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Before the

UNITED STATES POSTAL RATE COMMISSION

In the Matter of:

MAILING ONLINE SERVICE

Docket No.

MC98-1

VOLUME 6

DATE:

Thursday, November 19, 1998

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Washington, D.C.

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1		BEFORE THE
2	Р	OSTAL RATE COMMISSION
3		X
4	In the Matter of:	: Docket No. MC98-1
5	MAILING ONLINE SERVI	CE :
6		X
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8		Third Floor Hearing Room
9		Postal Rate Commission
10		1333 H Street, N.W.
11		Washington, D.C. 20268
12		
13		Thursday, November 19, 1998
14		
15	The above	matter came on for hearing, pursuant to
16	notice, at 1:30 p.m.	
17		
18	BEFORE:	EDWARD J. GLEIMAN, Chairman
19		W. H. "TREY" LeBLANC, III, Commissioner
20		DANA COVINGTON, Commissioner
21		GEORGE OMAS, Commissioner
22		RUTH GOLDMAN, Commissioner
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1		CONTE	NTS		
2	WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
3	BETH ROTHSCHILD				
4	BY MR. WIGGINS		1284		1317
5	BY MR. REITER			1316	
6	LEE GARVEY				
7	BY MR. WIGGINS		1533		
8	BY MR. COSTICH		1588		
9					
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13	Postal Service response	e to Notice	e of		
14	Inquiry 1, Issue 5				1257
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16	of Beth Rothschild, USPS-T4 1262				
17	Corrected Direct Testin	mony of			
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4	Excerpts from Library References 23 and 24	1606
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9	EXHIBITS AND/OR TESTIMONY IDENTIFIED	RECEIVED
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1	EXHIBITS [con	t.]	
2	EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
3	Corrected Designated Written Cross of		
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1	PROCEEDINGS
2	[1:30 p.m.]
3	COMMISSIONER LeBLANC: Ladies and gentlemen, this
4	hearing will come to order.
5	Today we continue hearings in Docket Number
6	MC98-1, considering the Postal Service request to initiate
7	Mailing Online Service.
8	This afternoon we will hear from Postal Service
9	Witnesses Rothschild and Garvey.
10	At the request of counsel for the Mail Advertising
11	Service Association International, the Commission agreed to
12	continue the cross examination of Witness Garvey tomorrow
13	morning.
14	Before we begin, I have a couple of procedural
15	issues to mention. Several of these matters relate directly
16	to issues raised by the counsel for MASA, who is unable to
17	be here this afternoon.
18	Mr. Costich, Mr. Richardson, somebody from OCA, if
19	you will, will you please contact Mr. Bush's office and let
20	him know that we discussed these matters, a context of what
21	we are talking about here today, please.
22	MR. RICHARDSON: We will do that.
23	COMMISSIONER LeBLANC: Please tell him that the
24	Commission gets overnight transcript service, so today's
25	transcript should be available first think tomorrow morning,



1	and I will expect him to have reviewed this afternoon's
2	transcript both to familiarize himself with my rulings and
3	to go over the cross examination of Witness Garvey so that
4	he can avoid asking Witness Garvey questions that have
5	already been answered.
6	If you will relay that to him, thank you very
7	much.
8	MR. RICHARDSON: Yes, I will.
9	COMMISSIONER LeBLANC: The first item requiring
LO	clarification that I am not sure I made clear to Mr. Bush
11	yesterday was his question concerning discovery directed to
L2	the Postal Service.
L3	As Mr. Hollies mentioned, the Commission allows
L 4	discovery directed to the Postal Service to obtain
L 5	information or data necessary to prepare intervenor
L6	evidence.
L7	Although discovery concerning the Postal Service
L8	direct case should have been completed by this time,
L9	participants are allowed to ask for data on information
20	necessary information necessary for developing their
21	direct or rebuttal evidence.
22	Ruling Number 10 established the current
23	procedural schedule for this case. Participants are allowed

to supplement their direct case by filing evidence based on 24 25 market test data until January 27th. Therefore, discovery

1	related to experience during the market test will be
2	permissible until January 19th.
3	If there are any questions, please feel free to
4	ask our counsel this afternoon, but I believe that is clear.
5	Next I will turn to the designation of the Postal
6	Service answer to Presiding Officer's Information Request
7	Number 2, Question 4(a).
8	The Postal Service response was identified as
9	Library Reference USPS-LR-16 MC98-1, and made subject to
10	protective covenants and conditions by my Ruling Number 11.
11	I will receive that response into evidence, but
12	because the Library Reference is under protective
13	conditions, it will not will not be transcribed into
14	the record. That material will be maintained subject to the
15	existing protective conditions in the Office of the
16	Commission's Secretary.
17	[Designation of the Postal Service
18	response, USPS-LR-16 MC98-1, to
19	Presiding Officer's Information
20	Request Number 2, Question 4(a),
21	was received into evidence and not
22	transcribed into the record.]
23	COMMISSIONER LeBLANC: I will receive that
24	response into evidence, but because the Library Reference is
25	under protective conditions, it will not will not be



- 1 transcribed into the record. That material will be
- 2 maintained subject to the existing protective conditions in
- 3 the Office of the Commission's Secretary.
- 4 Counsel for both Pitney Bowes and MASA have
- 5 indicated that they might want to cross examination Witness
- 6 Garvey about Library Reference Number 16. Requests for such
- 7 cross examination are to be made by close of business
- 8 November 24th.
- 9 If necessary, procedures for cross examination on
- 10 the materials subject to protective conditions can be
- 11 arranged.
- 12 If this becomes necessary, I urge counsel to
- 13 discuss with each other how to conduct this cross
- 14 examination efficiently and offer suggestions for helping
- 15 out each counsel.
- 16 Now at this point, does any participant have a
- 17 procedural issue to raise before we begin?
- [No response.]
- 19 COMMISSIONER LeBLANC: The first order of business
- 20 then is receipt of designated written cross examination of
- 21 Witness Hamm.
- I mentioned this at yesterday's hearing. Who is
- 23 going to be the lead counsel today?Tom Orlando
- 24 MR. REITER: Scott Reiter.
- 25 COMMISSIONER LeBLANC: Okay. Mr. Reiter, then,

1	have you had the opportunity to confirm that Witness Hamm
2	has no changes to make in his written responses which have
3	been designated and incorporated into the record?
4	MR. REITER: Yes, I have.
5	COMMISSIONER LeBLANC: I'll be handing two copies
6	of the designated written cross-examination of Witness Hamm
7	to the Reporter and I direct that it be transcribed and
8	received into evidence.
9	Witness Hamm provided a declaration of
10	authenticity when he submitted these responses, and since
11	there has been no changes, no additional declaration is
12	necessary.
13	Mr. Reporter two copies.
14	[Designation of Written
15	Cross-Examination of Witness Hamm,
16	USPS-T6, was received into evidence
17	and transcribed into the record.]
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BEFORE THE POSTAL RATE COMMISSION WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION OF UNITED STATES POSTAL SERVICE WITNESS JOHN HAMM (USPS-T6)

<u>Party</u>

Mail Advertising Service Association

International

Interrogatories

MASA/USPS-T6-1-10(with LR-21 and

22 referred to in answers)

Office of the Consumer Advocate

MASA/USPS-T6-1-10

Respectfully submitted,

Margaret P. Crenshaw

Secretary

INTERROGATORY RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS JOHN HAMM (T6) DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:	Designating Partie
MASA/USPS-T6-1	MASA/OCA
MASA/USPS-T6-2	MASA/OCA
MASA/USPS-T6-3	MASA/OCA
MASA/USPS-T6-4	MASA/OCA
MASA/USPS-T6-5	MASA/OCA
MASA/USPS-T6-6	MASA/OCA
MASA/USPS-T6-7	MASA/OCA
MASA/USPS-T6-8	MASA/OCA
MASA/USPS-T6-9	MASA/OCA
MASA/USPS-T6-10	MASA/OCA

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAMM TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOC. INTL

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%

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAMM TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOC. INT'L

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%



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAMM TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOC. INTL

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.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAMM TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOC. INT'L

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



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.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAMM TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOC. INT'L

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.



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.



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.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAMM TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOC. INT'L

- 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.



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.



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.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAMM TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOC. INT'L

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.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAMM TO INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOC. INT'L

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.

USPS Library Reference

USPS-LR-21/MC98-1

Copy #1

Printing Industry Association 1998 Annual Report to Congress

MET SECTION

1

TRAINING IS THE FUTURE



espite being the nation's largest manufacturing industry in terms of number of companies (52,200+), the printing industry continually faces the challenge of finding and attracting good job candidates. New technologies are making this challenge doubly difficult because the industry now demands so much expertise—in image manipulation, in computers, in color theory, printing processes and in electronic communications. Without trained and qualified employees, companies cannot bring on new work, invest in the newest technologies, and expand their businesses.

Once young people make the move into the eraphic arts industry, turnover is minimal due to eer satisfaction and high paying jobs. Graphic is employees find printing to be a gratifying career that pays well, offers a full range of benefits, and for many, the road to entrepreneurship

Because print is such a force in the nation's economy and impacts nearly every commercial activity, the industry has responded to this critical need to attract and train bright, young job candidates. The associations of the industry have developed a number of programs, generally industry-led and -funded, to find tomorrow's innovators, chief executives and leaders. Below is a list of those programs.

PrintED

Developed and coordinated by the Printing Industries of America and its affiliates. PrintED is the standard of excellence for state-based vocational education programs. State programs actively seek PrintED accreditation and recognition. PrintED is a project of the Printing Industries of America Foundation.

National Council for Skills Standards in Graphic Communications

Originally founded by a grant from the Department of Labor, the national skill standards project is rently a self-supporting organization involved in entifying the standards of performance required by graphic arts job functions and certifying professional technicians and operators. Many printing associations, schools, and businesses support this effort

WorkPLACE

WorkPLACE is an effort to assure that craftsmen in the industry have basic literacy skills. As with many industries, employees often lack the basic reading and mathematical skills required to perform higher level jobs. As a result, despite proficiency in a particular job, job growth for an individual is limited. The WorkPLACE program is managed by the National Association of Printers and Lithographers.

Executive Development Program (EDP)

EDP. now in its 38th year, educates three distinct levels of emerging and senior managers and owners in the industry. In an academic environment, new and seasoned leaders are exposed to every aspect of print management from technology and personnel to the environment and government. EDP is managed by the Printing Industries of America.

Technical Training Programs

The Graphic Arts Technical Foundation conducts continuous training for all skill levels at its facility in Pennsylvania

Management Conferences

PLA and NAPL conduct annual conferences to address management trends, corporate finance, mergers and acquisitions, marketing and sales issues, and technology

National Scholarship Trust Fund (NSTF)

NSTF has provided aid to over 5,200 students studying in an undergraduate graphic communications, print, industrial management or education program and select graduate programs. Last year 313 students were awarded grants totalling \$313,000.

Graphic Communications Career Center (GCCC)

The mission of the GCCC is to promote recruitment, education and careers in the graphic communications industry. A new interactive CD-ROM is available entitled DiscoverPrint. DiscoverPrint puts a wide variety of career-related information at the finger-tips of students, parents, guidance counselors and others. Many industry groups support this program.



MARGARET GEORGE



BLACK FOREST BRAND H

Printing Industries of America Local Affiliates

Printing Industry Association of the South, Inc. (615) 366-1094

Pacific Printing and Imaging Association (206) 285-8361

Printing Industries Association, Inc. of (602) 265-7742

Arkanese

Printing Industry Association of the South, Inc. (615) 366-1094

California

Printing Industries Association Inc. of Southern California (213) 728-9500

Printing Industries Association of San Diego. Inc. (619) 571-6555

Printing Industries of Northern California (415) 495-8242

Colorado

Printing & Imaging Association Mountain States (303) 771-1578

Connecticut

Printing Industry Association of Connecticut & Western Massachuseus (860) 242-8991

The Printing Industry of Connecticut, Inc (203) 874-6793

Graphic Arts Association (215) 299-3300

District of Columbia

Printing and Graphic Communications Association (202) 682-3001

Printing Association of Florida, Inc. (800) 749-4855 (Miami) (407) 240-8009 (Orlando) (850) 224-5081 (Tallahassee)

Printing Industry Association Georgia, Inc. (770) 433-3050

Pacific Printing and Imaging Association (503) 297-3328

Pacific Printing and Imaging Association (503) 297-3328

Printing Industry of Illinois/Indiana Association (312) 704-5000

Indiana

Printing Industry of Illinois/Indiana Association (317) 631-5780

Printing Industries of the Midlands, Inc (800) 397-0733

Kansas

Printing Industries Association of the Heariland (816) 421-7677

Kentucky

Printing Industry Association of the South, Inc (615) 366-1094

Louisiana

Printing Industry Association of the South, Inc. (615) 366-1094

Maine

Printing Industries of New England (508) 655-8700

Printing Industries of Maryland, Inc (800) 560-3306

Massachusetts

Printing Industries of New England (508) 655-8700

Printing Industry Association of Connecticut & Western Massachuseus (860) 242-8991

Printing Industries of Michigan (248) 354-9200

Printing Industry of Minnesota, Inc (612) 379-3360

Mississippi

Printing Industry Association of the South Inc. (615) 366-1094

Missouri

Printing Industries of St. Louis (314) 962-6780

Printing Industries Association of the Heartland (816) 421-7677

Pacific Printing and Imaging Association (503) 297-3328

Nebraska

Printing Industries of the Midlands, Inc. (800) 397-0733

Printing Industries Association, Inc. of Southern California

(213) 728-9500

Printing Industries of Northern California (415) 495-8242

New Hampshire

Printing Industries of New England (508) 655-8700

New Jersey Association of the Graphic Communications (212) 279-2100 Graphic Arts Association (215) 299-3300

New Mexico

Printing & Imaging Association Mountain State (303) 771-1578

New York

Association of the Graphic Communications (212) 279-2100

Printing & Imaging Association of New York State, Inc. (716) 691-3211

The Printing Industry of the Carolinas, Inc (704) 357-1150

North Dakota

Printing Industries of America, Inc. (703) 519-8110

Printing Industries Association, Inc. (440)835-6900 (Cleveland) (614) 794-2300 (Westerville) (513) 771-5422/(800) 771-5422 (Cincinnati)

Oklahoma

Graphic Communications Industries Association of Oklahoma, Inc. (800) 774-6890

Oregon

Pacific Printing and Imaging Association (918) 481-8784

Pennsylvania

Graphic Arts Association (215) 299-3300

Printing Industries of Maryland, Inc. (800) 560-3306

Rhode Island

Printing Industries of New England (508) 655-8700

South Carolina

The Printing Industry of the Carolinas, Inc. (704) 357-1150

South Dakota

Printing Industries of the Midlands, Inc. (800) 397-0733

Tennessee

Printing Industry Association of the South, Inc. (615) 366-1094

Texas

Printing & Imaging Association of Texas (214) 630-8871 Printing Industries of the Gulf Coast (713) 522-2046

Utah

Printing Industries of Utah (801) 521-2623

Printing Industries of New England (508) 655-8700

Virginia

Printing Industries of Virginia, Inc. (804) 643-1800

Pacific Printing and Imaging Association (206) 285-8361

West Virginia

Printing Industry Association of the South, Inc. (615) 366-1094

Printing Industries of Wisconsin (414) 785-9090

Wyoming Printing & Imaging Association Mountain States (303) 771-1578

THE GRAPHIC ARTS LEGISLATIVE COUNCIL

Because the printing industry is so diverse in types of businesses and product, other allied industry groups also participate in PIA activities. In the Government Affairs arena, other industry groups may become members of the Graphic Arts Legislative Council (GALC), which exists to promote a multi-pronged approach towards solving problems that affect the industry on all levels. These members include.

Book Manufacturers Institute, Inc.

International Prepress Association

International Reprographic Association

National Association of Printers and Lithographers

National Association of Printing Ink Manufacturers, Inc.

National Association of Quick Printers Inc. Printing Industries of America, Inc.

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Printing Industries of America, Inc.

100 Daingerfield Road Alexandria, Virginia 22314 (703) 519-8100 - FAX (703) 548-3227

© 1998 Printing Industries of America Designed by judith Barrett Graphics
"World with Print" photograph by Jim Tkatch the world without ...

the world



HOW THIS PIECE WAS MADE

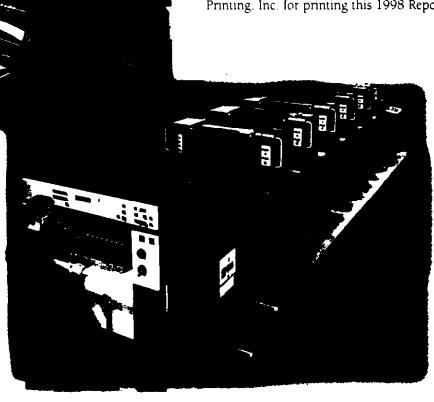
rinting, an industry known for the age-old process of putting ink on paper, has been greatly changed by onrushing digital technology.

Computers, and other alternative media, are playing major roles in enhancing and expanding business for the American printer.

This annual report, created almost entirely on computer, is a good example of how computer technology is automating the printing process. The text was produced through a word processing program. It was then imported into design software to be combined electronically with photos, charts and graphics.

Saved to disk, the document was sent to Lawton Printing, Inc. in Spokane, WA. Lawton Printing used a Heidelberg DI, a state of the art digital imaging press, to produce this piece. The digital file was transferred directly to the digital press, rather than producing the image on traditional film or plates.

In the final stages of production, this annual report was trimmed and stitched to create the product you now hold in your hands. A special thanks to Lawton Printing. Inc. for printing this 1998 Report to Congress.



THE 1998 U.S. PRINTING INDUSTRY'S REPORT TO CONGRESS

Print—It's Everywhere.

ife as we know it would not exist without print. Printed material dominates our day-to-day lives: from your office letterhead to the Congressional Record. from your drivers license to the can of soda you had with lunch, printing is a - \$142 billion industry that is, literally, everywhere.

The impact of the industry on the United States' economy is just as staggering. Virtually every commercial activity in the U.S. depends heavily on this medium, making printing a major force in the nation's economy. Printing is the nation's largest industry in number of companies with more than 52,200 firms employing more than 1 million workers. Annually, the industry exports \$1.5 billion in printed materials, accounting for an additional 12,000 jobs.

