

ORIGINAL

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

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POSTAL RATE
COMMISSION

MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORIES OF
PITNEY BOWES, INC.
(PB/USPS-T5-2-4)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of Pitney Bowes, Inc.: PB/USPS-T5-2-4, filed on November 4, 1998.

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

Respectfully submitted,

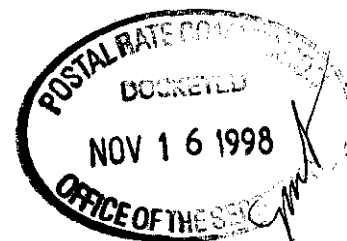
UNITED STATES POSTAL SERVICE

By its attorneys:

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November 16, 1998



**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
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PB/USPS-T5-2

Please confirm that your calculation of "revenue leakage for Standard (A) letters multiplies your calculation of existing volume by the difference between the Standard (A) regular basic letter piece rate of .235 (rounded by you to .24) less the .167 per piece that you contend should apply to MOL Standard (A) letters. If you are not able to confirm, please explain why.

PB/USPS-T5-2 Response:

Not confirmed. Though the calculation is described correctly, the Standard (A) basic letter rate was not rounded. Though the number appears as 0.24 in the table, 0.235 was used to calculate the revenue leakage.

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PB/USPS-T5-3

Assume that a mailing of MOL letters has fewer than 200 pieces. Confirm that the rate applicable to this mailing would be .33 per piece. If you cannot confirm, please explain why.

PB/USPS-T5-3 Response:

Confirmed, assuming rejection of the proposed DMCS language making the minimum volume requirements not apply for Mailing Online volume.

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PB/USPS-T5-4

In the circumstances described in interrogatory 2 above, please confirm that the Standard (A) letter revenue leakage occasioned by implementation of MOL would be 18.294 million ($11,232 * (.33 - .167)$) instead of the 7.564 million that you show for year 1 at USPS-T-5 Exhibit D at 1. If you cannot confirm, please explain why.

a. In the circumstances described immediately above, do you believe that the illustrative revenue leakage should be considered a cost of the MOL program that should be borne by MOL users? If not, why not?

PB/USPS-T5-4 Response:

Not confirmed. Your calculation rests on the wildly improbable assumption that all Mailing Online mailings consist of fewer than 200 pieces, and would therefore not qualify for bulk rates. In fact, there are no data to support any specific assumption regarding inter-class migration of volumes occasioned by the introduction of Mailing Online.

a. There are a number of reasons why, even if one were to accept the absurd assumption on which this hypothetical is based, revenue leakage should not be considered a cost of MOL. The most obvious reason is that to do so would be inconsistent with existing practice. Mailing Online will be offered as a special service, as opposed to a distinct class of mail. This distinction arises because Mailing Online, like most other special services, cannot be used except in conjunction with an existing class of mail. While the effects that special services may have on the classes of mail with which they are associated are often considered when determining an appropriate cost coverage, the resulting revenue and cost impacts are not used to calculate the cost coverage itself.

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Moreover, carried to its extreme, the treatment of costs, and presumably revenues, contemplated in this interrogatory would greatly complicate postal ratemaking. For instance, if one accepts the premise of this interrogatory, First-Class Mail costs and revenues would exclude the portion of revenues and costs associated with pieces that are certified. These revenues and costs would presumably be considered attributable to certified mail, except of course for the revenues and costs associated with pieces bearing return receipts, and so on. Another example is delivery confirmation. Like Mailing Online, delivery confirmation is a new special service which has the effect, among others, of reducing the revenue produced from other products such as certified mail. In Docket No. R97-1, the Commission took into account the effect of delivery confirmation on certified mail by adjusting certified mail revenue downward (Docket No. R97-1, PRC Op., Appendix G at 21 and 31). The impact on certified mail was not applied directly to delivery confirmation costs and revenues. The reason for not treating revenue impacts as costs is simple; costs represent payments, not foregone receipts.

DECLARATION

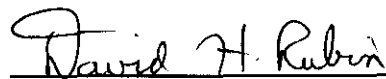
I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Michael K. Plunkett

Dated: NOVEMBER 16, 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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