

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 HAMM TO INTERROGATORIES OF  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL  
(MASA/USPS-T6-1-10)

The United States Postal Service hereby provides the responses of witness Hamm to the following interrogatories of Mail Advertising Service Association International: MASA/USPS-T6-1-10, filed on October 29, 1998.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

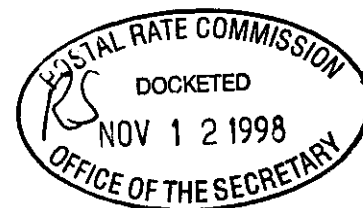
By its attorneys:

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November 12, 1998



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MASA/USPS-T6-1. In your testimony at page 1, you state that Printing Industries of America ("PIA") "represents every segment of the printing industry. Identify each "segment of the printing industry," provide a narrative definition of each segment, and state how many of PIA's members are in each segment (estimates may be used if exact numbers are not available).

RESPONSE:

Printing industry segments are defined in the table below, and each is shown with a percentage of the industry that the segment represents. PIA does not specifically ask its members to which segments they belong. Based on my general knowledge of PIA, I have no reason to believe that PIA's membership would exhibit different characteristics from the industry in general.

INDUSTRY SEGMENT	BRIEF DEFINITION	PERCENTAGE
General Commercial Printing	Full range of printing services, may include segments below	47%
Quick printing	Typically photocopy, often retail, may also include general commercial printing	15%
Newspaper printing	Printers who specialize in printing newspapers	10%
Magazine printing	Printers specializing in printing of magazines	Less than 1%
Book printing	Printers specializing in the printing of books	Less than 1%
Financial, legal printing	Printers specializing in the financial services market such as SEC filings, annual reports etc	Less than 1%
Screen process, except textile	General printing using screen process for signs, other printing	2.5%
Thermography	Printers specializing in thermographic process including business cards, stationery	Less than 1%
Business forms printing	Printers specializing in printing of business forms, often for computer applications	1.5%

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Label, wrapper printing	Printers specializing in printing of labels for food and other products	1.5%
Tag, ticket, tape printing	Printers specializing in printing of tags etc. for clothing and other items	Less than 1%
Greeting card printing	Printers specializing in printing of greeting cards	Less than 1%
Package printing	Printers specializing in printing of packaging materials	3%
Prepress services	Companies specializing in production of materials for printing	11%
Trade binding	Companies specializing in binding of materials from printers	Less than 1%

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MASA/USPS-T6-2. You state at page 1 of your testimony that "[w]hile PIA represents large companies, the overwhelming majority of printers have fewer than 20 employees."

- a. Identify all sources that support or provide the basis for this statement, and produce a written copy of the source material.
- b. Provide the following information about PIA's membership: the number and percentage of its membership with (i) less than 20 employees; (ii) more than 20 employees and less than 50 employees; (iii) more than 50 employees and less than 100 employees; (iv) more than 100 employees and less than 200 employees; and (v) more than 200 employees.
- c. Produce any PIA membership brochures or profiles or any other document that contains information about the business segments and size of the PIA membership in the possession of PIA.
- d. PIA's members perform services such as folding, inserting, and presorting, for their customers? If so, what percentage of PIA's members perform such services, and what percentage of their business in revenues does this service sector represent (give estimates if precise data is unavailable).
- e. What percentage of PIA's membership is comprised of businesses that offer lettershop services?

RESPONSE:

- a. PIA member records reflect that 65.4% of active members printer (a total of 10,373 companies) have fewer than 20 employees.
- b. PIA's records do not fit the categories specified exactly. Below is the information available to PIA:

Less than 20 employees	65.4%	6,783
More than 20 and less than 50	17.5%	1,815
More than 50 and less than 100	8.8%	912
More than 100 and less than 250	5.75%	591
More than 250	2.5%	259

- c. This information can be found in PIA's 1998 Annual Report To Congress, which is being filed as Library Reference USPS-LR-21.

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- d. Yes; however, we do not collect such information from our members.
- e. We do not collect that information from our members.

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MASA/USPS-T6-3. State with respect to your employer, Balmer [sic] Printing and Graphics, the number of employees, its size relative to the average PIA member, and whether it is currently engaged in what you have described as "digital printing." If Balmer [sic] is engaged in digital printing, provide a brief description of the nature of its digital printing business, and state the percentage of its business in terms of revenues and number of jobs that derives from digital printing jobs.

RESPONSE:

Balmar employs 475 people, which makes it a relatively large printer; see response to MASA/USPS-T6-2(b).

Balmar employs black and white digital printing technology from Xerox and color digital printing technology from Xerox and Canon. In Balmar's Fiscal year ending July 31, 1998, Balmar produced 241,000,000 digitally printed impressions. This totaled approximately \$10,700,000 in revenues or 20.9% of Balmar's revenues. Balmar processes approximately 750 digitally printed jobs per month.

Balmar's Digital Printing Services provide clients with an integrated Document management capability in which they can submit documents for on-demand printing; Balmar can capture electronic or hardcopy documents into digital files for printing; Balmar can manage the clients' document repositories (Libraries) in an on-line archive; Clients can access their Library via the internet to view documents, submit changes to documents or new documents and can place orders for printing and distribution; and Balmar can print and distribute the documents. Balmar's digital printing services include variable data printing, where documents can be personalized or customized.

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MASA/USPS-T6-4. With respect to the Digital Printing Council referred to at page 1 of your testimony, state (i) whether it is a part of PIA; (ii) how many members it has and how they were chosen; and (iii) what its functions are.

RESPONSE:

The Digital Printing Council is a PIA program that focuses on digital printing—its technology, applications, markets, and business strategies. Currently there are 200 members that pay an annual subscription fee to join.