Geographically, printing is the most diverse manufacturing industry in the U.S. More than half the states have more than 10,000 printing employees. Last year, for the first time, printing industry employment exceeded 1,000 in every state. In a typical Congressional district, there are about 120 printing firms with more than 2.300 employees producing approximately \$300 million in printed products and

Also, the printing industry is a major source of high-income job opportunities and employs people in a variety of technical, management, and skilled and entry-level positions. Last year the U.S. printing industry paid over \$41 billion in wages and salaries. Salaries for skilled production and technical workers ranged from \$15 to \$25 per hour. Sales representatives and plant managers typically earned between \$50,000 to \$60,000 annually

And, with the explosion of digital technologies and the Internet, printers are at the leading edge of the information revolution that is transforming the rest of the U.S. economy. Today's printers are involved not only in production of "ink on paper," but are rapidly expanding their businesses to include CD-ROM production, software file management, and Internet services.

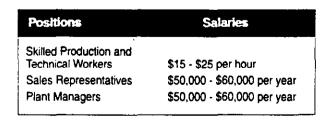
The result is an industry that is growing, pioneering new technologies, and creating high paying jobs for graduating students. What would your world be like without print? You need to look no further than the cover of this report

Sincerely,

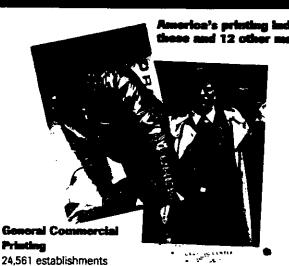
John Reeder

Chairman of the Board

John Cheale



INDUSTRY MARKET SEGMENTS





Newspaper Printing 5,333 establishments 173,105 employees \$25 billion in sales



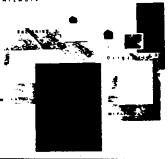
Magazine Printing 283 establishments 33,254 employees \$5 billion in sales



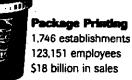
354,651 employees



820 establishments 40,687 employees \$5 billion in sales







Market Segments	# of Establishments	# of Employees	\$ Sales (In Millions)
General commercial printing	24.561	354,651	\$46,840.8
Quick printing	7.837	56.039	\$6,611.7
Magazine printing	283	33,254	\$5,287.4
Newspaper printing	5,333	173,105	\$25,080.2
Book printing	356	33,940	\$5,355.9
Financial, legal printing	199	11,937	\$1,785.9
Screen process, except textile	1,364	24,428	\$3,197.4
Thermography	28 6	8,292	\$1,177.9
Business forms printing	820	40.687	\$5,905.6
Label, wrapper printing	872	34,217	\$4,884.6
Tag, ticket, tape printing	153	6.178	\$881.1
Greeting card printing	49	2,801	\$429.7
Other specialty printing	987	36.431	\$5,317.4
Package printing	1,746	123,151	\$18,353.6
Prepress services	5,810	77,414	\$7.674.6
Trade binding	764	20,802	\$1,713.1
Other finishing services	852	15,786	\$1,221.7
Total Printing	52,272	1,053,113	\$141,718.6

Printing in the United States.

2,40 ishments Employ \$325 Million in Products

The Printing Industry's

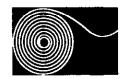








\$53 billion in raw materials, supplies & outside services



in 1997, America's printing industry paid over \$46 billion in wages and salaries, over \$8 billion in employee benefits and payroll taxes, and purchased more than \$53 billion in raw materials, supplies and outside services.

State	# of Establishments	# of Employees	\$ Sales (In Thousands)
Alabama	497	8,187	\$1,078.5
Alaska	71	1,245	\$171.7
Arizona	681	11,922	\$1,576.0
Arkansas	361	8,638	\$1,216.2
California	6,629	101,758	\$13,138.6
Colorado	846	13,858	\$1,872.7
Connecticut	807	18,481	\$2,499.4
Delaware	114	2,535	\$346.3
District of Columbia		2,147	\$268.2
Florida	2,361	33,705	\$4,372.8
Georgia	1,155	26,901	\$3,742.4
Hawaii	103	1,848	\$247.8
Idaho	176	3,154	\$433.6
Illinois		•	\$453.6 \$10,458.2
	3,323	78,435	
Indiana	1,168	31,034	\$4,349.4 \$3,138.3
lowa	738	15,739	\$2,138.2
Kansas	555	13,127	\$1,830.2
Kentucky	554	15,284	\$2,193.2
Louisiana	508	8,824	\$1,213.6
Maine	232	5.631	\$825.0
Maryland	833	19,905	\$2,676.2
Massachusetts	1,532	35,080	\$4,782.2
Michigan	1,872	36,224	\$4,828.8
Minnesota	1,241	34,092	\$4,758.6
Mississippi	259	5,034	\$697.8
Missouri	1,114	21,027	\$2,729.1
Montana	158	2,177	\$284.5
Nebraska	390	7,502	\$1,017.9
Nevada	180	3,514	\$479.1
New Hampshire	275	5,932	\$825.1
New Jersey	2,387	51,324	\$6,861.1
New Mexico	331	3.740	\$435.0
New York	3,947	81,840	\$10,668.9
North Carolina	1.246	27,189	\$3,727.1
North Dakota	140	1,728	\$216.2
Ohio	2,486	50,045	\$6,668.6
Oklahoma	631	8,569	\$1,119.6
Oregon	714	13,071	\$1,754.2
Pennsylvania	2,500	61,312	\$8,589.7
Rhode Island	2,300	4,945	\$660.4
South Carolina	452	8,280	\$1,128.3
		2,831	\$386.1
South Dakota	181		\$3,101.1
Tennessee	891	22,233	
Texas	3,389	49,346	\$6,373.2
Utah	296	7,137	\$972.8
Vermont	146	3.724	\$527.5
Virginia	882	22,202	\$3,122.9
Washington	1,026	18,339	\$2,470.4
West Virginia	184	2,832	\$371.0
Wisconsin	1.265	38.341	\$5,368.5
Wyoming	78	1,145	\$144.8
Total	52,272	1,053,113	\$141,718.6

USPS Library Reference

USPS-LR-22/MC98-1

Copy #1

Draft Material Sent Out by Digital Printing Council

JOCKET SECTION

1



April 17, 1998

Dear Digital Printing Council Member:

The Digital Printing Council members have an opportunity! How often have you been asked for your comments on a new federal government program before it has been established?

As prospective bidders, PIA's Digital Printing Council members have been invited to comment on the attached contract specifications for a new U.S. Postal Service mail service, Mailing Online.

Mailing Online will enable postal customers to electronically send documents (produced on a desktop computer) to a commercial printing facility near the document's ultimate destination. The printing facility will then digitally print, finish and deposit the documents into the mail stream for delivery. This new program is directed to the small office/home office market and is currently in a test phase in Tampa. (This document was sent using the Mailing Online test system.)

Please take this opportunity to review the attached specification sheets and fax your comments to Lee Garvey, the USPS program manager at 202/268-4399 by April 28, 1998.

Sincerely.

Joanne N. Vinyard

Technology Coordinator

Joanne N. Vinyard

Attachments

G:digital/digits/letter/mailonlineltr.doc



MAILING ONLINE PRINTING AND MAILING SERVICES (DRAFT)

I. Overview

The U.S. Postal Service is testing the development of a new hybrid mail service, Mailing Online. It enables a postal customer using the Internet to electronically send documents produced on a desktop computer to the Postal Service, which routes them to a commercial printing facility near the document's ultimate destination. The facility prints, finishes, and deposits the documents into the mail stream for fast delivery.

II. Objective and Scope

The Postal Service intends to establish a nationwide network of digital on-demand printers to support Mailing Online. As part of the development of the service, the Postal Service is conducting a limited operations test in the central Florida area. This contract is for the services of a digital printer in the [TBD] area to provide services in support of Mailing Online during expansion of the test and during the rollout of the nationwide network. The period of performance will be one year with four option years.

III. Applicable Documents

The following documents are applicable to this contract:

- U.S. Postal Service Domestic Mail Manual
- U.S. Postal Service Administrative Support Manual

(Both documents are available from the Superintendent of Documents, U.S. Government Printing Office, 941 N. Capitol St., N.E., Washington, DC 20402-9371; 202-512-1800)

IV. Definitions

- Customer: A person or organization submitting an electronic print file to the U.S. Postal Service through Mailing Online.
- PDF: Portable Document Format (Adobe Systems)
- PCL: Printer Command Language (Hewlett-Packard)
- AFP: Advanced Function Presentation (IBM)
- COR: Contracting Officer's Representative. A Postal employee delegated the responsibility to manage the day-to-day technical aspects of the contract.

V. General Requirements

The contractor shall receive batched customer files electronically through a Postal Service network. A file will contain both documents for printing and a database containing recipients' names and addresses. The contractor shall provide turnkey production, finishing, and distribution of the mail pieces and shall invoice the Postal Service at the contractually-established rates for the services provided.

VI. Specific Requirements

A. Performance

1. Data receipt and transmission

The Postal Service will install an FTP server at the contractor's location. This server must be secured and may be used only for work performed under this contract. Data will be transmitted to the server via a dedicated line, also installed by the Postal Service. Individual customer jobs will be transmitted to the server as they are submitted to the Postal Service during the day. At the end of the day (not later than 8:00 p.m. Eastern Time), batch instructions will be transmitted to the server for all of the customer jobs submitted that day. Jobs will be batched based on print characteristics, and each batch will be ZIP sorted to attain maximum presort efficiency.

The contractor must accept a variety of print formats, including but not limited to, PostScript, PDF, PCL, and AFP files.

The USPS has established a Help Desk for assisting customers. The Help Desk may contact the contractor with an inquiry about a specific job. Therefore, the contractor must have a process for tracking the status and progress of a job, such as an electronic job ticket, in order to provide information to the Help Desk or other USPS personnel who may inquire.

2. Printing

After receipt of the end-of-day batch instructions, the contractor shall print all documents using the following specifications and constraints:

- · High quality digital output
- $8\frac{1}{2}$ " x 11", $8\frac{1}{2}$ " x 14", and 11" x 17" simplex and duplex impressions on 20 lb. white bond
- Black and white printing with spot/highlight colors available (red, green, magenta, and blue)
- · 600 dpi print definition for black and white
- Documents up to 48-81/2" x 11" or 81/2" x 14" sheets or 24-11" x 17" sheets (96 duplexed impressions)
- Full-color postcards (800 dpi)

Personalization will be required as specified by the customer's job.

Mailing Online will have the capability to provide online proofs to the customer in a PDF format. The contractor must have the capability to provide proofs to the customer either by fax or by mail, as requested by the customer. Receipt of print instructions on the server from the Postal Service shall constitute approval of an online proof.

3. Finishing

The contractor shall provide the following finishing options, as specified by the customer:

- Stapling
- Saddle Stitching (if stapling is specified for an 11" x 17" document)
- Tape binding (perfect style)
- Slitting (for postcards)

4. Distribution

The contractor shall purchase both #10 and jumbo (9" x 12") flat windowed and non-windowed envelopes (white, 20lb. stock, with glassine windows) for use under this contract. The envelopes must be preprinted with a permit indicia for postage and a USPS logo. [The artwork for these envelopes will be found in an attachment to the final version of this Statement of Work.] The contractor must store the envelopes in a secure, environmentally controlled location and ensure that they are only used for Postal Service work. Replenishment of the envelope supply shall be the responsibility of the contractor.

The contractor shall:

- print an insert with both the mailing address and return address such that, when inserted in the envelope, the addresses are visible through the windows, or
- print both the mailing address and return address directly on envelopes, postcards or self mailers.

The contractor shall fold each document to be inserted (if necessary), insert the document and the address sheet into an envelope, and seal the envelope. The envelope size shall be determined by the Postal Service based on the number of pages in the document.

The contractor must prepare the mail for submission to the Postal Service in accordance with all regulations outlined in the Domestic Mail Manual. Batch jobs received by 8 p.m. must be turned over to USPS Business Mail Entry Unit (BMEU) acceptance personnel at a specified USPS plant no later than the cut-off time during the next Postal Service business day. After the mail is deposited with the Postal Service, the contractor shall send an electronic acknowledgment back to the Postal Service via the dedicated server.

B. Quality

The contractor shall provide a level of quality consistent with accepted industry standards and shall have an established quality assurance plan. At all times, the printed material must conform to the proof approved by the customer. For print jobs using spot color, the contractor shall ensure even distribution of the color. The contractor shall reprint, at its own expense, any materials which do not conform to the job and proof specifications transmitted by the USPS and the customer.

The contractor shall ensure that routine preventive maintenance is performed on all equipment and shall ensure that equipment is properly calibrated at all times.

Any customer complaints will be received by the Postal Service and will be forwarded to the contractor for necessary action. In the event of a mistake made by the contractor, the mistake will be corrected at the contractor's expense.

C. Contingency Planning

The contractor shall have an established plan for handling unanticipated peaks and surges in job volume and machine outages. The plan shall be subject to review and approval by the COR. The contractor shall provide adequate equipment, including sufficient backup equipment, and



staff such that at all times, and at any volume of work, the performance standard of turning over the finished jobs to the USPS by the next Postal Service business day (see VI.A.4) will be met.

D. Reporting

The contractor shall maintain copies of the Postage Statements, PS Form 3600-R (may be downloaded at http://www.usps.gov/pdf/ps3600r.pdf) for a period of one year after completion of the contract. These copies shall be made available for inspection by the Postal Service upon request.

E. Invoicing

Initially, the contractor shall submit hard copy invoices on a monthly basis to the COR. When the Postal Service makes electronic invoice processing available, the contractor agrees to submit invoices to the Postal Service using EDI (Electronic Data Interchange) in accordance with USPS-established EDI standards and procedures.

F. Security

The contractor must comply with all postal regulations relating to the handling of mail and must provide a satisfactory means of physical access control to the area in which Mailing Online documents will be prepared, processed, and stored. Any facility used for this contract is subject to review by the U.S. Postal Inspection Service, which will determine the adequacy of the security measures. Although not required in all facilities, electronic access control, closed circuit television (CCTV), and video recording may be considered enhanced security. The contractor must demonstrate a high degree of security for Mailing Online documents and files, including access only by authorized persons. Attachment I contains mail security requirements from the USPS Administrative Support Manual.

All contractor or subcontractor employees with access to USPS-provided data and/or documents will be required to undergo a security clearance. Attachment II details the three levels of clearance established by the USPS. All employees will be required to obtain at least a basic clearance. Some employees may be required to obtain a nonsensitive or sensitive clearance based on their job responsibilities. In addition, all contractor or subcontractor employees may be asked to sign a nondisclosure agreement.

The contractor shall submit completed security clearance forms and other data required by the above referenced document to the COR within ten days of contract award. For any new employee assigned to Postal Service work, the contractor must submit the forms and data and receive appropriate clearance before the employee begins such work. The contractor shall be responsible for obtaining security clearance forms and data for all subcontractor personnel.

All excess hard copy generated as a result of this contract, including printed or partially printed waste, must be shredded and disposed in accordance with local laws and regulations. The Postal Service recommends recycling of the shredded paper if such service is available.

The contractor shall erase all electronic versions of a customer's job from the contractor's equipment upon completion of the job. The contractor shall not archive customers' jobs in any form whatsoever. After deletion of the job from the contractor's equipment, any reprints will require the customer to resubmit the job, even if the need to reprint is caused by a contractor error.

Jobs performed under this contract must not be commingled with other jobs at the contractor's site. If different stages of the work (e.g., production, finishing, distribution) are performed in separate locations, the contractor must provide adequate security when transporting materials from one site to another. In addition, any subcontractor's site must provide the same high degree of security as the contractor's site. The contractor must also provide adequate security when transporting the finished envelopes to the Postal Service BMEU.

G. Contract Start-Up

Contract performance will begin approximately 60 days after contract award. During this start-up period, the USPS will process the contractor's security clearance forms, will install the T1 line and FTP file server, and will conduct in-depth security reviews to determine what facility modifications, if any, are needed to ensure adequate security of the mail. The contractor will be required to implement any needed security enhancements before the end of the 60 day start-up period. The Postal Service shall have the right to review the facility, as modified, to ensure adequate security is provided.

VII. Items Provided by the Postal Service

- File server for receipt of data
- Dedicated telecommunications lines

VIII. Items Provided by the Contractor

- · All printing equipment
- All printing supplies including paper and envelopes
- Space, power, and environment for server and telecommunications

Attachment I (Excerpts from USPS Administrative Support Manual)

274 Mail Security

274.1 Importance

The Postal Service must preserve and protect the security of all mail in its custody from unauthorized opening, inspection, or reading of contents or covers; tampering; delay; or other unauthorized acts. Any postal employee committing or allowing any of these unauthorized acts is subject to administrative discipline or criminal prosecution leading to fine, imprisonment, or both. In cases when an employee having a question about proper mail security procedures cannot consult a supervisor and when the procedures are not clearly and specifically answered by postal regulations or by written direction of the Inspection Service or General Counsel, the employee must resolve the question by protecting the mail in all respects and moving it, or letting it move, without interruption, to its destination.

274.2 Opening, Searching, and Reading Mail Generally Prohibited

274.21 Mail Sealed Against Inspection

No person may open mail sealed against inspection; or search, inspect, read, or disclose information obtained from the mail or its contents; or surrender all or any part of such mail, whether or not such is believed to contain criminal or other nonmailable matter; except to the extent one or more of these actions is permitted because the person is:

- a. A postal employee in a mail recovery center acting under the dead mail regulations in Postal Operations Manual (POM) 65.
- b. A postal employee acting with the consent of the addressee or sender.
- c. A person executing a search warrant under 274.6.
- d. An authorized U.S. Customs Service or U.S. Department of Agriculture employee acting under 274.91 or 274.92.
- e. A postal inspector acting under 274.91d.
- f. A postal employee disclosing information under 274.5.
- g. An agricultural inspector of a state or territory of the United States, acting under the Terminal Inspection Act (7 U.S.C. 166) and in strict accordance with pertinent procedures in Publication 14, Mailing Animals, Plants, and Related Matter: Restrictions and Prohibitions.
- h. Acting as otherwise expressly permitted by federal statutes or postal regulations.

274.22 Mail Not Sealed Against Inspection

Mail not sealed against inspection may be opened, and its contents searched, inspected, and read, all or any part of it surrendered, and information obtained from it released, but only to the extent a person is permitted to take one or more of these actions under the following conditions:

- a. Under any of the conditions that qualify for an exception under 274.21.
- b. When an authorized postal employee must determine the mailability of the contents or the applicable postage.
- c. As otherwise expressly permitted by federal statutes or postal regulations.

