

ORIGINAL

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

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MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ROTHSCHILD TO INTERROGATORIES OF
PITNEY BOWES, INC.
(PB/USPS-T4-1-3)

The United States Postal Service hereby provides the responses of witness Rothschild to the following interrogatories of Pitney Bowes, Inc.: PB/USPS-T4-1-3, filed on October 27, 1998.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

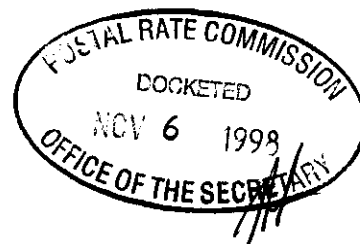
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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November 6, 1998



RESPONSE OF POSTAL SERVICE WITNESS ROTHSCHILD
TO PITNEY BOWES INTERROGATORIES

PB/USPS-T4-1. Please refer to the projected nationwide demand for total NETPOST services in each of the years for which you report in Tables 15 and 16 (pages 34 and 35) of library reference USPS-LR-2/MC98-1.

- a. Do you believe that the prices for various categories of NETPOST service disclosed to your survey respondents were important to the accuracy of the survey results? If not, please explain why not.
- b. If the price points used in your survey were significantly below the price that will actually be charged during the Mailing Online market test, will the volumes that you report be overstated?
- c. Please define your understanding of the word "significantly" as you formulated your answer to the question immediately above and explain any negative answer to that question.
- d. If, for any reason, the volumes projected by your survey results and analysis can be thought overstated, are there adjustments that can be made to the data or your analysis of them to come to a better estimate? If so, please explain what they are, with particular reference to volume overstatements resulting from price understatements in the course of the conduct of the survey.

RESPONSE:

- a. In my judgment, the prices presented for various categories of NETPOST Service were an important component in a survey respondent's decision to use the service.
- b, c, d. As we know, even from our own experience, there is a relationship between price and a person's decision to acquire a product or service and, potentially, how much of that product or service to use. More often than not, as the price rises, interest or use declines. However, in some instances, when the price becomes too low, the product or service being offered is perceived as inferior and acquisition or use may drastically diminish.

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It is my understanding that the Mailing Online market test is limited in size, scope, and duration. The service is being offered in one market, with one printer, for a short time frame. In contrast, our study assumed a NETPOST-type service would be available nationally with many vendors participating. (See Library Reference USPS-LR-2, cover page of brochure in Appendix F -- NETPOST Service/Optional Worksheets.) Therefore, I believe the price comparison between our survey and the market test is not appropriate. Furthermore, I am not in a position to say what is or is not a "significantly" lower price. The price point at which a drop in volume becomes noteworthy or significant comes directly from observations of customers' behaviors (i.e., empirical evidence), or testing of multiple price points in the research. Our survey results were adjusted downward to take account of survey conditions that are not typically reflected when a new product/service is actually introduced into the market. Adjustments for awareness and overstatement of intentions are described on pages 31-33 of LR-2. In addition, our survey results were further adjusted to reflect a change in the need for Internet access and compatible hardware and software. (See pages 31 and 32 of LR-2.)

It is my understanding that the experimental test is designed to collect data on actual customer behaviors (i.e., volumes and costs) which can then be used to set the rates for a permanent final Mailing Online service, if it is eventually approved. I would expect these data on actual behaviors to be used in place of the survey results to estimate volumes.

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PB/USPS-T4-2. Was any government agency (or sub-part of a government agency) a participant in the survey reported in Library Reference USPS-LR-2/MC98-1 (LR-2)?

RESPONSE:

Please see page 5 of Library Reference USPS-LR-2/MC98-1 (LR-2) for a listing of all SICs that were included in the sampling frame. SICs 9000-9999 represent government agencies. These codes were included in the sampling frame and we did conduct interviews with several government agencies.

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PB/USPS-T4-3. The study that you sponsor reports “. . . in Year of 1, 38% of the total volume of the basic NETPOST at the 25% contribution margin is likely to be incremental pieces to the Postal Service.” LR-2 at 33. Please display the calculation that leads to this conclusion and identify the source of each factor in that calculation in USPS-LR-12/MC98-1.

RESPONSE:

Please see the answer to part b of MASA/USPS-T4-4.

DECLARATION

I, Beth B. Rothschild, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Beth B. Rothschild

Dated: 11/6/98

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.



Scott L. Reiter

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