

**ORIGINAL**

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

RECEIVED

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OFFICE OF THE SECRETARY

MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS GARVEY TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T1-58(A-B), 59-63, 65-70)

The United States Postal Service hereby provides the responses of witness Garvey to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-58(a-b), 59-63, and 65-70, filed on November 6, 1998. Interrogatories OCA/USPS-T1-58(c), and 64 were redirected to the Postal Service and witness Plunkett, respectively.

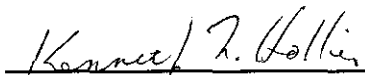
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

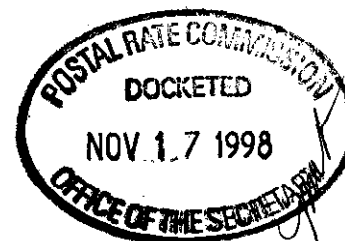
UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
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\_\_\_\_\_  
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November 17, 1998



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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.

**RESPONSE:**

- a. There has been no change, although at this time the Postal Service awaits additional invoices from the developer (Tracor) for printing services performed during the operations test.
- b. While I am not a costing expert, I do consider these to be research and development costs.
- c. Redirected to witness Seckar.

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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.

RESPONSE:

- a. The response to OCA/USPS-4 refers to the basic design of the system which uses a matrix of document printing and finishing characteristics associated with specific print sites along with mailpiece destination ZIP Codes to determine the print site for a specific document/address combination. This allows new printing and finishing requirements to be integrated easily into MOL without altering the basic structure of the software design. The term "system design" refers to the way in which MOL has flexibility and expandability designed into the system so as to allow continued automatic routing of jobs based upon a potentially changing variety of criteria.
- b. According to the developer, "[T]he computer code will not need to be modified. The current system uses a print site table that defines the characteristics of the print site. This combined with the [ZIP C]ode of the addressee determines the print site destination for a mail piece."

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- c. According to the developer, “[T]he current system contains a materials cost database which defines the cost by print site of the various services requested per job. Each mail piece’s distribution (print site) within a job determines the overall cost.” This database will be modified as prices in printer contracts change.
- d. See the response to part (b) above. The code would not need to be adjusted, the print site table would be simply be modified to reflect the addition or deletion of specialized capabilities.
- e. See Attachment 1 to OCA/USPS-T1-59(e).

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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.

RESPONSE:

The requested document is the copyrighted intellectual property of CAP Ventures, Inc. of Norwell Massachusetts. Due to copyright restrictions I cannot provide a complete copy. It can be purchased from CAP Ventures by calling (781) 871-9000.

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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.

RESPONSE:

- a. Not confirmed. Without the experience that will be provided by the market test and experiment, an estimation of MOL document sizes and associated mailing volumes can only be rough. We have used the number 5000 as a convenient proxy for the maximum number of documents expected in an MOL mailing because it facilitates a rapid understanding of relative MOL mailing size and market drivers and also provides a reference point for analysis. A more precise maximum number of impressions, pages, or documents/mailpieces cannot be determined without seeing how actual customers adopt the service. See also, Witness Hamm's Response to MASA/USPS-T6-9.

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- b. Confirmed so long as the paper size chosen is not 11"x17".
- c. Not confirmed. See the response to part (a) above.
- d. Unable to confirm. I have no basis for knowing what constitutes "extreme rarity".
- e. Unable to confirm. The probability of batching particular MOL jobs cannot be determined at this time.

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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?

RESPONSE:



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- a. Confirmed. Such commercial sortation software is used in the MOL system today, and in many private businesses as well.
- b-c. Confirmed, at least in that I can see no reason why that would be impossible.
- d. I have not studied closely the alternative approach posed by this question. However, MOL is about simplifying a user's interaction and the alternative approach would be nearly impossible to explain to small mailers. Also, a weighted average would need to be based on experience, which is now absent. See also my response to Notice of Inquiry No. 1, Issue 2.
- e-f. See the response to Notice of Inquiry No. 1, Issue 1. One of the basic premises of Mailing Online is that simplification of the mailing process significantly benefits small business and other small mailers; hence a customer may choose between Mailing Online's convenience and simplicity, or some other entry method. Mailing Online's flat rate pricing provides new incentives to use the mail without removing traditional presortation incentives. I am unable to respond to the legal arguments inherent in the questions regarding monopoly power.
- g. A range of document options has been included in MOL both to help determine customer requirements and to provide data for future pricing decisions. Some options will necessarily prove more popular than others, resulting in greater volume and more batching. See also the response to

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Notice of Inquiry No. 1, Issue 1. This question otherwise consists of  
unsubstantiated assertions not warranting a response.

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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

RESPONSE:

- a. Confirmed.
- b. No. MOL customers receive only one job quote at a time, but by changing the options selected, they may receive a quote for additional option sets.
- c. Yes. An MOL customer receives a job quote consisting of postage and production components, plus a total for payment processing. The separation of charges more fully informs the customer.

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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.

**RESPONSE:**

- a. No. An online explanation will be provided to MOL users selecting Standard (A) of the requirement to understand and adhere to Domestic Mail Manual (DMM) restrictions on Standard (A) mail. Users will be required to adhere to existing regulations.
- b. Yes. Restrictions and requirements for First-Class Mail are stated in the DMM.
- c. At the present time, Postal Service plans also call for enforcement of content based restrictions within MOL by utilizing existing methodologies for sampling and monitoring bulk mail at the time of acceptance.