274.23 Definitions

274.231 Mail Sealed Against Inspection

The following terms and definitions apply:

a. For purposes of this part, the terms "mail sealed against inspection" and "sealed mail" mean mail on which appropriate postage is paid, and which, under postal laws and regulations, is included within a class of mail maintained by the Postal Service for the transmission of letters sealed against inspection.

- b. The terms include First-Class Mail, Priority Mail, Express Mail (domestic and international), Mailgram messages, and the international letter mail forming part of the LC class of Postal Union mail. See the definition of Postal Union mail in the International Mail Manual.
- c. The terms exclude incidental First-Class matter permitted to be enclosed in or attached to certain second-, third-, or fourth-class mailings (see DMM E070) and international transit mail (see 274.8).
- d. When sealed mail is part of a mixed class mailing (see DMM E070), the sealed mail component of the combination item is treated as sealed mail only if it is contained in its own envelope or other form of sealed container.

274.232 Mail Not Sealed Against Inspection

The following terms and definitions apply:

- a. For purposes of this part, the terms "mail not sealed against inspection" and "unsealed mail" mean mail on which appropriate postage for sealed mail is not paid, and which under postal laws or regulations is not included within a class of mail maintained by the Postal Service for the transmission of letters sealed against inspection.
- b. The terms include Periodicals, Standard Mail, incidental First-Class attachments or enclosures mailed under DMM E070, and (as defined in the International Mail Manual) international parcel post mail, the AO class of Postal Union mail, and the international post cards and postal cards forming part of the LC class of Postal Union mail.
- c. The terms do not include international transit mail (see 274.8).

[Section 274.24 omitted]

274.3 Permissible Detention of Mail

274.31 Sealed Mail Generally Not Detained

No one may detain mail sealed against inspection (other than a postal employee detaining dead mail), except under the following conditions:

- a. A postal inspector acting diligently and without avoidable delay, upon reasonable suspicion, for a brief period of time, to assemble evidence sufficient to satisfy the probable-cause requirement for a search warrant under 274.6, and to apply for, obtain, and execute the warrant.
- b. A postal inspector acting under 39 U.S.C. 3003 who causes to be withheld from delivery mail that he or she believes is involved in a scheme described in that statute if prompt written notice is given to the addressee advising the addressee of such action, the reasons for the action, and the addressee's right to have such action reviewed under 39 CFR 964.
- c. A postal inspector acting under 39 U.S.C. 3004 who causes to be withheld from delivery letters or parcels sent in the mail to places not the residence or regular business address of the person to whom they are intended to enable the person to escape identification, if prompt written notice is given to the addressee advising the addressee of such action, the reasons for such actions, and the addressee's right to have such action reviewed under 39 CFR 964.



- d. A postal employee acting in strict accordance with postal regulations (for example, 274.4 or DMMT 153.145).
- e. A postal employee acting under postal regulations with the addressee's or sender's express consent (for example, DMM D030 or DMMT 153.19).
- f. A postal employee acting under an order issued under 39 U.S.C. 3005, relating to false representations, lotteries, and unlawful matter.
- g. A postal employee acting under 274.62.
- h. A postal employee conducting a mail count by direction of a postmaster or a postal inspector.
- i. A postal employee acting under a federal court order.
- j. A postal employee, during the period required to seek and obtain instructions under DMMT 153.7, concerning mail whose delivery is in dispute, or under 424.1 of the Postal Operations Manual (POM) concerning legal process, other than a search warrant duly issued under Rule 41 of the Federal Rules of Criminal Procedure, purporting to require the surrender of mail matter.
- k. A postal employee or an agricultural inspector of a state or territory of the United States, acting under the Terminal Inspection Act (7 U.S.C. 166) and in strict accordance with pertinent procedures in Publication 14.

274.32 Unsealed Mail

Mail not sealed against inspection may be delayed or detained for the reasons in 274.31, and as otherwise expressly permitted by postal regulations.

[Section 274.4 omitted]

274.5 Disclosure of Information Collected From Mail Sent or Received by Customers

Except under 274.5a through 274.5g, no employee may, in the performance of official duties, disclose information on the cover of a piece of mail; information from the contents of a piece of mail inspected as authorized; or other information about a piece of mail sent or received by any sender, addressee, or group of senders or addressees. An employee may disclose such information:

- a. To the Postal Inspection Service for its official use, including appropriate reference to law enforcement authorities, when there is a reasonable basis to suspect that such information is evidence of the commission of a crime. This exception does not apply to information obtained by opening sealed mail in a mail recovery center, as that information may be used only in seeking to identify an address at which the mail can be delivered.
- b. Under 213 regarding mail covers.
- c. Under a search warrant in accordance with 274.6.
- d. Under a federal court order.

- e. At the request of the sender or addressee, or the authorized agent of either.
- f. From the covers of mail by films or photocopies of the covers only for the following postal operations:
- (1) Resolving or recording a service complaint when the complaining customer presents the cover as evidence.
- (2) Serving in place of Form 3546 if the film or copy shows nothing but the addressee's prior and current addresses, and does not reveal the sender's name and address, the postmark, or any other information.
- (3) Serving in place of Form 3547 by showing the cover with an address-correction label affixed in reply to a mailer's request for address correction on First-, third-, or fourth-class mail.
- (4) Notifying a mailer of addressing inaccuracies affecting OCR readability if the film or copy is secured in a locked cabinet, then destroyed as soon as the mailer resolves the inaccuracies.
- (5) Facilitating internal postal operations under specific authorization from the chief postal inspector and written instructions from the records officer not to disclose the information outside the Postal Service, and to destroy the film or copy after a given retention period.
- (6) Resolving a problem of machine missorting or of miscoded or unreadable OCR mail if the information is disclosed only to the postal employees resolving the problem and that the copy is destroyed immediately after resolution of the problem.
- (7) Resolving a problem that involves Express Mail and is based on a complaint from the sender or addressee, a refund request from the sender, or an internal service report if the information is disclosed only to the postal employees resolving the problem and that the film or copy is destroyed immediately after resolution of the problem.
- (8) Providing information to a Postal Service contractor in the performance of a contract with the Postal Service, but only if disclosure is authorized by the chief postal inspector and use of the information is in strict compliance with contract clause 1-7, Non-Disclosure of Address Information (Appendix B of Publication 41, USPS Procurement Manual).
- g. From the covers of mail to document the mailing of an item that has, or is reasonably suspected of having, improper postage of any kind. This subsection may be used only by a postal inspector or by a postal employee acting at the direction of a postal inspector, and any documentation must be destroyed when it is no longer needed for official use.
- h. If otherwise permitted by postal regulations.

[Section 274.6 omitted]

274.7 Cooperation With Federal, State, and Local Agencies

A postal employee receiving a request from a federal, state, or local law enforcement, intelligence, or other government agency, for access to, or information about, particular mail matter of any class in the custody of the Postal Service must refer the request to the Postal Inspection Service. The employee must include an explanation that the Inspection Service is responsible for liaison with all government agencies with respect to a request of this kind. No employee of the Inspection Service may comply with such a request, unless authorized by postal regulations.

[Sections 274.8 and 274.9 omitted]

Attachment II (Excerpt from USPS Administrative Support Manual)

272.3 Clearances for Individuals Under Service Contracts

272.31 General

272.311 Who Must Have Clearances

Individuals who provide contract services to the Postal Service, including contractors, contractors' employees, subcontractors, and subcontractors' employees at any tier, who have access to occupied postal facilities and/or to postal information and resources, including postal computer systems must obtain clearance from the Postal Service, as provided in 272, before being provided that access.

272.312 Exceptions

This section does not apply to contractors providing services (including repairs and alterations) under local buying authority or to individuals providing mail transportation services under contract. (See MI PO-530-91-8 for screening procedures for mail transportation contracts.) For contractors providing services under local buying authority, the postal manager must take reasonable security precautions before allowing these individuals to enter a postal facility, such as examining their past job performances, local criminal histories, and knowledge of their respective companies. To the extent possible, these individuals should have access to facilities only when postal employees occupy the facility.

272.32 Requirements

272.321 Levels of Clearance

As outlined below, four levels of clearance — basic, nonsensitive, sensitive, and interim sensitive — are available:

- a. Basic clearance clearance required for individuals who have access to postal facilities, but who do not require a higher level of clearance as provided herein. Exception: Individuals whose access would otherwise require a basic clearance do not require it if they need to have access for less than 2 weeks. Clearance is required if access is extended beyond 2 weeks.
- b. Nonsensitive clearance clearance required for individuals who have access to postal information, that if compromised, would have limited impact on the mission of the Postal Service, or who have restricted access to postal computer systems, such as for word processing or data entry.
- c. Sensitive clearance clearance required for individuals who have access to sensitive information that, if compromised, would cause significant financial loss, inconvenience, or delay in the performance of the mission of the Postal Service, or who have physical access to restricted areas in postal facilities such as computer rooms and tape libraries, or who have access to computer systems such as on-site or remote terminals for systems development or accessing sensitive systems or data. Exception: Individuals whose access would otherwise require a sensitive clearance require only a nonsensitive clearance if they are assigned to a contract for 60 days or less.
- d. Interim sensitive clearance preliminary clearance granted for individuals for whom there is a priority need to begin work before the completion of a sensitive clearance.

272.322 Citizenship

Individuals requiring a nonsensitive clearance, sensitive clearance, or interim sensitive clearance must be United States citizens, except that permanent resident aliens and other citizens of foreign countries may provide services with the prior approval of the Postal Career Executive Service (PCES) manager for whom the services are required.

272.33 Responsibilities

272.331 Contracting Officer, Requiring Activities, and Contracting Officer's Representative

The organizations requiring contract support and the contracting officer review the scope of work to determine whether the nature of the work requires contracted individuals to have a clearance pursuant to these procedures. If so, a provision referencing these requirements and procedures is included in the solicitation documents. At the time of contract award, the contracting officer, the contracting officer's representative (COR), or a designee provides the contractor with the required clearance forms and receives the forms upon completion.

- a. Basic clearance. The contracting officer, the COR, or a designee may allow individuals needed immediately by postal management to have limited access to the postal facility for up to 2 weeks, under the supervision of a postal employee, pending the receipt of the completed certifications for the basic clearance. Upon receipt, the contracting officer, the COR, or a designee reviews them for completeness and adequacy. If the information provided is satisfactory, the contracting officer, the COR, or a designee authorizes the issuance of an identification badge (Form 5140, Non-Postal Service Contractor Employee) to the contract employee.
- b. Nonsensitive, sensitive, and interim sensitive clearances. Upon receipt of the completed forms for the nonsensitive, sensitive, and interim sensitive clearances, the contracting officer, the COR, or a designee reviews them for completeness and adequacy and forwards them to:

SECURITY CLEARANCES
US POSTAL INSPECTION SERVICE
225 N HUMPHRIES BLVD
4TH FLOOR SOUTH
MEMPHIS TN 38161-0008

Individuals requiring a nonsensitive clearance, sensitive clearance, or interim sensitive clearance may begin work when they receive notification that the security clearance has been granted. The contracting officer, the COR, or a designee authorizes the issuance of an identification badge (Form 5140) to the contract employee.

272.332 Inspection Service

The Inspection Service Operations Support Group (ISOSG) performs the following record checks before granting clearances. The ISOSG notifies the contracting officer, the COR, or a designee by memorandum when an individual has been granted or denied a security clearance. When contractor access to a computer is involved, the computer system security officer is also notified.

a. Before granting a nonsensitive, sensitive, or interim clearance, the ISOSG searches the Postal Inspection Service's data bases.



- b. Before granting a nonsensitive, sensitive, or interim clearance, the ISOSG searches the National Crime Information Center (NCIC) Wants and Warrants.
- c. Before granting a sensitive clearance, the ISOSG requests a National Agency Check (NAC) from the Office of Personnel Management (OPM) that includes the following:
- (1) Security/Suitability Investigation Index (SII) index of background investigations, those that are completed by OPM and those conducted by other federal investigative agencies. OPM file retention is 15 years, or 25 years for an investigation that contains actionable information.
- (2) FBI Identification Division fingerprint index of arrest records and name file.
- (3) Defense Clearance and Investigation Index (DCII) index of investigations conducted on Department of Defense civilian and military personnel.

272.34 Documentation

272.341 General

If an individual has a current security clearance from another federal agency, the contractor should provide documentation from that federal agency describing the clearance granted, the date it was granted, and the name and telephone number of an agency contact person.

272.342 Basic Clearance

Contractors employing individuals who require a basic clearance must provide the documentation to the contracting officer, COR, or a designee, before individuals are authorized to enter a postal facility in connection with contract performance. The contractor must also maintain supporting documentation for drug screening tests and criminal history inquiries subject to review by the Postal Service. Contractors must provide certification that each individual:

- a. Has passed a screening test for all of the controlled substances listed in Section 102(6) of the Controlled Substances Act (21 U.S.C. Section 802(6)). The certification must include the name of the employee, the name of the institution that performed the test, the name of the agency that certified the laboratory, the date of the test (within 90 days of the submission of the results), and the negative results of the test.
- b. Is not on parole, probation, or under suspended sentence for commission of a felony.
- c. Has not been convicted of a criminal violation during the past 5 years for offenses that involved dishonesty, moral turpitude, financial gain, or assault.
- d. Has not engaged in the illegal use, possession, sale, or transfer of narcotics or other illicit drugs during the past 5 years.
- e. Does not have pending serious criminal charges such as murder, rape, robbery, burglary, physical assaults, sale and distribution of drugs, or weapons violations. If criminal charges are pending, the basic clearance is not to be authorized until the charges have been resolved.



272.343 Nonsensitive Clearance

Contractors employing individuals who require a nonsensitive clearance must provide to the contracting officer, the COR, or a designee the following documentation for each individual before these individuals are authorized to enter a postal facility in connection with contract performance:

- a. Form 2181-C, Authorization and Release Background Investigations (USPS Contractors and Employees of Contractors).
- b. Form 1357, Request for Computer Access (if access to postal computer systems is required).
- c. Results from a criminal history inquiry through local agencies (in this preferred order state, county, city), where the individual has resided and has been employed during the past 5 years.
- d. Results of a credit bureau inquiry to identify any derogatory financial information concerning the individual.
- e. Verification of the individual's employment history for the past 5 years, including a list of reasons for termination or resignation from prior employers.
- f. Verification of the individual's United States citizenship through review of a birth certificate or naturalization document.
- g. Certification that the individual has passed a drug screening test pursuant to procedures for a basic clearance.
- h. Form 2025, Contract Personnel Questionnaire.

272.344 Sensitive Clearance

Contractors employing individuals who require a sensitive clearance must provide documentation to the contracting officer, the COR, or a designee for each individual before that individual is authorized to enter a postal facility in connection with contract performance. Exception: The initial submission of information required for individuals who had been previously granted a sensitive clearance and who have had a break in service of 6 months or less is to be handled on a case-by-case basis. The complete screening process is required for an individual that has had a break in service of 6 months or more. The documents needed are:

- a. Items (a) through (g) listed above for the nonsensitive clearance.
- b. Form 2013, Sensitive Security Clearance Processing Request.
- c. SF 85P, Questionnaire for Public Trust Position.
- d. FD 258, Applicant Fingerprint Chart (two copies). The fingerprint cards must be signed and dated by someone with experience taking fingerprints.

272,345 Interim Sensitive Clearance

When individuals are to begin work under an interim sensitive clearance, contractors must initially provide the contracting officer, the COR, or a designee with items (c) through (g) required pursuant to procedures for the nonsensitive clearance (discussed in 272.343) for each individual before authorization can be granted to enter a postal facility in connection with contract performance.

272.35 Grounds for Denial or Revocation

A sensitive, nonsensitive, or interim clearance can be denied or revoked based on the information developed during either the initial investigation or an investigation to update a clearance. The denial or revocation can be based on an appraisal of circumstances surrounding serious incidents involving the individual, regardless of the time frame, related to the following:

- a. Refusal to furnish information requested pursuant to applicable laws, rules, and regulations that would aid in the determination of qualifications for a security clearance.
- b. Intentional, unauthorized disclosure or exposure of national security information, documents, or material classified under Executive Order 12065.
- c. Dismissal from prior employment for cause.
- d. Prior criminal conduct that could undermine the efficiency of the Postal Service or the safety of postal employees.
- e. Intentional false statements, deception, or fraud in an application for clearance or in a submission of information furnished incidental to a contract with the Postal Service.
- f. Habitual use of intoxicating beverages to excess.
- g. Use of narcotics or dangerous drugs.
- h. Reasonable doubt as to the loyalty to the government of the United States.
- i. Conviction for theft, embezzlement, or crimes of violence, including assault with a deadly weapon.
- j. Any other circumstance that makes the individual unfit to do business with the Postal Service.

272.36 Reconsideration of Denial

An individual employed by a contractor, through the contractor, may request that the denial of a request for a clearance be reconsidered, and may present new information on his or her behalf. The chief inspector considers any new evidence presented and advises the contracting officer of the decision. The contractor's remedies for the failure of the Inspection Service to grant a requested clearance, either initially or following reconsideration, are to be provided in the contract.

1	COMMISSIONER LeBLANC: Next I want to deal with
2	the Postal Service response to Notice of Inquiry Number 1,
3	Issue 5. No witness responded to that response. I will
4	treat that response as an admission under Rule 27 and admit
5	it into evidence.
6	I am handing the Reporter two copies of Postal
7	Service response to Notice of Inquiry 1, Issue 5 to be
8	transcribed into the record at this point. Mr. Reporter, two
9	copies.
10	[Postal Service response to Notice
11	of Inquiry 1, Issue 5 was received
12	into evidence and transcribed into
13	the record.]
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RESPONSE OF UNITED STATES POSTAL SERVICE TO NOTICE OF INQUIRY NO. 1, ISSUE 5

The Commission queries in Issue 5 whether joint marketing costs that promote Mailing Online should be attributed to Mailing Online, and if so, how the cost attribution should be quantified. As the Postal Service has noted, the key facts are that no marketing is focused exclusively on Mailing Online, other products are promoted in the same ads along with Mailing Online, and further, if Mailing Online were not present in the Postal Service's product mix, the marketing cost would be undiminished. Given these facts, it would be inappropriate to attribute any joint promotion costs to Mailing Online.