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MASA/USPS-T6-5. Describe the decision-making process by which it was determined that PIA should support MOL and offer your testimony. Include in your answer a description of the members consulted, any votes that were taken and, if so, by which governing bodies within PIA.

RESPONSE:

Since most members of the DPC have been active in the digital printing market and were prospective print providers for the program, DPC staff reviewed the materials and saw a demonstration of the Mailing Online system. No vote by a governing body was taken. There is a DPC Steering Committee that advises the PIA staff on the program's products and services. It was the consensus of this steering committee that Mailing Online should receive the support of the DPC; however, no votes were taken.



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MASA/USPS-T6-6. In response to DPB/USPS-T6-2, you refer to a Request for Proposal ("RFP").

- a. Produce a copy of the RFP and any other material that was sent to PIA members as described in your answer.
- b. Confirm that only 250 members of PIA were sent the RFP and asked to comment upon it. If you cannot confirm, explain why not.
- c. Was any other contact made with PIA members that is support for the statement in your testimony that PIA members are "eager to participate" in MOL? If so, describe the contact.
- d. Your answer states that "this program focuses solely on digital printing and its applications." To what "program" does this answer refer?
- e. Your answer states that the 250 PIA members receiving the RFP were asked to make "comments, deletions and additions" to the RFP. How many of the 250 responded to this request? Produce copies of all responses.
- f. Your answer also refers to PIA's Economics Department. Confirm that the Economics Department has done no inquiry of PIA members specifically concerning MOL. If you cannot confirm, explain in detail why not and what the Economics Department has done with respect to MOL.

RESPONSE:

- a. A copy of the draft Request for Proposal that was sent to the members of the PIA's Digital Printing Council (DPC) and to the DPC Steering Committee and Vendor Advisory Committees and the cover letter are being filed as Library Reference USPS-LR-22.
- b. I am unable to confirm the number of PIA members who were sent the RFP. We provided the list to the Postal Service, which sent the RFPs.
- c. The DPC members were sent a memorandum from the program manager offering them the opportunity to receive a copy of the bid solicitation on the Northeast Print Site for Mailing Online. Although I do not specifically know how many members responded to the request, my testimony that members are eager to participate is based upon many conversations I have had with members.

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- d. The program is the Digital Printing Council.
- e. I do not know how many members responded or have their actual responses because the responses were sent directly to the Postal Service.
- f. I referred to the PIA Economics Department in the context of tracking our members' needs and service, and the industry's economic trends; however, it has no specific role in Mailing Online. Rather, the DPC, as I have indicated, handles issues related to Mailing Online.

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MASA/USPS-T6-7. Confirm that at most only 25 printers can be awarded contracts under MOL as it is currently proposed. If you cannot confirm, explain in detail why not.

RESPONSE:

I cannot provide a definitive response, since this is a decision of the Postal Service.

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MASA/USPS-T6-8. With respect to printers who might qualify for the award of an MOL printer contract:

- a. State the minimum size printer that, in your opinion, could satisfy the requirements for service as a contract printer for MOL.
- b. In your opinion and based on your experience, what percentage of the total number of printers (see OCA/USPS-T6-3) already has the equipment necessary to perform under an MOL printer contract?
- c. At page 3 of your testimony you refer to 2,800 "digital printing units in the United States in 1997." Define "digital printing units." Is it necessary for a printer to perform under an MOL to have a "digital printing unit?"

RESPONSE:

- a. There is no way to determine the answer to this question. The minimum size printer is the smallest one which has the equipment necessary to meet the contract requirements.
- b. PIA does not collect this type of information from its members. Digital technology is growing in the printing industry. It can be expected that the number of companies that could provide services under contract for Mailing Online would increase as this technology expands.
- c. A digital printing unit refers to an individual digital press.

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MASA/USPS-T6-9. With respect to the digital printing technology referred to in your testimony:

- a. are there any capacity limitations on such technology?
- b. is digital technology more suited to shorter run print jobs than older print technology? Explain your answer.
- c. what is the upper limit print run that can be handled by digital printing technology?
- d. define and describe the older forms of print technology. Do these older forms have any limitations that would make them unsuitable for use with MOL? Explain your answer.
- e. do older forms of print technology have the ability to personalize messages? If so, identify which ones and state whether, in your opinion, they could be used with MOL.

RESPONSE:

- a. The print runs for digital printing are typically 100 to 5000 depending on press type.
- b. Digital printing is more cost-effective for short runs due to shorter make-ready time, and lower start-up costs. Traditional/older print technologies become more cost-effective as the run length increases.
- c. The upper limit depends upon the press and the type of document produced. 5000 is currently typical of the upper range.
- d. Offset Lithography is the most common form of an older print technology. In this process, ink is transferred from a static plate onto a rubber blanket and then onto paper. This process is unsuitable for variable printed documents.
- e. One of the keys to digital printing is the ability to personalize the documents. The older forms of print technology do not have the ability to personalize because of the use of imaged metal plates that make it too expensive to vary each printed sheet.

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MASA/USPS-T6-10. Describe fully and in detail all the ways in which "the benefits of Mailing Online for the printing industry are not limited to those printers actually participating in the service," as you have testified at page 3 of your testimony. Include in your answer a description of the "new businesses, increasing demand for printing" referred to in your testimony. Identify and produce any data, studies, reports, or other documentation that support your answer.

RESPONSE:

The statement was based on my experience, rather than on specific data. Digital printing is a new and evolving technology whose use is still at an early stage. The various market opportunities for digital printing are still being explored. Mailing Online provides a means both of using this technology and of broadening the demand for it. As such, it may be a model for others considering offering online mailing services. As with any new technology, digital printing will benefit if there is evidence of its success in varying circumstances.

## **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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", written over a horizontal line.

Scott L. Reiter

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