extremely rare. If you do not confirm, please reconcile your response with parts c. and d. of witness Plunkett's response to interrogatory OCA/USPS-T1-46, redirected from you.
- e. Please confirm that the likelihood of batching MOL jobs consisting of duplex 25-page documents to achieve automation discount minimums is virtually nil. If you do not confirm please explain.

OCA/USPS-T1-62. Please refer to witness Plunkett's response to MASA/USPS-T5-3, Tr. 2/567. Witness Plunkett states, "Since Mailing Online is designed for small mailers, charging postage based on each customer's portion of the batched Mailing Online mailing would tend to detract from the service by raising the postage for many customers. Charging postage to reflect each customer's portion of the batched Mailing Online mailing also would require separate determination of the presort for each portion of the mailing."

- a. Please confirm that software can be written that would calculate postage for each individual MOL mailing based on the depth of sort achievable for that mailing standing alone. If you do not confirm, please explain.
- b. Please confirm that software can be written that would track, for each subclass/job-type/page-count category of MOL, the cumulative volume

proportions of that category that qualified for each level of presort discount. If you do not confirm, please explain.

- c. Please confirm that software can be written that would calculate, separately for each subclass/job-type/page-count category of MOL, a weighted average postage charge per piece based on the cumulative volume proportions of the subclass/job-type/page-count category that qualified for each level of presort discount. If you do not confirm, please explain.
- d. Please explain why offering the same discount to every piece of MOL (within a given subclass) is superior to offering a weighted average discount based on actual presorting experience with each subclass/job-type/page-count category. Please address data-collection and -storage complexities, pro-competitive consequences, and desirability and fairness from the point of view of MOL customers.
- e. Please explain in greater detail why the Postal Service considers it desirable to deny deeper discounts to a mailing that would qualify for such discounts on its own if submitted in hard copy. In particular, why is such a practice not an abuse of monopoly power?
- f. Please explain in greater detail why the Postal Service considers it desirable to deny deeper discounts to a mailing that is of such a common type that it would almost certainly be batched with other mailings and presorted to a level that would qualify the batched mailing for such discounts if submitted in hard copy by a presort bureau or letter shop. In particular, why is such a practice not an abuse of monopoly power?

- g. Please explain in greater detail why the Postal Service considers it desirable to grant discounts to a mailing that is of such an uncommon type that it will almost certainly never be batched with other mailings and presorted to a level that would qualify the mailing for such discounts if submitted in hard copy. In particular, why is such a practice not an abuse of monopoly power?

OCA/USPS-T1-63. Please refer to your exhibit 1A, USPS-T-1, page 16. One of the tasks in the MOL Process Diagram is "Receive Job Quotes for Postage and Production."

- a. Please confirm that MOL postage calculations are performed by a Postal Service computer, not by an MOL customer or postal employee. If you do not confirm, please explain.
- b. Does an MOL customer receive more than one job quote at a time? If so, please explain why.
- c. Does an MOL customer receive separate job quotes for postage and for production? If so, please explain why

OCA/USPS-T1-64. Please refer to page 4 of the October 16, 1998, Governors' Decision in this docket. The following statement appears there: "The Commission recommended a novel, 'floating' fee schedule, which, in place of particular fees, displays the formula (discussed above) by which the fees are calculated based on the prices set forth in the contract between the Postal Service and the printer, rather than fixed fees for the particular contract currently in place. As the Commission noted, this

allows for the flexibility needed to accommodate the potential use of multiple printing contractors and to accommodate changes in individual contracts without further proceedings.”

- a. Please confirm that the fee schedule adopted by the Governors (and requested by the Service and recommended by the Commission) is more in the nature of a set of instructions or algorithm for calculating a rate rather than a mathematical formula. If you do not confirm, please explain.
- b. Please confirm that pre-mailing fees for MOL are, in fact, calculated by a computer using a set of programmed instructions—i.e., an algorithm. If you do not confirm, please explain.
- c. Please explain why the flexibility of a “floating” fee schedule cannot also be utilized for the calculation of the postage portion of the MOL price.
- d. Please confirm that a fully enumerated fee schedule for MOL would require approximately 3000 fees (based on job-type/page-count variations) for each print site, or approximately 75,000 fees when 25 print sites are operational. If you do not confirm, please explain.
- e. Please confirm that a fully enumerated fee schedule for MOL would be subject to constant revision (through proceedings before the Commission) as circumstances (e.g., new options, additional print sites) changed. If you do not confirm, please explain.

OCA/USPS-T1-65. At the PostOffice Online web site, the Postal Service appears to leave to the mailer's discretion whether to choose Standard A or First Class as the mode of mailing.

- a. Is it the Postal Service's position that *any* document mailed as MOL can properly be mailed as Standard A? Please explain.
- b. Are there any types of documents that ought only to be mailed as First Class? Please explain.
- c. If there are documents that can properly be mailed only as First Class, how does the Postal Service plan to police the improper selection of Standard A? Please explain.

OCA/USPS-T1-66. During the course of the experiment does the Postal Service anticipate adding 2-, 3-, or full-color options so that a mail piece can have greater visual impact?

- a. If not, please give all reasons for not making these options available.
- b. Isn't it correct that the current, top-of-the-line, short-run, color printing devices print full color using a one-pass process and do not apply each color separately with additional passes for each new color applied? If this is correct, then why not offer the full-color option? If this is not correct, then provide your understanding of how current, top-of-the-line, short-run, color printing devices print full color.
- c. Does the spot color option available for MOL include *covering* an entire page with varying shades of one color or does the spot color option limit the

application of color to only a small percentage of the side of a page, e.g., 15 percent, 25 percent, etc.? Please explain in full.

- d. Please answer all of the questions and subquestions posed in this interrogatory for the market test (as opposed to the experiment).

OCA/USPS-T1-67. Does the Postal Service anticipate offering glossy-finish paper, for greater visual impact, during the course of the market test or the experiment? Please explain in full.

OCA/USPS-T1-68. Does the Postal Service anticipate offering heavier-weight or card-stock options to mailers during the course of the market test or the experiment? Please explain in full. If these options are not being considered, explain why not.

OCA/USPS-T1-69. Does the Postal Service anticipate offering 1/3- or half-sheets to reduce (potentially) a mailer's printing fees during the course of the market test or the experiment? Please explain in full. If these options are not being considered, explain why not.

OCA/USPS-T1-70. Please refer to page one of the October 16, 1998, Governors' Decision in this docket. The following statement appears there: "The Postal Service then batches (combines) *all* submitted jobs and transmits them electronically to digital printing contractors" (Emphasis added.)

- a. Please confirm that the MOL system software does not now, never has, and never will combine all jobs. If you do not confirm, please explain.

- b. Please confirm that the MOL system software does not now and never has combined any non-mail merge jobs. If you do not confirm, please explain.
- c. What is the number and proportion of total MOL jobs submitted to date that were mail-merge jobs? What is the number and proportion of total MOL jobs submitted to date that have been batched? What is the number and proportion of total MOL pieces submitted to date that have been batched?

CERTIFICATE OF SERVICE

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


Emmett Rand Costich
Attorney

Washington, D.C. 20268-0001
November 6, 1998