Product costs can be used to help set rates in two ways. The first recognizes that a cost may vary to a certain degree as marginally more volume of a product is sold. It is widely accepted that such information should be incorporated in the rates at which the product is offered to customers. But in this case, Mailing Online advertising costs will not change as customers avail themselves of marginally more (or less) of the product.

The second way stems from an assessment of the change in total cost that would occur if a product were not offered and everything else remained the same. That change in costs is referred to as the product's incremental cost.

If a product earns revenue sufficient to cover its incremental cost, then we can be sure it is receiving no subsidy from the customers of other products.

Once again, however, it may be observed that postal advertising costs would not diminish if Mailing Online, by itself, were not offered as a product. Therefore, joint promotion costs form no part of the incremental cost of Mailing Online and should not be attributed to it on this basis.

RESPONSE OF UNITED STATES POSTAL SERVICE TO NOTICE OF INQUIRY NO. 1, ISSUE 5

If the Commission nonetheless chose to allocate a portion of joint marketing costs to Mailing Online, the question would remain whether a non-arbitrary method exists to determine Mailing Online's "share" of those costs.

Regardless of the allocation method selected, the procedure would increase the revenue that Mailing Online would be required to earn. But since the revenue earned by Mailing Online is already great enough to cover its incremental cost, and therefore to ensure that it receives no subsidy, additional increases cannot further the goal of fairness; moreover, it is unclear what policy goal would thereby be served. Hence, any choice between allocation methods would necessarily be arbitrary.

COMMISSIONER LeBLANC: Mr. Reiter, will you now 1 2 identify your witness so that she can be sworn in? MR. REITER: Yes, Mr. Presiding Officer. 3 Our next witness is Beth Rothschild. 4 5 Whereupon, BETH ROTHSCHILD, 6 a witness, was called for examination by counsel for the 7 U.S. Postal Service and, having been first duly sworn, was 8 examined and testified as follows: 9 COMMISSIONER LeBLANC: Ms. Rothschild, your direct 10 testimony has already been received into evidence in this 11 12 case. Have you had an opportunity to examine the packet 13 of designated written cross examination that was made 14 available to you earlier this morning? 15 THE WITNESS: Yes, I have. 16 COMMISSIONER LeBLANC: If these questions were 17 asked of you today, would your answers be the same as those 18 you previously provided in writing? 19 THE WITNESS: Yes, I would. 20 MR. REITER: Mr. Presiding Officer, I have one 21 more thing that we probably should do now. 22 In reviewing her testimony for hearings today, the 2.3

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like to point out on the record.

witness identified three typographical errors which we would

24

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1		Ι	have	revi	sed	pages	if	you	would	like	those	for
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the Reporter, but I will go through and explain what they

- 3 were.
- 4 COMMISSIONER LeBLANC: Fine.
- 5 MR. REITER: They are merely typographical.
- 6 COMMISSIONER LeBLANC: Fine. If you have got some
- 7 revised copies for the Reporter, we would appreciate that,
- 8 too, but I would like to hear them, please.
- 9 MR. REITER: On page 18, the first line after the
- heading D-1, there is the word "interviewing" in that line.
- 11 That should be deleted.
- On page 20, after the heading 3, the second line,
- about half-way in, has the words "response bias."
- That should be "non-response bias" -- "n-o-n"
- 15 hyphen.
- MR. WIGGINS: Mr. Presiding Officer, I'm sorry. I
- 17 missed that one. Could you do that again, Scott?
- MR. REITER: I'll repeat that -- page 20 --
- 19 MR. WIGGINS: Right.
- 20 MR. REITER: After the heading 3 --
- 21 MR. WIGGINS: Got you.
- MR. REITER: -- second line, right before the word
- "response" add "non".
- MR. WIGGINS: Thank you.
- MR. REITER: And on page 24 the first section of

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1	Table 8, following the total row over and the total column
2	down, you will see the number 177. That should be "277"
3	if you actually add up those numbers you get 277 so there is
4	no change to any numbers here. It was just a typographical
5	error.
6	COMMISSIONER LeBLANC: Can you provide two copies
7	of the corrected designated written cross examination of
8	Witness Rothschild to the Reporter, and I direct that they
9	be accepted into evidence and transcribed into the record at
10	this point.
11	MR. REITER: Thank you.
12	[Designation of Written
13	Cross-Examination of Beth
14	Rothschild, USPS-T4, was received
15	into evidence and transcribed into
16	the record.]
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BEFORE THE POSTAL RATE COMMISSION WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION OF UNITED STATES POSTAL SERVICE WITNESS BETH B. ROTHSCHILD (USPS-T4)

Party

Interrogatories

Office of the Consumer Advocate

OCA/USPS-T4-36-38, 44-45

PB/USPS-T4-1-4

Pitney Bowes Inc.

PB/USPS-T4-1-4

Respectfully submitted,

Margaret P. Urrakaw

Margaret P. Crenshaw

Secretary

INTERROGATORY RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS BETH B. ROTHSCHILD (T4) DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:	Designating Parties:
OCA/USPS-T4-36	OCA
OCA/USPS-T4-37	OCA
OCA/USPS-T4-38	OCA
OCA/USPS-T4-44	OCA
OCA/USPS-T4-45	OCA
PB/USPS-T4-1	OCA, Pitney Bowes
PB/USPS-T4-2	OCA, Pitney Bowes
PB/USPS-T4-3	OCA, Pitney Bowes
PB/USPS-T4-4	OCA, Pitney Bowes

OCA/USPS-T4-36. 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.

- a. Please confirm that the prices in the rate card entitled "Next-Day Delivery" reflect the rates of postage for First Class Mail. If you do not confirm, please explain.
- b. Please confirm that the prices in the rate card entitled "Standard (Two-To Five-Day) Delivery" reflect the rates of postage for Standard (A) mail. If you do not confirm, please explain.
- c. Please confirm that the prices in the rate cards entitled "Next-Day Delivery" and "Standard (Two-To Five-Day) Delivery" reflect the rates of postage that are to be effective on January 10, 1999. If you do not confirm, please explain.
- d. For the "Next-Day Delivery" and "Standard (Two-To Five-Day) Delivery" rate cards, please provide the amount of postage assumed in the prices shown in each cell.

RESPONSE:

- a,b,c. All prices in each rate card were the sum of a postage and production cost given to us by the Postal Service.
- d. The following postage rates were assumed for both the *simplex and duplex next-day delivery* commercial prices at the 25% contribution margin.

First Class Postage (Automation Presort, 3-Digit Letter-Size, 3/5 Flat-Size)

		Let	ter-Size	, 3/3 FIAT-SIZ	e)	
1-2 pages	\$0.254	\$0.254	\$0.254	\$0.254	\$0.500	\$0.500
1-4 pages	\$0.254	\$0.254	\$0.254	\$0.254	\$0.684	\$0.684
5-6 pages	0.484	0.484	0.684	0.684	0.914	0.914
7-10 pages	0.684	0.684	0.914	0.914	1.144	1.144
11-15 pages	0.914	` 0.914	1.144	1,144	1.374	1.374
16-20 pages	1.144	1.144	1.374	1.374	1.604	1.604
21-25 pages	1.374	1.374	1.604	1.604	1.834	1.834
26-30 pages	1.604	1.604	1.834	1.834	2.064	2.064
31-35 pages	1.834	1.834	2.064	2.064	2.294	2.294
36-40 pages	2.064	2.064	2.294	2.294	2.524	2.524
41-45 pages	2.294	2.294	2.524	2.524	2.89	2.89
46-48 pages	2.524	2.524	2.89	2.89	2.89	2.89

The following postage rates were assumed for *duplex standard delivery* commercial prices at the 25% contribution margin.

Standard Rate Duplex										
Pages		Non-Ltr	Pages	Ltr-Size	Non-Ltr					
1	0.162		25	-	\$0.2422					
2	0.162		26	-	\$0.2500					
3	0.162		27	-	\$0.2577					
4	0.162		28	-	\$0.2654					
5	0.162		29	-	\$0.2731					
6	0.162		30	-	\$0.2809					
7	•	\$0.1760	31	-	\$0.2886					
8	-	\$0.1760	32	_	\$0.2963					
9	-	\$0.1760	33	•	\$0.3041					
10	-	\$0.1760	34	-	\$0.3118					
11	+	\$0.1760	35	-	\$0.3195					
12	-	\$0.1760	36	-	\$0.3272					
13	-	\$0.1760	37	-	\$0.3350					
14	-	\$0.1760	38	-	\$0.3427					
15	-	\$0.1760		-	\$0.3504					
16		\$0.1760	40		\$0.3582					
17	-	\$0.1804	41	-	\$0.3659					
18	-	\$0.1881	42	•	\$0.3736					
19	-	\$0.1958	43	-	\$0.3813					
20	_	\$0.2036	44	-	\$0.3891					
21	•	\$0.2113	45		\$0.3968					
22	-	\$0.2190	46	•	\$0.4045					
23	•	\$0.2268	47	-	\$0.4123					
24	-]	\$0.2345	48	-	\$0.4200					

The following postage rates were assumed for *simplex standard delivery* commercial prices at the 25% contribution margin.

Standard Rate Simplex										
Pages	Ltr-Size				Non-Ltr					
1	0.162		25	•	\$0.2422					
2	0.162		26	-	\$0.2500					
3	0.162		27	-	\$0.2577					
4	0.162		28	-	\$0.2654					
5	0.162		29	-	\$0.2731					
6	0.162		30	•	\$0.2809					
7	-	\$0.1760	31	-	\$0.2886					
8	•	\$0.1760	32	-	\$0.2963					
9	-	\$0.1760	- 33	-	\$0.3041					
10	-	\$0.1760	34	-	\$0.3118					
11	-	\$0.1760	35	-	\$0.3195					
12	-	\$0.1760	36	•	\$0.3272					
13	-	\$0.1760	37	•	\$0.3350					
14	-	\$0.1760	38	-	\$0.3427					
15	-	\$0.1760	39	-	\$0.3504					
16	-	\$0.1760	40	-	\$0.3582					
17	-	\$0.1804	41	-	\$0.3659					
18	- T	\$0.1881	42	-	\$0.3736					
19	- 1	\$0.1958	43	-	\$0.3813					
20	-	\$0.2036	44	-	\$0.3891					
21	-	\$0.2113	45	-	\$0.3968					
22	-	\$0.2190	46	-	\$0.4045					
23	· -	\$0.2268	47	-	\$0.4123					
24	-	\$0.2345	48	-	\$0.4200					

OCA/USPS-T4-37. Please refer to NetPost's Commercial Prices, at the 25 percent contribution margin, for "Next-Day Delivery" shown on the rate card that appears at the end of Attachment E in USPS-LR-2/MC98-1.

- a. Please confirm that there is no price per piece associated with 1-2 page, 11x17 Black & White or Spot color, Simplex pieces. If you do not confirm, please explain and provide the price per piece.
- b. Please confirm that 1-2 page, 11x17 Black & White or Spot color, Simplex pieces was not offered as an option to survey respondents. If you do not confirm, please explain.
- c. Please confirm that you have estimated no Mailing Online volume for 1-2 page, 11x17 Black & White or Spot Color, Simplex pieces. If you do not confirm, please explain.

RESPONSE:

a,b,c. Confirmed.

OCA/USPS-T4-38. 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.

- a. In the row labeled "More than 15 pages" on the "Next-Day Delivery" and "Standard (Two-To-Five Day) Delivery" rate cards, please confirm that the "Applicable postage rate + per page production cost" represents a weighted average price per piece for Simplex and Duplex 8.5x11, 8.5x14, and 11x17 Black & White and Spot color. If you do not confirm, please explain.
- b. In the row labeled "More than 15 pages" on the "Next-Day Delivery" and "Standard (Two-To-Five Day) Delivery" rate cards, please provide the "Applicable postage rate + per page production cost" for Simplex and Duplex 8.5x11, 8.5x14, and 11x17 Black & White and Spot color.

RESPONSE:

a,b Not confirmed. Each category of color, size of paper, delivery time, and number of sides was calculated separately. The applicable postage rate + per page production cost on which revenue estimates were based for the category of more than 15 pages was an average of the prices for 16-40 pages as shown in the chart below. For example, the price for more than 15 pages, black and white, next-day, simplex is \$2.89. It was computed by summing the prices for the five categories and dividing by five.

	Black & White			Spot		
NEXT-DAY	8.5 x 11	8.5 x 14	11 x 17	8.5 x 11	8.5 x 14	11x 17
DELIVERY	Ì	<u> </u>		<u> </u>		
Simplex 16-20 pages	\$1.97	\$2.23	\$2.83	\$2.91	\$3.17	\$3.79
21-25 pages	\$2.43	\$2.69	\$3.39	\$3.63	\$3.89	\$4.61
26-30 pages	\$2.89	\$3.16	\$3.96	\$4.34	\$4.61	\$5.44
31-35 pages	\$3.34	\$3.62	\$4.52	\$5.06	\$5.34	\$6.27
36-40 pages		\$4.09	\$5.08	\$5.78	\$6.06	\$7.09
More than		\$3.16	\$3.96	\$4.34	\$4.61	\$5.44
15 pages	<u> </u>					

8.5 x 11 | 8.5 x 14 11 x 17 | 8.5 x 11 | 8.5 x 14 | 11x 17

Duplex	16-20 pages	\$2.20	\$2.46	\$3.39	\$3.16	\$3.42	\$4.43
	21-25 pages	\$2.73	\$2.99	\$4.08	\$3.95	\$4.21	\$5.40
	26-30 pages	\$3.25	\$3.52	\$4.77	\$4.73	\$5.00	\$6.36
	31-35 pages [\$3.77	\$4.05	\$5.46	\$5.52	\$5.80	\$7.33
	36-40 pages [\$4.29	\$4.58	\$6.15	\$6.30	\$6.59	\$8.29
	More than 15 pages		\$3.52	\$4,77	\$4.73	\$5.00	\$6.36

		Bla	ack & Wi	k & White		Spot		
STAND	ARD	8.5 x 11	8.5 x 14	11 x 17	8.5 x 11	8.5 x 14	11x 17	
DELIVE	RY			}	1	†	1 1	
Simplex	16-20 pages	\$1.04	\$1.06	\$1.41	\$1.97	\$2.00	\$2.36	
	21-25 pages	\$1.30	\$1.34	\$1.78	\$2.50	\$2.53	\$3.00	
	26-30 pages	\$1.57	\$1.61	\$2.15	\$3.02	\$3.06	\$3.63	
	31-35 pages	\$1.83	\$1.88	\$2.52	\$3.55	\$3.60	\$4.27	
	36-40 pages	\$2.10	\$2.15	\$2.89	\$4.07	\$4.13	\$4.90	
								
	More than	\$1.57	\$1.61	\$2.15	\$3.02	\$3.06	\$3.63	
	15 pages	L						
		8.5 x 11	8.5 x 14	11 x 17	8.5 x 11	8.5 x 14	11x 17	
Duplex	16-20 pages	\$1.27	\$1.30	\$1.87	\$2.22	\$2.25	\$2.86	
	21-25 pages	\$1.60	\$1.63	\$2.37	\$2.82	\$2.85	\$3.64	
	26-30 pages	\$1.93	\$1.97	\$2.87	\$3.41	\$3.45	\$4.41	
	31-35 pages	\$2.26	\$2.31	\$3.37	\$4.01	\$4.06	\$5.19	
	36-40 pages	\$2.59	\$2.65	\$3.87	\$4.60	\$4.66	\$5.96	
	, ,				·			
	More than	\$1.93	\$1.97	\$2.87	\$3.41	\$3.45	\$4.41	
	15 pages					}	1	
•								

OCA/USPS-T4-44. Please provide volume estimates for the 1999-2003 time period based upon the rates and premailing fees in effect during the market test.

RESPONSE:

I am not aware of the rates and premailing fees expected to be in effect during the market test. It is not part of our contractual responsibilities to calculate these estimates.

OCA/USPS-T4-45. Please provide volume estimates for the 1999-2003 time period based upon the rates and premailing fees expected to be in effect during the experimental phase.

RESPONSE:

I am not aware of the rates and premailing fees expected to be in effect during the experimental test. It is not part of our contractual responsibilities to calculate these estimates.

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 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.



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.

RESPONSE OF POSTAL SERVICE WITNESS ROTHSCHILD TO PITNEY BOWES INTERROGATORIES

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.

RESPONSE OF POSTAL SERVICE WITNESS ROTHSCHILD TO PITNEY BOWES INTERROGATORIES

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.

PB/USPS-T4-4

Your response to MASA/USPS-T4-4 makes reference to survey answers to question 5 g, h, and i. Please supply the survey results for question 5 and each of its subparts.

RESPONSE:

	Weighted Unadjusted
Question #	Survey Results
5a	5,573,339,720
5b	1,434,078
5c	1,787,998,314
5d	785,092,857
5e	44,289,740
5f	6,441,026
5g	140,655,414
5h	18,938,498
51	395,852,826

1	[Discussion off the record.]
2	COMMISSIONER LeBLANC: Mr. Reiter, do you have the
3	actual this is the testimony here though.
4	MR. REITER: Yes, it is. That is what I was
5	referring to. These are corrections to her earlier filed
6	testimony. They were not originally transcribed. It was
7	not originally transcribed as is your practice.
8	COMMISSIONER LeBLANC: Okay. Just copy it into
9	the record then. We are just going to copy that into the
10	record now, Mr. Reiter.
11	MR. REITER: Yes, that's fine.
12	COMMISSIONER LeBLANC: I just want to make sure we
13	are on the same sheet of music.
14	MR. REITER: Sure are.
15	COMMISSIONER LeBLANC: Okay, Mr. Wiggins?
16	MR. WIGGINS: No objection at all.
17	COMMISSIONER LeBLANC: Okay, Okay, Mr.
18	Richardson?
19	MR. RICHARDSON: That's fine.
20	COMMISSIONER LeBLANC: Thank you.
21	[Corrected Direct Testimony of Beth
22	Rothschild was received into
23	evidence and transcribed into the
24	record.]
25	

Managers who were intimately involved in the questionnaire design and analytic phase of the study.

Each day, the results of all screening interviews were downloaded, and the completed questionnaires that had been received that day were uploaded into the questionnaire database. Progress reports were prepared daily to ensure that the sample was being worked according to the research protocol and that we were on target toward reaching the study quotas. The reports included the number of eligible and ineligible respondents, non-contacts and completed interviews by various demographic segments, including employee size and industry type.