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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).

RESPONSE:

- a. Plans have not been finalized for the full range of services to be offered during the course of the experiment. However, I can confirm that additional color options may be included during the experiment depending on our success with the current limited offering and latent customer demand. When the decision to proceed with the operations test was made, all previous market research and technical development had focused on spot color as the primary alternative to black and white. Cost and revenue estimates necessary to support the business case, as well as this classification filing, only provided solid quantitative information about black and white and spot color options. For expediency and rapid development, a decision was made to proceed with the same limited focus until such time as more information could be gathered to guide development of additional technical requirements.

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- b. I can confirm my understanding that today's digital color printing devices print in a one step process similar to that used for black and white and spot color. I can also confirm that the lure of the opportunity presented by digital color printing has been strong for the MOL development team. However, the challenges presented by including multi-color printing as an initial option would have complicated both the technical development and the customer research efforts considerably and thus would have contradicted our primary imperative of fast development.
- c. Currently, the spot color option has no technical user limitations regarding amount or percentage of color coverage on a page. Users are free to define the meaning of spot color and use it accordingly in the creation of their documents. However, consultations with vendors through the print services contracting process have disclosed that most spot color printing devices are only capable of "spraying" spot color at a certain saturation level. Exceeding this limit causes the document to "spill over" to subsequent pages. As a result we are exploring technical methods to enforce specific limits on the use of spot or highlight color.
- d. No color options other than spot color will be offered during the market test for the same reasons mentioned above.
- Full color digital printing is not a mature technology, nor has its "pleasing" - as opposed to exact - color matching gained widespread understanding and acceptance in the marketplace. Either of these reasons alone would have provided sufficient rationale to avoid full color in the market test

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design; together they provided an absolute disincentive.

The explanation of spot color is unchanged in the market test as distinguished from the experiment.

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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.

**RESPONSE:**

There are currently no plans to offer glossy-finish paper during either the market test or the experiment. This plan is based on both a business decision to maintain relative simplicity in the MOL service until real market demand and customer requirements are more readily available to drive modifications and enhancements, as well as a need to maintain absolute conformity in printer requirements at all contracted print vendors. We can consider all such modifications in light of customer demand as well as technical feasibility in an outsourced distributed printing environment.



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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.

**RESPONSE:**

There are currently no plans to offer (full sheet) heavier-weight or card-stock options during either the market test or the experiment. See also my response to OCA/USPS-T1-67 above, and 68, below.

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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.

RESPONSE:

See my response to Presiding Officer's Information Request, Q. 5. Any explanation of why the Postal Service has determined not to offer options it fails to discern a need for would necessarily be infinite. However, if the OCA is able to demonstrate the need for specific options, I am confident it can do so.

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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.)

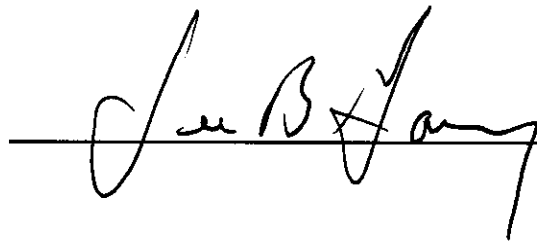
- a. Please confirm that the MOL system software does not now, never has, and never will combine all jobs. If you do not confirm, please explain.
- b. Please confirm that the MOL system software does not now and never has combined any non-mail merge jobs. If you do not confirm, please explain.
- c. What 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?

RESPONSE:

- a. Not confirmed. A fundamental design objective of the MOL system is to combine all jobs to the greatest extent possible, and this is the basis for the quoted language. Although differences in processing categories and handling characteristics are likely to prevent complete combination of all jobs for the foreseeable future, the goal of maximizing efficiencies of batching will continue to drive MOL development efforts and a full combination will remain possible, at least in concept.
- b. Confirmed. Although non mail-merge jobs are not currently combined, future system development is focused on making such combination possible in the future.
- c. These numbers and proportions are not currently available. With respect to the operations test, I hope to provide these data in the next few days. With respect to the market test, these data will be reported when data begin flowing to the Commission.

**DECLARATION**

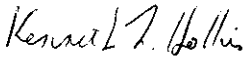
I, Lee Garvey, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, reading "Lee B. Garvey", is written over a horizontal line. The signature is cursive and stylized.

Dated: November 17/1998

**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.

  
\_\_\_\_\_  
Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
November 17, 1998

**Attachment 1 to OCA/USPS-T1-59(e)**

- a) **We are currently planning to modify the existing system tables to implement zip code designations by print site for all system options (color, binding, etc.). This need was identified for handling future new or specialized printing requirements. The current design utilizes only spot color and black and white (by zip code and print site) printing to determine print site destination. The new system will include all job characteristics under a matrix along with destination zip code to determine the print site for a specific document/address combination.**
- b) **The computer code will not need to be modified. The current system uses a print site table which defines the characteristics of the print site. This combined with the zip code of the addressee determines the print site destination for a mail piece.**
- c) **The current system contains a materials cost database which defines the cost by print site of the various services requested per job. Each mail piece's distribution (print site) within a job determines the overall cost.**
- d) **See b.**

**Marconi-Tracor Enterprise Solutions**