

ORIGINAL

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

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Nov 12 4 34 PM '98

MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS ROTHSCHILD
(OCA/USPS-T4-41-43)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T4-41-43, filed on November 2, 1998, and redirected from witness Rothschild.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

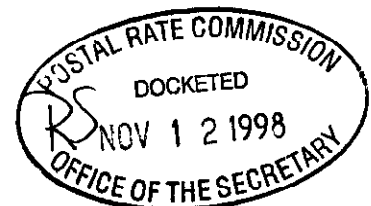
By its attorneys:

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November 12, 1998



**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
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OCA/USPS-T4-41. Please refer to NetPost's Commercial Prices, at the 25 percent contribution margin, shown on the rate cards that appear at the end of Attachment E in USPS-LR-2/MC98-1, and USPS-T-5, Exhibit D, at 1. In Exhibit D, Witness Plunkett calculates Mailing Online volume for 1-2 page pieces on 11x17 paper of 24,680,375.

- a. Please confirm that the figure, 24,680,375, assumes there is Next Day Mailing Online volume for 1-2 page, 11x17 Black & White, and 11x17 Spot color, Simplex pieces. If you do not confirm, please explain.
- b. Please confirm that the figure, 24,680,375, overstates the volume of 1-2 page pieces on 11x17 paper by the amount of Next Day volume assumed for 1-2 page, 11x17 Black & White, and 11x17 Spot color, Simplex pieces. If you do not confirm, please explain.
- c. Please provide the correct Mailing Online volume for 1-2 page pieces on 11x17 paper.

OCA/USPS-T4-41 Response:

a-b. Not confirmed. This figure is the result of simultaneously applying three separate factors: printing color, printing method, and paper size. This implicitly assumes that each of the factors can be uniformly applied to all documents irrespective of the values of the other factors. This method was used for illustrative purposes to demonstrate the variety of document types that Mailing Online allows, and to allow estimation of costs and revenues at a level of detail approximating that which is typically used in ratemaking. The existing research was not designed to provide data that would allow for precise estimates of volumes for very specific volume types. Moreover, it would be irresponsible to purport to present such estimates without a sound empirical basis. For example, the 24.68 million pieces is based on factors that are independent of printing method. The fact that 11X17 paper may not use simplex printing does not necessarily invalidate the volume estimate. It

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may instead mean that simplex pieces ought to be given greater weight among 8.5X11 and 8.5X14 pieces.

- c. The market research was not designed to allow precise estimation of volumes at the proposed level of detail.

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OCA/USPS-T4-42. Please refer to Table 15 your testimony at page 34.

- a. Please provide the average revenue per piece associated with the total "Year 1" volume of 295,665.
- b. Please provide the average revenue per piece associated with the First-Class "Year 1" volume of 91,745.
- c. Please provide the average revenue per piece associated with the Standard "Year 1" volume of 203,920.

OCA/USPS-T4-42 Response:

- a. Using the volumes and revenues provided in response to POIR 2, question 8, average "Year 1" revenue per piece is \$0.248. While these projections employ simplifying assumptions, there will be no other basis for calculating alternatives until the Mailing Online experiment has provided empirical data.
- b. Using the volumes and revenues provided in response to POIR 2, question 8, average "Year 1" revenue per piece is \$0.398. While these projections employ simplifying assumptions, there will be no other basis for calculating alternatives until the Mailing Online experiment has provided empirical data.
- c. Using the volumes and revenues provided in response to POIR 2, question 8, average "Year 1" revenue per piece is \$0.180. While these projections employ simplifying assumptions, there will be no other basis for calculating alternatives until the Mailing Online experiment has provided empirical data.

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OCA/USPS-T4-43. Please refer to Table 16 your testimony at page 35.

- a. Please provide the average revenue per piece associated with the total "Year 1" volume of 204,195.
- b. Please provide the average revenue per piece associated with the First-Class "Year 1" volume of 24,034.
- c. Please provide the average revenue per piece associated with the Standard "Year 1" volume of 180,161.

OCA/USPS-T4-43 Response:

a-c. Having determined to request a markup of 25 percent, projections of the revenue per piece assuming a markup of 50 percent have not been produced.

DECLARATION

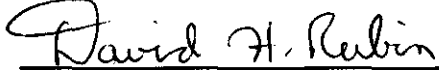
I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: Nov. 12, 1998

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

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