D. Data Preparation Procedures

1. Cleaning Programs and Consistency Checks

Once collected, the data were subjected to a rigorous set of electronic and manual checks. Each day's data collected from the screening interviews were downloaded from the interviewing facility to our headquarters' offices. These were run through an electronic cleaning program (see Attachment H – Electronic Cleaning Program) which verified that the skip patterns and consistency checks built into the CATI program were working appropriately. In addition, the cleaning program checked that the Result of Call codes (ROCs) that had been assigned to each respondent matched the results of their screening questions and that only eligible respondents had been recruited for the main interview. (See Attachment I – Result of Call Summary Report.) These initial cleanings provided assurance that the CATI program was working correctly, the data layout provided from the interviewing facility was accurate, and that no corruption of the data occurred during the downloading process. Only after a day's data had passed the initial cleaning step was it merged into the master database, with the previous day's screening interviews.

When completed hard copy questionnaires were received, they were edited manually before the data were keyed. The editing process verified that all skip patterns were

assignment to confirm or correct the reported and recorded responses. If a respondent could not be reached, the interview was voided.

Upon completion of all callbacks and associated data changes, the data were weighted (see weighting section below for a detailed description of the weighting model and procedures.) After the weighting procedures were applied, a set of weighted frequencies were run for Question 1. The respondents were sorted according to the percentage of the total weighted volume accounted for by that respondent. Respondents who represented more than 20% of the total estimate were flagged for possible callback. Each case was examined carefully and many things were considered in determining the appropriateness of a callback. These included the number of variables for which a respondent appeared to be an outlier, the impact on the total estimate of their weight versus their actual reported volume, the type of business they were in, as well as whether they had been called back previously. Calls resulted in either data changes or confirmations with possible weight adjustments.

The callback process yielded a total of 118 questionnaires with data changes. In addition, 35 respondents were voided, either because they could not be reached, or because corrections could not be determined.

3. Weighting the Survey Data

Weights were created in order to project the sample's results to the universe and to correct for disproportionate sampling and non-response bias. Two different sets of weights were required:

- An "Application Weight" for those questions that were answered by the entire sample (i.e. questions about current volume and production and distribution costs), and
- A "Price Point Weight" for those questions that were answered by only half of the sample, under the split sample design described previously (i.e. questions about the response to NetPost assuming either the 25% or 50% price point).

Table 8
Completed Interviews*

	<u>l</u>	nvoices & Statemer	nts	
SIC	E	mployee Size Gro	up	
Group	1	2	<u>3</u>	<u>Total</u>
1	31	28	1	60
2	35	16	0	51
3	35	10	1	46
4	86	32	2	120
Total	187	86	4	277
	Annou	ncements & Confir	mations	
SIC	Ē	mployee Size Grou	nb	
<u>Group</u>	1	2	<u>3</u>	<u>Total</u>
1	36	14	7	57
2	22	18	1	41
3	36	25	5	66
4	45	37	6	88
Total	139	94	19	252
	· · · · · · · · · · · · · · · · · · ·	Advertising Mail		
SIC	Ē	mployee Size Grou	1D	
<u>Group</u>	1	<u>2</u>	<u>3</u>	<u>Total</u>
1 ·	11	1	1	13
2	31	10	0	41
3	29	5	2	36
4	20	25	4	58
Total	100	41	7	148

^{*}See page 5 for definitions of employee size and SIC group categories.

_	-4-
1	

1	COMMISSIONER LeBLANC: Ms. Rothschild, you also
2	provided an answer to Presiding Officer's Information
3	Request Number 2, Question 6. I am giving you two copies of
4	your answer to that question.
5	If you were asked that question orally this
6	morning or today, would your answer be the same as you
7	previously submitted in writing? And I have two copies here
8	if you need them.
9	THE WITNESS: Could I have them, please?
10	[Pause.]
11	THE WITNESS: Yes, my answer would be the same.
12	COMMISSIONER LeBLANC: So if you were asked that
13	question orally today, your answer would be the same as it
14	is written?
15	THE WITNESS: Yes.
16	COMMISSIONER LeBLANC: Thank you.
17	Could you please, Mr. Reiter, could one of you all
18	get those, please, and pass those to the Reporter, and I
19	would direct that they be transcribed into the record and
20	admitted into evidence at this time.
21	[Response of Witness Rothschild to
22	Presiding Officer's Information
23	Request Number 2, Question 6, was
24	received into evidence and
25	transcribed into the record.]



RESPONSE OF WITNESS ROTHSCHILD TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

6. Table 15 of USPS-T-4 presents volume estimates for Mailing Online broken down by number of pages and page sizes. The sum of these breakdowns do not match the totals presented in the same table. For example, the sum of the three page sizes for 1999 is 295,694, the sum of the number of page categories is 295,635 and the total for 1999 is 295,665. Discrepancies in these three totals exist for all years. Please reconcile these differences.

RESPONSE: The total volume estimate is the sum of the volume estimate reported by each respondent, on a weighted basis. The volume for each respondent was allocated to breakout categories by multiplying his/her total volume estimate by the percentage of the total that they indicated they would send in that breakout category. In some cases, this resulted in fractions of pieces being allocated to a breakout category. Due to limitations in our software, rounding in these cases may cause discrepancies between the totals.

For example, if a respondent indicated that he/she would send 100 pieces of NetPost, 1/3 in 8 ½ x 11 pages, 1/3 in 8 ½ x 14 pages, and 1/3 in 11 x 17 pages, we would allocate the breakout volume, to seven decimal places, as follows:

8 ½ X 11: 33.3333333

8 ½ X 14: 33.3333333

11 x 17: 33.3333333

TOTAL 99.9999999

There would be a discrepancy of .0000001 between this total and the original total of 100 pieces. When compounded over the entire sample, and by the weighting process, these miniscule rounding differences total to the 30 and 29 pieces mentioned above.



1	COMMISSIONER LeBLANC: Does any participant have
2	additional written cross examination for Witness Rothschild?
3	[No response.]
4	COMMISSIONER LeBLANC: Only one participant,
5	Pitney Bowes, has requested oral cross-examination of
6	Witness Rothschild.
7	Does any participant have oral cross-examination
8	for this witness at this time?
9	[No response.]
10	COMMISSIONER LeBLANC: Mr. Wiggins, we will start
11	with you.
12	MR. WIGGINS: Thank you, Mr. Presiding Officer.
13	CROSS-EXAMINATION
14	BY MR. WIGGINS:
15	Q Do you have available to you Ms. Rothschild, I
16	am Frank Wiggins for Pitney-Bowes. Do you have available to
17	you a document that I earlier provided to your counsel
18	called Pitney-Bowes Cross-Examination Exhibit?
19	COMMISSIONER LeBLANC: Could you speak up just a
20	tad?
21	MR. WIGGINS: Absolutely.
22	COMMISSIONER LeBLANC: Thank you, sir.
23	THE WITNESS: Yes, I do.
24	MR. WIGGINS: Would the bench like to have copies
25	of this? I am going to be taking the witness through some



7	numerical	examination?

- 2 COMMISSIONER LeBLANC: It would be helpful,
- 3 please. You do have copies for the reporter, if we need
- 4 them? Thank you.
- 5 BY MR. WIGGINS:
- Q Take a look with me, if you would, Ms. Rothschild,
- 7 at the first page of that document. That is, I believe, a
- 8 page, indeed, the first page out of a Library Reference that
- 9 you submitted, or that was submitted on your behalf?
- 10 A It was part of a response to an interrogatory.
- 11 Q I'm sorry. Help me to understand just what you
- are telling us here. Under the column headed 25 percent,
- 13 that first number, the weighted total number, what does that
- 14 represent?
- 15 A That represents the total number of businesses
- 16 that would send NETPOST volume at the 25 percent
- 17 contribution margin price point.
- 18 Q Okay. That's a number of businesses, and when it
- 19 says weighted, what does that mean?
- 20 A That means that, based on our survey, we
- 21 interviewed a certain number of businesses, and those
- 22 businesses were then projected to the population, the
- 23 eligible user population, in order to represent the total
- 24 universe.
- 25 Q So the next row down which says total unweighted,



- and the number there is 194, that is the actual number of
- 2 businesses that responded to your survey saying that we have
- 3 NETPOST mail, is that right?
- 4 A It is the number of businesses in response to the
- 5 question, how many of your existing pieces you would have
- 6 used NETPOST during the past months. So it is a subset of
- 7 the people that we actually interviewed.
- 8 Q But it is a number of businesses, not a number of
- 9 pieces, is that right?
- 10 A That is correct.
- 11 Q Okay. So these are businesses who say --
- 12 A Yes.
- 13 Q -- I have mail that I would have employed NETPOST
- 14 to distribute had NETPOST existed during the past 12 months?
- 15 A That is correct.
- 16 Q Okay. And then you get down to the rows that
- read, respectively, 1 to 200, 201-999, et cetera.
- 18 A That's correct.
- 19 Q What do the numbers there represent?
- 20 A That represents the number of pieces.
- 21 Q And 1 to 200 means a piece -- it means 1 to 200
- 22 pieces would have been sent, is that right?
- 23 A That is correct.
- 24 O So that when we see the number underneath the
- 25 556914 number of 22.5, does that mean that 22.5 percent of

- the pieces represented in the responses given to you by
- 2 people who said I would have used NETPOST for existing mail,
- 3 22.5 percent of them had 1 to 200 pieces in their mailings?
- 4 A It does not represent the number of pieces, it is
- 5 not a distribution of volume. It is a distribution of
- 6 businesses.
- 7 Q Exactly. I'm sorry if I misspoke.
- 8 A Okay. So --
- 9 Q But 22.5 percent of the businesses you interviewed
- said that they had pieces -- mailings, rather, that would go
- out in 1 to 200 piece groups, is that correct?
- 12 A No. It represents that, in total, a given
- business had a total of somewhere between 1 to 200 pieces
- 14 that they would send. It has nothing to do with how many
- mailings they would actually send it.
- 16 Q I see. So we don't know how many there would be
- in any given mailing. That is how many there would be in
- 18 what --
- 19 A In total.
- 20 Q But in what time interval? Forever?
- 21 A No. It was in, as the question says, during the
- 22 past 12 months.
- Q Okay. During the past 12 months, 22.5 percent of
- 24 the businesses responding affirmatively to your question
- 25 said I would have, over that 12 month interval, 1 to 200

1	pieces?
2	A They actually provided a specific number.
3	Q Oh, no, I understand.
4	A What is represented on the table is the businesses
5	that said a number between 1 and 200.
6	Q I appreciate that, and I am sorry for misspeaking.
7	A Okay.
8	Q So we don't really have any notion from this of
9	how many pieces per mailing would have been offered by any
10	of these respondents?
11	A That is correct.
12	Q But we do know with a certitude that if they only
13	had one mailing during the 12 month interval, that mailing
14	would not have had more than 200 pieces?
15	A That is a fair assumption.
16	Q Well, that is what it says, isn't it?
17	A That is correct.
18	Q Okay.

19 A Yes.

20 Q The number down at the very bottom of Table 1, in

21 the 25 percent column, what does that represent? It says

22 sum, s-u-m.

23 A Yes. That represents the total number of pieces,

24 actual pieces, from all the businesses at the 25 percent

25 price point that would send NETPOST -- existing pieces they



- already had, that they would send NETPOST during the past 12
- 2 months.
- 3 Q And is that, is it the sum of other numbers that I
- 4 see on this page?
- 5 A No, it is not. It represents taking each of the
- 6 individual businesses that contributed to this table and
- 7 their actual number of pieces they said they would send,
- 8 times their weight, because it is projected to the
- 9 population, and that is where the sum comes from.
- are cells that aren't really displayed here, is that right?
- 12 A Presented here, that is correct.
- 13 Q And if I add the sum from the 25 percent column on
- 14 Table 1, page 1, with the sum of the 25 percent column at
- 15 Table 2, page 2, --
- 16 A Yes.
- 17 O -- do I have the entire universe of what your
- 18 survey found would have been sent by mailings who would have
- 19 used NETPOST for both their existing and new mailings during
- 20 that hypothetical 12 month period?
- 21 A That is correct.
- 22 O So that is a year's worth of total NETPOST, is
- 23 that right?
- 24 A As reported by the survey.
- 25 Q As the survey measures.

1	A Yes.
2	Q And I was heartened to find that, as I'm sure you
3	were, when I looked at question 7, which asked this same
4	population of people about whether they would send their
5	NETPOST mailings by First Class or Standard A mail, that I
6	added up the responses, the First Class responses and the
7	Standard A responses, and I got the same sum as I got when I
8	added up these first two pages.
9	A That's correct.
10	Q And that is methodologically the way it ought to
11	have come out; is that right?
12	A That is correct.
13	Q Okay. When I added up those numbers, I got a
14	number that is 13167856234. It's a number that you
15	report
16	A 13 billion; yes.
17	Q Yes, 13 billion pieces roughly.
18	A That is correct.
19	Q And change. When I applied the weighting factor
20	that you used to account for the fact that not everybody
21	would be aware of NETPOST and not everybody would have
22	Internet access, and the one I liked best was a 50 percent
23	they're fudging on me factor. But I put all those together
24	and you calculate the combination of those discounting

factors, if you would.

25

1	A Um-hum.
2	Q As .0221.
3	A Yes.
4	Q Right? And I multiplied .0221 times that 13
5	billion number, and I did not get I was shocked and
6	appalled I did not get the 295 million pieces that you
7	report to be the survey projected 1999 NETPOST 25 percent
8	volume. Why is that?
9	A May I ask a question?
10	Q I won't guarantee an answer, but you certainly
11	A What number did you get?
12	Q I got 291 and change.
13	A That's okay. The reason why you did not get
14	the exact numbers is because what is presented in the
15	library reference for all the adjustment factors are
16	whole-number percentages, and when the actual calculations
17	were done, they were done to the 12th decimal place. And
18	when you carry everything out to the 12th decimal place, you
19	will get more precise numbers.
20	Q Okay. But theoretically
21	A Yes.
22	Q Methodologically what I did was the right thing, I
23	just didn't have
24	A Yes; absolutely.

25

Q

Enough spaces on my calculator. I was using a too

1	primitive number.
2	A That is correct.
3	Q One ought to take that 13 billion number and
4	multiply it by the product of the discounting factors, and
5	you'll get the volume.
6	A That is correct.
7	Q Okay.
8	Your table 15 in your testimony of the library
9	reference that is incorporated in your testimony shows that
10	approximately 30 percent, it's 30.1 or something like that,
11	of the projected volume of that is not a document that's
12	in the cross-examination exhibit, that's in her testimony.
13	It's page 18; is that right?
14	A What table number?
15	Q Table 15.
16	A It's on page 34.
17	Q Well, like 18, page 34 of the testimony. That
18	table reports that approximately 30 percent of the projected
19	NETPOST volume will be First Class mail; is that right?
20	A If I had a calculator, I would check it. I only
21	have the number.
22	Q Well, subject to check. The Postal Service
23	answered a bunch of interrogatories about that, and I think
24	30.1 or something like that is the percent. But it's about

30 percent, eyeballing it. Right?

25

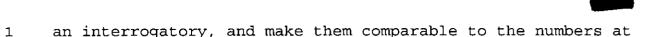
2	Q And if I look at the results of your question 7,
3	which is also asking for the First Class Standard A split
4	A Um-hum.
5	Q Of NETPOST mail, is it not? Pages 3 and 4 of the
6	cross-examination exhibit.
7	A That's correct.
8	Q I show just almost a complete reversal in that
9	relationship. I see the NETPOST survey respondents in these
10	gross numbers telling me that roughly 60 percent I'm
11	sorry, I have the wrong pages. Show a
12	COMMISSIONER LeBLANC: Mr. Wiggins, so I can
13	follow you now, are you still on 3 and 4, because you said
14	you thought you'd made a mistake. Are we still on 3 and 4
15	now? Where are we?
16	MR. WIGGINS: Hang with me a mo.
17	I'm sorry, it's not 3 and 4; 3 and 4 is reflective
18	of the first set of numbers that I just gave you out of her
19	table 15. She answered another question for me, however,
20	and that was my interrogatory to her.
21	BY MR. WIGGINS:
22	Q Which, Ms. Rothschild, if you look at page 6 of
23	the
24	A Okay.
25	Q Cross-examination exhibit.

A Yes.

1

1	A Um-hum.
2	Q What I've sought to do here, and you check and see
3	whether I did it right, is to transcribe the answers that
4	you gave me to an interrogatory that asked the respondents
5	to the survey how the mail that they currently sent via a
6	number of different modalities that was going to move to
7	NETPOST had been sent in the current state. Okay?
8	So if you look at page 6 and I apologize to the
9	bench for my own confusion; when I do numbers, I get all
10	goofy. And Ms. Rothschild responded to this interrogatory
11	giving us information that was not available in other of her
12	submissions that had to do with the responses to a part of
13	the survey instrument that said to Respondents of the mail
14	that you are you sent in the preceding 12 months that
15	would, had you had the option, have been sent via NETPOST,
16	as MOL then was called, how was that mail sent? And what
17	you see on page 6 of the cross-examination exhibit is the
18	totals that you provided in response to my interrogatory.
19	Is that right, Ms. Rothschild?
20	A That's correct.
21	Q And what you see there is the flip in relationship
22	that I mistakenly previously attributed to two other pages.
23	What you see there is at these folks who are going to commit
24	their mail to NETPOST are going to commit very substantially
25	much more First Class mail.

1	Is that right, Ms. Rothschild?
2	A What this says is that among the current pieces
3	that people would switch to NETPOST,
4	Q Right.
5	A a large proportion of them are currently being
6	sent by first class mail.
7	Q And what the survey also showed, if I have this
8	right, is that once the mail becomes NETPOST mail,
9	substantially more of it is going to be standard A than
10	first class; is that right?
11	A According to what is on Table 15 in the library
12	reference, it is true that the distribution of pieces shows
13	a larger proportion for standard. But what is not in
14	question five that we were looking at on the table in the
15	material
16	Q Page 6 of the
17	A Page 6
18	Q of the cross examination.
19	A of the cross examination is the new pieces that
20	would come to NETPOST. And when you add in the new pieces
21	of NETPOST, it is conceivable, as shown by the survey
22	results on page Table 15, page 34, that the distribution
23	could change.
24	Q If one wanted to take the numbers that I'm showing
25	on page 6, the numbers that you provided me as an answer to



- Table 15, would I multiply by .021 plus another nine digits? 2
- You can take the information that is on this page 3 Α
- 4 6 and do that, but you would be leaving out a portion of the
- volume that would come to NETPOST. 5
- Oh, I fully understand that, because this is only 6
- existing mail; is that correct? 7
- Α But --8

1

- It leaves out, if I'm right -- and the totals work 9 0
- out. You see the total down there at the foot of this 10
- little calculation that I have created named T? 11
- 12 Α Yes.
- Okay. Well, that's the same number --0 1.3
- As what was on the table. 14 Α
- -- that one sees if you look at page 1, which is 15
- your document. That's existing pieces that would have used 16
- 17 NETPOST.
- Α That's correct. 18
- So that I would know by doing the calculation that 19
- I just described to you how many existing pieces. 20 I could
- compare existing pieces in each category of mail with the 21
- first class and standard breakdown that you've got on page 2.2
- 34, table 15 of your document; is that right? 23
- They're asking two different sets of questions, so Α 24
- I would have to -- I'm not -- can you explain to me what 25

1	comparison you are crying to make:
2	Q I would be really interested to know whether, at
3	the end of the day, after the introduction, you know, by the
4	account of your survey, obviously that's the information
5	we have at the end of the day, after the introduction of
6	the NETPOST MOL service, is there going to be mail that used
7	to be paying first class rates that is going to be net
8	is there going to be mail that used to pay first class rates
9	that, with the advent of NETPOST, is paying NETPOST third
10	class postage?
11	How would I do that, if I could?
12	A You can do that by taking the number of businesses
13	who said they would send NETPOST pieces and of their
14	existing volume, their first class pieces.
15	Q Okay. That would be the first row at page 6 of
16	A That is correct.
17	Q Okay. I take that 55
18	A And you could, I think, and I would have to go
19	back and check this, but I believe that you could then look
20	at how those business let me stop.
21	You cannot do what you're intending to do, and the
22	reason that you can't do it is because we did not ask people
23	to take their specific classes of mail and tell us which
24	class of mail they would now send it by NETPOST. So all we

comparison you are trying to make?

1

25

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know is in the aggregate.

1	Q Let me ask well, I'm not talking about
2	individual pieces; I'm only talking about in the aggregate,
3	net.
4	A Uh-huh.
5	Q Okay. I'm not saying, you know, letter three, how
6	would you treat with that.
7	There's a relationship, is there not, in Table 15
8	between first class and standard pieces? One can create a
9	ratio there, and I'm telling you it's about 30 percent
10	A Yes.
11	Q first class.
12	A Uh-huh.
13	Q And if you look at page 6, you can create a ratio
14	between standard and first class, can you not?
1 5	A Yes.
16	Q And would that ratio or would that pair of ratios
17	have any meaning? Would it show you a migration of pieces
18	that at present are traveling first class that would, after
19	the inauguration of the NETPOST experimental period, travel
20	NETPOST third class?
21	A And my answer to you is I believe no, and the
22	reason why you cannot establish a relationship between the
23	two questions is that the base on which we ask the question,

what appears in table 15 is the total number of NETPOST

pieces. It is not just the pieces that were existing. And

24

25

1	I	cannot	establish	a	relationship	between	how	new	pieces	
---	---	--------	-----------	---	--------------	---------	-----	-----	--------	--

- would come standard A or first class and existing pieces
- 3 now.
- 4 Q Well, you can after a fashion, can't you? Do you
- 5 know what proportion of NETPOST mail is going to be new
- 6 pieces? You did that calculation for us.
- 7 A Yes.
- 8 Q It's 38 percent, right?
- 9 A Uh-huh.
- 10 Q Which means 60 --
- 11 A Yes.
- 12 Q Sixty-two percent of the NETPOST mail is going to
- 13 be existing pieces.
- 14 A That is correct.
- 15 Q Does that help you to make the relationship that I
- 16 was describing?
- 17 A No, because among those 62 percent, as I
- indicated, there are a distribution of those pieces now.
- 19 But I never then said, tell me only about your existing
- 20 pieces, how will you send it. So I can't establish that
- 21 relationship.
- 22 Q Let's go about it in just a slightly different
- 23 fashion. If you look at page 6, the relationship between
- the first class line and the standard line, it's 5.57 and
- 25 1.78, right? Call it 6 to 2, okay, rounding generously in

- both instances, but to deal with my numerical illiteracy.
- 2 There are roughly three times as many first class pieces as
- 3 they are mailed today as there are standard pieces in the
- 4 population of mail that's going to move to NETPOST; is that
- 5 right?
- 6 A Yes.
- 7 Q And now you look at table 15, and table 15 tells
- 8 me that there are roughly three times as many standard A
- 9 pieces as there are first class pieces in the NETPOST world;
- 10 is that right?
- 11 A That's correct.
- 12 Q And we know that 60 percent of that population
- that's represented in table 15 is existing mail. That's
- mail that lives on page 6 in my cross examination exhibit,
- 15 correct?
- 16 A Would you say that again, please?
- 17 Q Sure. We know that of the mail represented on
- table 15, 62 percent is mail that is also represented on
- 19 page 6 of the cross examination exhibit; isn't that right?
- 20 A That's correct. That's correct.
- 21 Q Doesn't that tell you something?
- 22 A First of all, in the table on page 6, what is
- 23 standard mail is -- there are two. There's standard and
- 24 standard nonprofit. So the relationship you are describing
- is not exactly correct.

	z weez, z waz zeanazug zu an, evene.
2	A Okay.
3	Q But, you know, close enough for government work.
4	A Okay.
5	Q But adding that other set of relationships that I
6	just did, the 62 percent and 38 percent, does that tell you
7	anything at all?
8	A It tells me that there is a relationship between
9	existing and new pieces.
10	Q Yes. But it doesn't help you to understand the
11	movement of mail. We have three times as much mail right
12	now, the mail that's going to move over to be NETPOST mail,
13	as we have standard mail, and at the close of business after
14	NETPOST is established, we have three times as much standard
15	mail as we do have first class mail. There's been a twist,
16	correct? And you're saying that that change in proportion
17	can be attributed to either or both of two things. It could
18	be attributed to new mail; is that right?
19	A That's correct.
20	Q Now, in order to make that relationship work, how
21	much of the new mail would have to be standard A?
22	A I can't calculate that here without a calculator.
23	It's
24	Q Well, more than all of it; isn't that right?
25	[Pause.]

Well, I was rounding in any event.

1

Q

1	Q	More than all of it?
2	A	Some portion of it, but until I actually did the
3	calculati	ons, I can't answer whether it's more, some or all.
4	Q	It seems to me arithmetically obvious.
5		MR. WIGGINS: I don't have any further questions
6	of Ms. Ro	othschild.
7		Thank you, Ms. Rothschild.
8		THE WITNESS: Okay.
9		[Whereupon, as per Commissioner
10		LeBlanc's instructions,
11		Cross-Examination Exhibit No. PBX-2
12		was marked for identificaton,
13		received into evidence and
14		transcribed into the record.]
15		
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17		
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23		
24		
25		

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

	 .	
)	
Mailing Online Services)	
)	Docket No. MC98-1

PITNEY BOWES' ORAL CROSS-EXAMINATION EXHIBIT 1 FOR WITNESS ROTHSCHILD (PB/USPS-T4-CX-1) National Analysts, Inc Netpost Study (816)

Weight: Price point specific weight Filter: 04a. How many of your existing pieces you would have used NetPost during the past 12 months?

	,	Price Point		
	Total	25%	50%	
Total (Weighted)	5207132 100.0 100.0	2472373 100.0 47.5	2734759 100.0 52.5	
Total (Unweighted)	383 100.0 100.0	194 100.0 50.7	189 100.0 49.3	
No Answer (Unweighted)	0 0.0 0.0	0.0 0.0	0 0.0 0.0	
Number enswering (Unweighted)	383 100.0 100.0	194 100.0 50.7	189 100.0 49.3	
Number answering (Weighted)	5207132 100.0 100.0	2472373 100.0 47.5	2734759 100.0 52.5	
1 - 200	1269469 24.4 100.0	556914 22.5 43.9	712554 26.1 56.1	
201 - 999	1545948 29.7 100.0	684631 27.7 44.3	861317 31.5 55.7	
1000 - 1999	864956 16.6 100.0	499801 20.2 57.8	365155 13.4 42.2	
2000 - 4999	1003611 19.3 100.0	505798 20.5 50.4	497813 18.2 49.6	
5000 or more	523148 10.0 100.0	225229 9.1 43.1	297919 10.9 56.9	
Don't Know	0 0.0 0.0	0 0.0 0.0	0 0.0 0.0	
Mean	3081.3	3540.7	2665.9	
Median	750.0	900.3	749.6	
Std. Dev.	18601.7	25734.5	7730.7	
\$um	16044509595	8754042473	7290467122	

Table 1 Page 1 08/19/98 13:17:48

Table 2 Page 2 08/19/98 13:17:48

National Analysts, Inc Netpost Study (816)

Weight: Price point specific weight Filter: Q4b. How many of your new pieces you would have used NetPost during the past 12 months?

		Price Point		
	Total	25%	50%	
Total (Weighted)	2571584 100.0 100.0	1342127 100.0 52.2	1229457 100.0 47.8	
Total (Unneighted)	141 100.0 100.0	70 100.0 49.6	71 100.0 50.4	
No Answer (Unweighted)	0 0.0 0.0	0.0 0.0	0 0.0 0.0	
Number answering (Unweighted)	141 100.0 100.0	70 100.0 49.6	71 100.0 50.4	
Number answering (Weighted)	2571584 100.0 100.0	1342127 100.0 52.2	1229457 100.0 47.8	
1 - 100	733207 28.5 100.0	484502 36.1 66.1	248705 20.2 33.9	
101 - 300	410387 16.0 100.0	203706 15.2 49.6	206681 16.8 50.4	
301 - 1000	687300 26.7 100.0	268874 20.0 39.1	418427 34.0 60.9	
1001 - 2000	249813 9.7 100.0	118603 8.8 47.5	131211 10.7 52.5	
2001 or more	490876 19.1 100.0	266442 19.9 54.3	224433 18.3 45.7	
Don't Know	0 0.0 0.0	0 0.0 0.0	0 0.0 0.0	
Mean	2417.7	3288.7	1467.0	
Median	500.0	300.1	500.4	
Std. Dev.	9608.4	12938.7	2936.1	
Sum	6217437571	4413813761	1803623810	

Hational Analysts, Inc Netpost Study (816)

Table 3 Page 3 08/19/98 13:17:48

Weight: Price point specific weight Filter: 07a. Of the total NetPost pieces how many would you have sent using NetPost's next-day delivery option?

		Price Point		
	Total	25%	50%	
Total (Weighted)	6926192 100.0 100.0	3350451 100.0 48.4	3575740 100.0 51.6	
Total (Unweighted)	477 100.0 100.0	240 100.0 50.3	237 100.0 49.7	
No Answer (Unweighted)	0 0.0 0.0	0 0.0 0.0	0 0.0 0.0	
Number answering (Unweighted)	477 100.0 100.0	240 100.0 50.3	237 100.0 49.7	
Number answering (Weighted)	6926192 100.0 100.0	3350451 100.0 48.4	3575740 100.0 51.6	
0	4535156 65.5 100.0	2217861 66.2 48.9	2317295 64.8 51.1	
1 - 100	1054470 15.2 100.0	546271 16.3 51.8	508199 14.2 48.2	
101 - 999	896444 12.9 100.0	389360 11.6 43.4	507084 . 14.2 56.6	
1000 or more	440122 6.4 100.0	196959 5.9 44.8	243163 6.8 55.2	
Don't Know	0 0.0 0.0	0 0.0 0.0	0 0.0 0.0	
Mean	744.5	1219.7	299.3	
Median	0.3	0.3	0.3	
Std. Dev.	9084.8	12959.3	1447.6	
Sum	5156887806	4086532195	1070355611	

National Analysts, Inc Netpost Study (816)

Weight: Price point specific weight Filter: 97b. Of the total NetPost pieces how many would you have sent using NetPost's standard two- to five-day option?

	,	Price Point		
	Total	25%	50%	
Total (Weighted)	6926192 100.0 100.0	3350451 100.0 48.4	3575740 100.0 51.6	
Total (Unweighted)	477 100.0 100.0	240 100.0 50.3	237 100.0 49.7	
No Answer (Unweighted)	0 0.0 0.0	0 0.0 0.0	0 0.0 0.0	
Number answering (Unweighted)	477 100.0 100.0	240 100.0 50.3	237 100.0 49.7	
Number answering (Weighted)	6926192 100.0 100.0	3350451 100.0 48.4	3575740 100.0 51.6	
0	546530 7.9 100.0	183439 5.5 33.6	363091 10.2 66.4	
1 - 100	1090940 15.8 100.0	532229 15.9 48.8	558711 15.6 51.2	
101 - 500	1698342 24.5 100.0	898815 26.8 52.9	799527 22.4 47.1	
501 - 2000	2016579 29.1 100.0	884144 26.4 43.8	1132435 31.7 56.2	
2001 - 4000	869751 12.6 100.0	482711 14.4 55.5	387040 10.8 44.5	
001 or more	704050 10.2 100.0	369112 11.0 52.4	334938 9.4 47.6	
lonet Know	0 0.0 0.0	0 0.0 0.0	0 0.0 0.0	
lean	2469.6	2710.5	2243.9	
tedi an	674.8	640.1	699.6	

National Analysts, Inc Netpost Study (816)

Std. Dev.

Sum

Weight: Price point specific weight Filter: Q7b. Of the total NetPost pieces how many would you have sent using NetPost's standard two- to five-day option?

	Price Point	
Total	25%	50%
14045.3	18991.3	6637.7
17105059360	9081324039	8023735321

Table 4 Page 5 08/19/98 13:17:48

first	5573339720	
2nd	1434078	
std	1787998314	
std non-prof	785092857	
priority	44289740	
express	6441026	
non-postal	140655414	
e-mail	18938498	
other	395852826	
T	8754042473	

PLEASE READ	THE SEPARATE	FIVE-PAGE	BROCHURE	THAT	DESCRIBES	NETPOST
AND ITS PRIC	ES NOW.					

Please continue to think only about your newsletters even if you produce other types of documents for your organization. We understand that NetPost may be relevant for other types of documents; however, during this phase of research, we are only interested in your newsletters.

ava mo wo	suming that NetPost allable during the pas onths, which of the fo uld you have done? t apply)	st 12 bliowing	4. For how many newsletters would you have used NetPost during the past 12 months? (Please record a number, not a percentage)
3a.	I would have used NetPost for some or all of the pieces that I produced during the past 12 months		4a. Record for how many of your existing pieces you would have used NetPost during the past 12 months
3b.	I would have used NetPost for new pieces beyond what I produced during the past 12 months		4b. + Record for how many new pieces you would have used NetPost during the past 12 months
Зс.	I would <i>not</i> have used NetPost at all		
			4d. = Total NetPost Volume

IF YOU CHECKED Q.3C, SKIP TO THE ENHANCED NETPOST SERVICE ON PAGE 11.

5. (ONLY ANSWER IF Q.4A IS GREATER THAN "0"; OTHERWISE SKIP TO Q.7) How many of the newsletters that you would have sent via NetPost did you actually distribute via each of the following services:

[REFER TO THE GLOSSARY ON PAGE 19, WHICH PROVIDES DEFINITIONS OF EACH OF THESE SERVICES.]

	U.S. Postal Service:	
5a.	First-Class Mail (\$.32 per piece for the first ounce) including presort	
5b.	Second-Class Mail	+
5c.	Third-Class/Standard Mail (Bulk Mail)	+
5d.	Bulk Mail (Non-Profit)	+
5e.	USPS Priority Mail (Two- to Three-Day Service - \$3.00 or more per piece)	+
5f.	USPS Express Mail (Overnight Service - \$10.75 or more per piece)	+
5g.	Non-Postal Delivery Services (e.g., FedEx, UPS)	+
5h.	E-mailed (electronic mail/Internet mail)	+
5i.	All Other (e.g., hand delivered, central pick-up, inserts with other mailings, fax, etc.)	+
5].	Total NetPost Volume distributed by means 5a - 5i during past 12 months	=

Total NetPost volume must equal response to Q.4a on page 5

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served this document upon the United States Postal Service.

DATE: November 16, 1998

N. Frank Wiggins

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1313

1	COMMISSIONER LeBLANC: Is there any follow up?
2	Are there any questions from the bench?
3	Ms. Rothschild, just let me follow what Mr.
4	Wiggins said just to make sure I understood this. Let me
5	word it another way.
6	Yesterday, Mr. Plunkett was talking about well,
7	one of the witnesses yesterday was talking about leakage.
8	In your mind, there is no crossover, there is no leakage,
9	then? Is that what you're saying? I'm not trying to put
10	words on your mouth; I'm trying to understand here.
11	THE WITNESS: No. The answer that I'm giving is, I
12	can't answer the question about leakage because we didn't
13	ask the questions that particular way. That is the only
14	thing that I am saying. I can't answer whether there would
15	be or wouldn't be, not that there isn't any.
16	COMMISSIONER LeBLANC: During the
17	cross-examination on August 26th, Witness Garvey stated that
18	data from the market test will be used to augment the
19	existing Mailing Online usage and volume estimates. Just so
20	you know, that is Transcript 2, page 332, lines 4 through
21	13.
22	Could you describe then I am a little confused
23	here, so let me back up. Then could you describe how the
24	data from that market test might be used to validate and
25	augment the estimates from your market survey work?

1	THE WITNESS: I think you would have to ask Mr.
2	Garvey what he meant. I don't know what he meant because I
3	am not aware of what it is we would be doing.
4	COMMISSIONER LeBLANC: But you did take the
5	survey?
6	THE WITNESS: The survey data have been presented,
7	but the market test is distinct from the survey, and I am
8	not privy to, nor do I know how the Postal Service envisions
9	using the market test with the survey data.
10	COMMISSIONER LeBLANC: So no one talked to you
11	about this, in effect, because you couldn't in effect,
12	you would not have an opinion how it would be how you
13	could validate or augment the estimates from your market
14	survey work?
15	THE WITNESS: My understanding is that the market
16	test is limited in size, scope and duration, and there is
17	not an exact relationship between the two, so, no, I am not
18	aware of how that could be done.
19	COMMISSIONER LeBLANC: Okay. Thank you.
20	THE WITNESS: You're welcome.
21	COMMISSIONER LeBLANC: Any follow-up from the
22	question I just asked from the bench?
23	[No response.]
24	COMMISSIONER LeBLANC: Okay. That brings us to

25

I'm sorry. Mr. Wiggins?

1	MR. WIGGINS: Not from me.
2	COMMISSIONER LeBLANC: That brings us into
3	redirect. Mr. Reiter, would you like an opportunity to
4	consult with your witness?
5	MR. REITER: Yes, I would.
6	COMMISSIONER LeBLANC: Five minutes, 10 minutes,
7	what do you need?
8	MR. REITER: Ten minutes.
9	COMMISSIONER LeBLANC: I'm sorry?
10	MR. REITER: Ten minutes, please.
11	COMMISSIONER LeBLANC: Okay. Why don't we come
12	back then in 10 minutes. We will make it 10 minutes. Off
13	the record, Mr. Reporter.
14	[Recess.]
15	COMMISSIONER LeBLANC: Mr. Reiter, are you ready?
16	MR. REITER: Yes, I am.
17	COMMISSIONER LeBLANC: Mr. Reporter, back on the
18	record.
19	REDIRECT EXAMINATION
20	BY MR. REITER:
21	Q Ms. Rothschild, when earlier you were discussing
22	with Mr. Wiggins some of the proportions of various kinds of
23	mail, comparing your Table 15 to page 6 of his
24	cross-examination exhibit, you explained why you thought
25	that comparison couldn't be done. Do you have any

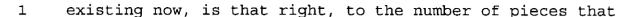
1	additional factors that would bear in consideration of that
2	issue that you would like to explain?
3	A Yes. On Table 15, the designation First Class and
4	Standard, in our survey we presented to individuals a
5	delivery time for the pieces, and the designation here First
6	Class was referenced as next day delivery and Standard as
7	two to five day delivery and, therefore, when you go back to
8	the information that appears on page 6, which is in the
9	exhibit which I was given today, you would have to add up
10	all the pieces here and then take them in total and say, how
11	would they be distributed? You can't just look at First
12	Class to First Class, because it could be any of the pieces
13	listed in the table that then would be sent for next day or
14	for Standard delivery.
15	MR. REITER: Thank you. That's all I have, Mr.
16	Presiding Officer.
17	COMMISSIONER LeBLANC: Mr. Wiggins or Mr.
18	Richardson, any redirect on that?
19	MR. WIGGINS: I do, Mr. Presiding Officer.
20	RECROSS-EXAMINATION
21	BY MR. WIGGINS:
22	Q When you calculated, Ms. Rothschild, the 62
23	percent, 38 percent ratio, you told us that you did that by

adding the number of pieces that were shown on Table -- the

document that is page 1 of the cross-examination exhibit,

24

25



- were reported in the response to your interrogatory -- or to
- 3 your survey instrument number 5 -- question 5 to your survey
- 4 instrument in the rows G, H, and I, is that right? You
- 5 added those together and you divided them by the total of
- 6 NETPOST mail in order to get that relationship, right?
- 7 A The answer was in question 4(b), which is new
- 8 pieces, and --
- 9 Q I'm sorry, 4(b), not 4(a), I'm sorry.
- 10 A 4(b). And G, H, and I in question 5. That
- 11 becomes the numerator and the denominator are all total
- pieces which is 4(d).
- 13 Q Yes. And isn't that committing the same fallacy
- that you just accused me of? If a fallacy, I committed, you
- 15 did it, too?
- 16 A Can you explain what fallacy you are --
- 17 Q Well, you are telling me that you can't make the
- 18 comparison that I suggested on page 6 of my
- 19 cross-examination exhibit because I am not treating with all
- 20 of the pieces that are reported in response to your question
- 21 5. Is that right?
- 22 A No.
- 23 Q Was the nature of your --
- 24 A No.
- 25 Q Maybe I misunderstood your criticism of me. Say

1 it again.

A Okay. What I am saying is there is an obvious
relationship between question 4 and question 5 because the
sum of the parts and how people divided up their answers
were intended to be one and the same. Okay. So when I
calculate the new pieces, the 38 percent, I can take all the
new pieces that didn't yet exist, plus the pieces that were
never in the Postal Service pot to begin with, --

Q Right.

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10 A -- and get an answer by dividing that number by
11 the total number of pieces. But what I am saying to you is
12 that, when I then have that total number of pieces, and I
13 ask people, how will you send them when NETPOST exists, --

Q That is question 7, correct?

A That is question 7. What I am saying is that we gave people in the survey two categories of response, one is next day and one is standard, and they divided up all their pieces of NETPOST that they would send. So that there is no relationship, per se, between question 5, which is how they send existing pieces, because existing pieces could be Standard pieces that could come First Class and vice versa. So you can't make the relationship that you have intended to do by saying this relationship of First to Standard ought to be the same as it is here, you can't do that.

Q Would it be fair, though, if I did the adjustment

1	that you did, if I multiplied the raw numbers by the .021
2	factor wait, wait
3	A Okay.
4	Q And I saw you will have plenty of chance, but
5	let me just get it out here.
6	A Okay.
7	Q And I saw at the end of that calculation that, of
8	the projected NETPOST mail, there was less First Class mail
9	than was reported to exist in the current pre-NETPOST
10	environment by question 5 respondents. Okay. If I am
11	looking just at that number, and I see a question 5 number
12	and I see a post-NETPOST First Class number, and the First
13	Class number is smaller, in absolute terms, could I
14	correctly conclude from that that some mail that had been
15	paying First Class postage before NETPOST was introduced was
16	paying less than First Class postage, because the only
17	alternative is Standard A NETPOST, correct?
18	A You can't conclude what you are intending to do
19	because these are some pieces what I'm saying is there
20	are some pieces that are currently going standard that may
21	indeed go next day, and therefore they would be paying a
22	higher rate,
23	Q But they would be reported as that, wouldn't they?
24	COMMISSIONER LeBLANC: Mr. Wiggins, let her finish
25	her response.

1	THE WITNESS: The answer is no. What I'm saying
2	is you have to divide you have to take all the pieces in
3	question five, and there is no relationship between what is
4	in question five and what appears in table 15. That is what
5	I'm saying. Multiplying by the 0221 isn't going to get you
6	there because it's a constant. The so forget that for
7	the moment.
8	The relationship between question five and what is
9	question seven is because we are asking people to divide up
10	pieces on two different basis, and the second reason is
11	because how people currently send and how they would
12	subsequently send includes more than just first class mail,
13	it includes all the kinds of mail listed in table 5.
14	MR. WIGGINS: Sure.
15	BY MR. WIGGINS:
16	Q But it's right, isn't it, that people are now
17	sending their mail in some fashion, and some population of
18	that mail is going first class, correct? The NETPOST mail.
19	A Yes.
20	Q And do you believe that you have accurately
21	captured, within the boundaries of surveys and stuff like
22	that
23	A Yes.
24	Q the number of pieces that are right now,
25	pre-NETPOST, going first class?

1	A Yes.
2	Q And some part of that population of mail, after
3	NETPOST gets implemented, is going to be traveling NETPOST
4	first class; is that right?
5	A I would expect them to use the next day service,
6	yes.
7	Q Well, no, I mean some people are going to use the
8	next-day service and some are going to use the standard.
9	A That's correct.
10	Q We're looking at a single population of mail.
11	We're looking at that group of mail that is today not using
12	NETPOST because there is no NETPOST, but once we have
13	NETPOST, it's going to be using NETPOST, right?
14	A Yes.
15	Q That's what we're looking at.
16	A Uh-huh.
17	Q And right now today, when I look that mail in the
18	eye, I see some number of its pieces traveling first class,
19	correct?
20	A That's correct.
21	Q And that's reported in your survey, is it not?
22	A That is correct.
23	Q And what number should I look for in your survey

to tell me what that number is? Where should I look?

A What -- I'm not sure what --

24

25

1	Q What part of your survey should I examine in order
2	to determine right now today what piece of that population
3	we're looking at is going first class?
4	A What portion of potential NETPOST is going first
5	class today? It's on the table you gave me.
6	Q Okay. That's the first line on page 6.
7	A That is correct.
8	Q Okay. And then after we have NETPOST, your
9	respondents tell you that some other magnitude, some other
10	number of pieces of mail is going to travel first class; is
11	that correct?
12	A They told us that it would travel next day, yes.
13	Q Okay. Do you think that accurately captures the
14	differential between first and standard A?
15	A What captures?
16	Q The to me very confusing description in your
17	survey of next day and two to five days. Do you think that
18	accurately captured the difference between first class and
19	standard A?
20	A It captures the difference between different
21	delivery times. That is the distinction we intended to make
22	in the survey, between next-day and two- to five-day
23	delivery.
24	Q Is that how NETPOST, or MOL as now it is known,

operates?

25

1	A I can't answer that question.
2	Q You don't know whether it has
3	A I don't know.
4	Q rates that are called next day and rates that
5	are called two to five days?
6	A No, I do not.
7	Q If it doesn't, would your survey accurately
8	predict anything about the way that people are going to
9	respond to what's actually being offered here?
10	A Can you repeat the question?
11	Q Absolutely. Your survey measured the way people
12	responded to two descriptions of mail. One was called next
13	day and one was called two to five days, correct?
14	A That's correct.
15	Q If the Postal Service is not offering a mail
16	delivery rate that is called next day and two to five days,
17	would your survey predict anything about what they're likely
18	to yield when they offer what they're offering?
19	A It depends on the relationship between what
20	they're currently offering and the survey.
21	Q Do you know the answer? Do you are you able to
22	
23	A No, I do not know the answer.
24	Q Okay. If I wanted to know how many people in your
25	survey said, oh, boy, if you give me next day, I will take

1	it for this many pieces of mail, where would I look?
2	A On what is on table 15.
3	Q Thank you.
4	MR. WIGGINS: I have nothing further, Mr.
5	Presiding Officer.
6	COMMISSIONER LeBLANC: Any follow up, Mr. Reiter?
7	MR. REITER: No, there isn't.
8	COMMISSIONER LeBLANC: Mr. Richardson?
9	Well, Ms. Rothschild, I think that may do it for
10	you this afternoon.
11	THE WITNESS: Thank you.
12	COMMISSIONER LeBLANC: We appreciate your
13	appearance here today and your contributions to our record,
14	and if there is nothing further, you are excused.
15	Thank you.
16	[Witness excused.]
17	COMMISSIONER LeBLANC: Our last witness this
18	afternoon, Lee Garvey, is already under oath in this
1 9	proceeding, and I believe is Mr. Hollies going to yes.
20	Mr. Hollies, will you introduce your witness? Take your
21	time, get yourself squared away there.
22	MR. HOLLIES: The Postal Service recalls Mr. Lee

COMMISSIONER LeBLANC: Mr. Hollies, are you set

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Garvey.

[Pause.]



- 1 yet? No? Okay. Take all the time you need. Kind of like
- 2 me combing my hair -- all the time I need.
- 3 Whereupon,
- 4 LEE GARVEY,
- 5 a witness, was called for examination by counsel on behalf
- of the U.S. Postal Service and, having been previously duly
- 7 sworn, was further examined and testified as follows:
- 8 COMMISSIONER LeBLANC: Mr. Garvey, are you set up
- 9 yet?
- 10 THE WITNESS: Yes.
- 11 COMMISSIONER LeBLANC: Ready to go?
- 12 THE WITNESS: Yes.
- 13 COMMISSIONER LeBLANC: Good.
- 14 Have you had an opportunity -- Mr. Garvey, have
- 15 you had an opportunity to examine the packet of designated
- 16 written cross examination that was made available to you
- 17 earlier today?
- 18 THE WITNESS: Yes, I have.
- 19 COMMISSIONER LeBLANC: And if these questions were
- 20 asked of you today, would your answers be the same as those
- 21 you previously provided in writing?
- THE WITNESS: Yes, they would.
- 23 COMMISSIONER LeBLANC: Okay. Good. Two copies of
- 24 the --
- 25 THE WITNESS: I have five corrections. I'm sorry.

2	THE WITNESS: Yes, sir.	
3	COMMISSIONER LeBLANC: Well, then let's go through	
4	them right now, please.	
5	THE WITNESS: Okay.	
6	COMMISSIONER LeBLANC: Mr. Garvey, please.	
7	THE WITNESS: Start with redirect T5-43-A. It	
8	indicates to see attachment 1 to OCA/USPST1-57 or 56. It	
9	should be 57I.	
10	On OCA/USPST1-43 or 45, I'm sorry, letter F, it	
11	reads 62 possible job batches, 62 times 48 equals 3,000.	
12	There should be a dot manually placed over the equal sign to	
13	indicate an approximation.	
14	On OCA-58-C, indicates redirected to Witness	
15	Seckar. That should be indicating redirected to USPS.	
16	On OCA-68, the text refers to 68 below. It should	
17	be 69 below.	
18	And on OCA-69, it refers to Presiding Officer's	
19	Information Request Question 5. That should be Presiding	
20	Officer's Information Request Number 1.	
21	COMMISSIONER LeBLANC: And that's all five, then?	
22	THE WITNESS: Yes.	
23	COMMISSIONER LeBLANC: With those corrections,	
24	then, would they be the same as you previously	
25	THE WITNESS: Yes, they would.	

COMMISSIONER LeBLANC: There are five corrections?

1

1	COMMISSIONER LeBLANC: Thank you very much.		
2	Then could I ask have you presented the reporter,		
3	Mr. Hollies, with two copies?		
4	MR. HOLLIES: I have presented two copies to the		
5	reporter and they do incorporate the corrections we have		
6	just been through.		
7	COMMISSIONER LeBLANC: Thank you.		
8	I will direct that they be accepted into evidence		
9	and transcribed into the record at this point with the		
10	changes just made.		
11	[Corrected Designated Written Cross		
12	of Lee Garvey, USPS-T1, was		
13	received in evidence and		
14	transcribed into the record.]		
15			
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BEFORE THE POSTAL RATE COMMISSION WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION OF UNITED STATES POSTAL SERVICE WITNESS LEE GARVEY (USPS-T1)

Party

Mail Advertising Service Association

International

Interrogatories

MASA/USPS-T1-16-18, 20, 22 OCA/USPS-T1-43, 45, 55, 57 OCA/USPS-T3-76 redirected to T1

PB/USPS-T1-1-6

NOI No. 1, Question 2 and 3

Information Request No. 2, Questions 3-5

Office of the Consumer Advocate

MASA/USPS-T1-16-17, 19-22

OCA/USPS-T1-43-45, 47-57, 57g, (revised), 57i,

58a, 58b, 59, 61-63, 65-70

OCA/USPS-T3-76, 78, 81-83 redirected to T1

OCA/USPS-T5-33-34, 40c, 41-43, 46

redirected to T1
PB/USPS-T1-1-6
NOI No. 1, Issues 2-3
POIR No. 2, Questions 3-5

Pitney Bowes Inc.

PB/USPS-T1-1-2, 4-5

USPS Response to NOI No. 1, Issue 3

Respectfully submitted,

Margaret P. Crenshaw

Secretary

INTERROGATORY RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS LEE GARVEY (T1) DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:	Designating Parties:
MASA/USPS-T1-16	MASA, OCA
MASA/USPS-T1-17	MASA, OCA
MASA/USPS-T1-18	MASA
MASA/USPS-T1-19	OCA
MASA/USPS-T1-20	MASA, OCA
MASA/USPS-T1-21	OCA
MASA/USPS-T1-22	MASA, OCA
OCA/USPS-T1-43	MASA, OCA
OCA/USPS-T1-44	OCA
OCA/USPS-T1-45	MASA, OCA
OCA/USPS-T1-47	OCA
OCA/USPS-T1-48	OCA
OCA/USPS-T1-49	OCA
OCA/USPS-T1-50	OCA
OCA/USPS-T1-51	OCA
OCA/USPS-T1-52	OCA
OCA/USPS-T1-53	OCA
OCA/USPS-T1-54	OCA
OCA/USPS-T1-55	MASA, OCA
OCA/USPS-T1-56	OCA
OCA/USPS-T1-57	MASA, OCA
OCA/USPS-T1-57g	OCA
OCA/USPS-T1-57i	OCA
OCA/USPS-T1-58a	OCA
OCA/USPS-T1-58b	OCA
OCA/USPS-T1-59	OCA

	Interrogatory:	Designating Parties:
	OCA/USPS-T1-61	OCA
	OCA/USPS-T1-62	OCA
	OCA/USPS-T1-63	OCA
	OCA/USPS-T1-65	OCA
	OCA/USPS-T1-66	OCA
	OCA/USPS-T1-67	OCA
	OCA/USPS-T1-68	OCA
	OCA/USPS-T1-69	OCA
•	OCA/USPS-T1-70	OCA
	OCA/USPS-T3-76 rd. to T1	MASA, OCA
	OCA/USPS-T3-78 rd. to T1	OCA
	OCA/USPS-T3-81 rd. to T1	OCA
	OCA/USPS-T3-82 rd. to T1	OCA
	OCA/USPS-T3-83 rd. to T1	OCA
	OCA/USPS-T5-33 rd. to T1	OCA
	OCA/USPS-T5-34 rd. to T1	OCA
-	OCA/USPS-T5-40c rd. to T1	OCA
	OCA/USPS-T5-41 rd. to T1	OCA
	OCA/USPS-T5-42 rd. to T1	OCA
	OCA/USPS-T5-43 rd. to T1	OCA
	OCA/USPS-T5-46 rd. to T1	OCA
	PB/USPS-T1-1	MASA, OCA, Pitney Bowes
	PB/USPS-T1-2	MASA, OCA, Pitney Bowes
	PB/USPS-T1-3	MASA, OCA
	PB/USPS-T1-4	MASA, OCA, Pitney Bowes
	PB/USPS-T1-5	MASA, OCA, Pitney Bowes
	PB/USPS-T1-6	MASA, OCA
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TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL

MASA/USPS-T1-16. Referring to your response to MASA/USPS-T1-3:

- a. Identify those instances of which you are aware where mail previously prepared and entered at the Postal Service by private businesses on behalf of their customers has been diverted to the Postal Service as a result of a Postal Service offering that is competitive with private business. Discuss whether you consider any of these instances comparable to MOL and why.
- b. Do you consider the types of diversion from one private business to other private businesses referred to in your answer to be comparable to any diversion form [sic] private business to the Postal Service that might occur with MOL? If so, explain why.

RESPONSE:

a. I believe the circumstance described here is much more analogous to worksharing than to competition. The whole concept of worksharing is that the Postal Service offers a set of discounts that reflects the cost of certain postal activities, primarily mail processing and transportation. These discounts have resulted in the growth of an attendant industry of presorters and consolidators. Customers can choose between members' industries or the Postal Service for these services. While the Postal Service considers these industries to be important partners, the fact remains that they exist as alternatives for traditional postal activities.

As sorting and transportation practices evolve, these discounts are modified upward and downward. While the impact on industry is certainly considered in the determination of these discounts, there is no policy to maintain them at artificially high levels so as to retain certain industry

practices at specified levels permanently. Despite the lack of such a policy, on the whole, these industries have thrived due to the overall growth of worksharing.

This question further implies that any offering by the Postal Service which results in a reduction in complexity and inefficiency in mail acceptance competes with private business. An example of the obvious logical fallacy here would be street corner postal collection boxes. If these boxes did not exist, individuals and small volume mailers unable to travel to a post office would be forced to contract with commercial firms for carriage and entry. However, the provision of these boxes should not be viewed as a form of competition with those commercial carriers through diversion of mail which might otherwise be carried by them. First, it is unlikely that they would have an interest in transporting the very small volumes involved, and second their cost for individual pickup would dwarf the \$0.32 postage charge.

In my experience, however, I have observed that when the Postal Service simplified the process of creating and submitting mailings, especially mailings discounted due to worksharing, some mail previously entered by commercial mail preparation firms migrates to direct entry. Although the

Postal Service has an acknowledged and critical partnership with commercial mail preparation firms who facilitate use of the mail by customers who find mail preparation and entry tedious or onerous, the Postal Service's overriding obligation to the American mailing public is to simplify mailing in general and more specifically to reduce the cost and complexity of discount opportunities for all mailers.

An actual example of this would be the change in International Surface Airlift (ISAL) preparation requirements which reduced the minimum qualifying quantity from 750 pounds to 50. Some ISAL mail previously turned over to mail consolidation firms, due to the extremely high weight requirement, was subsequently entered directly by the primary mailers now able to qualify on their own. This had the effect of reducing the cost of mailing internationally, since the primary mailer received worksharing discounts but was no longer paying overhead and profit to a third party, and consequently reduced the cost for all American businesses of expanding their businesses internationally. Worth mentioning also is the reduction in time it took the mail to be entered in the mailstream and its subsequent dispatch overseas.

Another example in my experience would be the introduction of ZIP+4

discounts. With the introduction of these rates, mail previously handed off to presort bureaus could be entered directly at a similar savings by mailers able and willing to concern themselves with the quality of their addresses.

Although these instances may have had the effect of reducing the immediate business of particular commercial entities, I do not personally consider them harmful competition, because it is the Postal Service's challenge to enable economically viable communications of the American people, not to provide financial opportunity for third party vendors.

I consider MOL to be comparable to these examples in the sense that it may in some small way divert mail that would otherwise be prepared by a third party commercial mail preparation firm to direct entry. However, third party opportunities exist because the Postal service continues striving to find ways for Americans to mail more efficiently and economically. As they have in the past, creative and entrepreneurial service providers cannot but benefit from new service opportunities inherent in new postal offerings such as Mailing Online and the presumed overall increase in the universe of mailers in need of their services.

b. Yes. For example, I believe that the dynamics of the marketplace are so multifaceted that any effect of MOL diversion would compare to such business to business effects as EDI infringing upon manual accounting requirements and consequently diverting business from a local accounting firm to an IT service provider.

Changing communications and commerce needs as well as evolving work practices are affecting all business service industries, and the Postal Service must respond appropriately to its customers needs as well. As discussed in my response to MASA/USPS-T1-18, this is analogous to effects in other sectors of the federal government as well.

MASA/USPS-T1-17. Referring to your response to MASA/USPS-T1-5(iii), that question sought your testimony as to the total universe of so-called "short run" direct mail from which the majority of MOL volume is projected to come. Your answer interpreted the question to seek evidence of the estimates for MOL volume itself. Please answer the question as clarified above.

RESPONSE:

The estimate used for total short run direct mail pieces was 17.5 billion.

MASA/USPS-T1-18. State the Postal Service's view of the relevance to the Commission's recommended decision of the impact of MOL on private businesses providing competitive services. Include in your answer a statement of what types of competitive impact would weigh against authorization of MOL and why.

RESPONSE:

It is not my position to render a legal interpretation of the Postal

Reorganization Act (Act). My understanding of the process of ratemaking,
however, is that it involves Commission consideration of competition with postal
services in accordance with certain rate and classification criteria, as specified in
the Act. These include the impact of rate increases on competition generally.

Apart from such competitive effects, it is also my understanding that in making
classification recommendations the Commission must consider factors such as the
relative value to the people of kinds of mail matter, the desirability of special
classifications and services of mail, particularly from the point of view of both the
Postal Service and the user, and the importance of providing classifications with
extremely high degrees of reliability and speed of delivery, among others.

I am not aware of any specific competitive effect that would prohibit the Commission from recommending an appropriate classification or reasonable rates and fees for Mailing Online. Obviously, as a matter of policy, the Postal Service will take into account the effects of its proposals on a wide spectrum of customers and other entities, including those firms in industries that provide services associated with the processing and delivery of mail. In this regard, the Postal

Service would be unwise not to balance the interests of its customers and the public in the most efficient and effective postal services against the interests of those service industries who are in a position to further those objectives. As reflected in my testimony and the testimony of other Postal Service witnesses, I believe that the Postal Service's proposal for Mailing Online reflects that proper balance.

I also believe that, through the Act, the Postal Service has a charter from Congress and the American people to develop, plan, promote and provide efficient and economical correspondence and commercial services that bind the nation together. It has an obligation to maintain a healthy and fiscally viable service organization with which to respond to that mandate. In my view, responding effectively to that charter is an essential goal of Postal Service policy decisions. The Postal Service's proposal for Mailing Online is consistent with and furthers those objectives. Again, I know of no specific competitive effects of Mailing Online that would warrant interfering with the policy choice to offer it on a market test and later experimental basis.

While it is not a direct or perfect analogy, I see certain similarities in the policy choices faced by the Postal Service and certain of those faced by the Internal Revenue Service in dealing with the public. Almost all of American society interacts with both agencies. Both have made possible the emergence of service industries associated with that interaction. In the Postal Service's case, the

decisions to offer various discounts for mailer worksharing have given rise to various presort bureaus and consolidators. In the case of the IRS, there is an industry of tax preparers, tax accountants, software providers and tax attorneys. As I understand it, one of the primary goals of the IRS is to make itself easier to use. This may come in the form of permitting the electronic submission of tax returns or simplifying regulations and forms. While the attendant tax services industries might feel threatened by specific measures directed at these goals, on balance they should not be avoided solely because of the effects on these businesses.

MASA/USPS-T1-19. Referring to you answer to MASA/USPS-T1-9:

- a. Explain in detail how "traditional lettershop activities could be impacted" by improvement in the economies of digital printing.
- b. Is it your opinion that lettershops would be positively impacted by "evolving a capacity to bid on MOL contracts[sic]? Explain your answer fully.
- Confirm that at most, only 25 lettershops could be awarded MOL contracts.
- d. Explain how those lettershops that bid on but were not awarded MOL contracts were positively impacted by "evolving a capacity to bid on MOL contracts."
- e. Explain in detail every way you can think of in which lettershops would be positively impacted by MOL, including in your answer your assessment of the likelihood that such positive impact would occur and with respect to what percentage of the mailing services industry.
- f. Identify all support for your opinion that "some perhaps many MOL customers may outgrow MOL and become lettershop customers." Identify any studies, data, research or other source that supports your opinion. If you intend to develop further support for the opinion, please describe in detail how you plan to do so.

RESPONSE:

a. As I understand the business model, traditional lettershop functions involve a wide variety of mailpiece creation, assembly and preparation activities. These functions are performed in response to customer requirements which are ultimately a product of customer expectations regarding cost, speed and quality. I believe that improvements in the economies of digital printing will increase the awareness, understanding and consequent usage of this technology, and furthermore, that its improved speed and flexibility will impact the expectations of mail users. As competitive businesses, lettershops are driven by their customers' expectations in the adoption of new technologies and capabilities. Digital printing is complementary to many of the existing functions of lettershops

and the integration of this technology would tend to improve the competitive position of a full-service provider looking for ways to satisfy existing customers and attract new ones.

- b. Any lettershop which evolves a capacity to bid on MOL contracts will of course be in a position to benefit from the award of such a contract. In addition, for the reasons stated in (a) above, this capacity is also likely to generate new revenue by benefiting their ability to satisfy latent and emerging demand from their own or other customers having requirements for digital printing services in conjunction with the use of mail.
- c. Not confirmed. As indicated in my response to OCA/USPS-T1-5(a), if demand is sufficient to warrant it, more than 25 contracts could be awarded.
- d. See my response to part (b), above.
- e. With the understanding that Mailing Online is expected to improve the usefulness of mail to small businesses and other small volume mailers, and that new mail volume will be generated thereby, it is my firm opinion that lettershops might also expect to benefit from new volumes of mail types not suitable for MOL that will be generated by this underserved market segment as they grow aware of the many benefits of mail as a cost effective communications tool. Additionally, it is my opinion that there is a strong likelihood that the positive results achieved through the combined benefits of data manipulation, document personalization,

address standardization and automation compatible mail preparation, available on a small scale in MOL, will compel MOL users to investigate the more robust capabilities of lettershops and other mailing services providers. This will be especially true if such nascent businesses grow to the point of mailing in volumes better suited to traditional lettershop technologies.

f. My opinion comes from personal knowledge of business and the mailing public as well as from discussions with members of the mailing services industry. My opinion is rooted in two basic understandings. The first is that, in general, the volume threshold for lettershop mailings is higher than that for MOL mailings, and that the variety and complexity of lettershop capabilities far exceeds what is possible using MOL. The second is the simple expectation that successful small businesses grow and that successful users of the mail expand their use of it in both quantitative and qualitative senses. This growth would leave them with mailing needs not able to be satisfied by MOL and it is likely, in my opinion, that they would seek out lettershops for this reason. I remain open to new information that may bear on this question, and will continue to gather information on this subject through personal observation and informal investigation.

MASA/USPS-T1-20.

- a. How many bidders were there for the contract awarded to successful bidder reflected in LR-11? If there were any other bidders, identify them and provide a price chart comparing each other bid by price to the one accepted.
- b. Have [sic] any request for bids been solicited with respect to other print contracts? Describe the status of the USPS effort to solcit [sic] other bidders on printing contracts.

RESPONSE:

- a. Two offerors responded to the solicitation. Release of unsuccessful offerors' pricing or technical proposals would violate postal regulations.

 Purchasing Manual § 4.2.8.d. Information must not be disclosed to any supplier as to another supplier's: (a) trade secrets; (b) restricted data or privileged or confidential manufacturing processes or techniques; or (c) business and financial information that is privileged or confidential, including cost breakdowns, profit, indirect cost rates, and similar information.
- b. A prequalification process has been initiated for the next three print locations. The Postal Service's Purchasing and Materials Service Center recently invited the submission of prequalification statements from suppliers in the Chicago, Los Angeles and New York areas. This process will prequalify the most suitable suppliers in these areas, from whom competitive proposals will be solicited in the near future.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL

MASA/USPS-T1-21. In response to OCA/USPS-T1-12, you state that the costs of informing potential MOL customers and advertising during the market test have been included in cost estimates. Identify where in the testimony these costs have been accounted for.

RESPONSE:

My response to OCA/USPS-T1-12 states "It is my understanding that as appropriate, these costs have been included". I am not, however, the judge of what is appropriate; nor am I a costing witness. See Tr. 2/290-91.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL

MASA/USPS-T1-22. In your testimony at page 10, lines 2-5, you state that MOL customers "will be notified of addresses that cannot be matched with existing Postal Service's Address Management System database and are therefore being purged from the list." In response to DFC/USPS-T5-2 (redirected from witness Plunkett), you indicate that early in the market test, the MOL system "will be modified to use the FastForward system to check addresses for address change status."

- a. Confirm that addresses for which a change is identified by the FastForward system will not be purged.
- b. Confirm that mail for which an address change is identified by the FastForward system will be forwarded to the addressee at the correct address.
- c. Confirm that the mailer will not be provided with the address for any changed address identified by the FastForward system. Will a MOL user be notified of the names of those addressees whose mail has been forwarded as a result of the FastForward system?
- d. Confirm that the mailer will not be charged for the FastForward system. Describe the circumstances in which Fastforward is available to mailers who are not using MOL, and state whether any charge is levied in connection with use of the FastForward system.
- e. Explain whether, after FastForward is implemented for MOL, the statement in your testimony referred to in the interrogatory will still be true. If it is, explain the circumstances in which it will be true and estimate as best you are able the percentage of incorrectly addressed MOL mail that will still be purged when FastForward is in use.

RESPONSE:

- a. Confirmed.
- b. Confirmed that mail for which an address change is identified by the FASTforward system will be forwarded to the addressee at the address recorded in the FASTforward database.
- c. Confirmed that at the present time, mailers will not be provided with any address changes nor any notification of the identity of those addressees whose mail has been forwarded as a result of the FASTforward system.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL

- d. Confirmed that as is the case today, neither mailers nor addressees will be charged by the Postal Service for the forwarding of First-Class Mail. The use of FASTforward with MOL will however make the process more efficient for the Postal Service than it is today. In general, a standalone FASTforward system is available to licensees for an annual fee of \$10,000 for each system; multiple or networked systems are priced differently, as are upgraded platform implementations. Under the conditions of the licensing agreement, licensees are authorized to offer the service to others on whatever financial terms they may choose.
- e. The statement in my testimony refers to address standardization, not address change status and will continue to be true. The Address Management System (AMS) database is used to check address elements only and does not involve checking names or forwarding status. The percentage of addresses purged based upon use of AMS will vary depending upon many factors, but will be unaffected by the use of FASTforward. FASTforward will not be used to purge addresses.

OCA/USPS-T1-43. Please refer to Tr. 4/843. Here you refer to a "new version of the [Mailing Online] system due to be implemented for the market test"

- a. Has this new version been implemented? If not, what is the expected date of implementation?
- b. Does this new system record data in sufficient detail to permit creation of tabulations of AP volumes by job type by page count by presort discount qualification? If so, please provide such tabulations for each available AP.
- c. Can data from the new system be merged with data from some other system (e.g., mailing statements or sortation software reports) so as to generate the tabulations requested in part b. of this interrogatory? If so, please provide such tabulations for each available AP.
- d. Can the tabulations requested in parts b. and c. of this interrogatory be generated for periods other than APs? If so, please provide such tabulations for each available period.

RESPONSE:

- a. As of this date, the new version has not been implemented for customer use. Pending successful completion of systems testing, the new version will be implemented on October 22, 1998 concurrent with the launch of the new version of the PostOffice Online system.
- b-d. From a technical perspective, data recordation and tabulation capabilities are virtually unchanged from those available during the operations test, although the Postal Service does anticipate being able to provide data in keeping with the Commission's Opinion regarding a market test for Mailing Online. Currently, association of presort qualification with job type characteristics can be accomplished only through the manual matching of mailing statements with batch job reports. See Tr. 4/845.

 Since no data yet exist for the market test, reporting it at this time is problematic.

OCA/USPS-T1-44. Please refer to Tr. 4/845. Here you state that "it would be possible to modify the system so as to store and forward the reports [generated by the sortation software in Mailing Online]"

- a. Has such a modification been performed? If not, what is the expected date of modification?
- b. What is the name of the sortation software utilized in Mailing Online?

 Please provide a copy of any instruction manuals, documentation, readme files, or online help files that accompany the sortation software.
- c. Do commercial mailers or presort bureaus use the same sortation software? Do such other users maintain electronic records of the manifests, 3600s, and 3602s generated by the sortation software? If so, what prevents the Postal Service from doing the same?
- d. Can the sortation software used in Mailing Online generate a report that shows the volumes for each manifest, 3600, or 3602 that would qualify for each presort discount? (See PRC Op. MC98-1, October 7, 1998, at 45: "If the mailing statements provide the level of sort achieved on each batch . . . , then the provision of these statements will be sufficient.") If so, please provide all such existing reports and all future reports on an ongoing basis (electronic and hard copy). If not, please "find an alternative means of providing the depth of sort data for each batch." Id.
- e. Can any of the manifests, 3600s, or 3602s generated by the sortation software be associated with a particular page count/job type category. For example, do the reports or mailing statements generated by the sortation software contain an identification code that can be associated with an identification code in the job type/page count reports generated by the system software? If so, please provide the tabulations requested in OCA/USPS-T1-43.

RESPONSE:

a. No system modification has been performed which would allow the storing and forwarding of sortation software reports. Although no firm timeline has been established, a ready means of providing this information has been identified in the form of a built-in switch in the commercial software which allows the creation of a "Mail.dat" file for each batch file statement. The Mail.dat file contains all of the variable elements of a mailing statement and allows for storage and manipulation of the data in soft-copy

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE format. We are currently analyzing the time and effort requirements of a modification to allow the creation and electronic forwarding of "Mail.dat" files for all MOL statements.

- b. The sortation software utilized is Postalsoft's "Presort Jobfile".
 Documentation supplied with the software is the property of the Firstlogic

 Postalsoft company and cannot be released or reproduced without their express permission. The company declined to authorize inclusion of the documentation in this response but did indicate a willingness to discuss the possibility of sharing it with participating parties on a one-to-one basis. Counsel can provide contact information upon request.
- c. According to Postalsoft, Presort Jobfile is used by a variety of commercial mailers, presumably including presort bureaus. Also, according to Postalsoft, electronic records (Mail dat files) can be generated by Presort Jobfile and such reports could be (and may be) generated and maintained by other users. The existing MOL system configuration and settings prevent the Postal Service from generating and storing mail dat files.
- d. The MOL system as currently configured does not generate or keep those records, nor can any reports other than mailing statements be generated; as indicated above, a system modification to enable a Mail.dat reporting option is currently being investigated.
- e. Currently, mailing statements generated by Presort Jobfile do not contain any identification which would allow them to be associated either with a



particular batch number or the job type/page count reports generated by the system. We intend to investigate such an option in the near future.

OCA/USPS-T1-45. Please refer to Tr. 2/182 and Tr. 4/842. At page 182 you state, "The system software defines batches based upon page count, paper size, bindery options, spot color options and proofing options. Also, non-merge jobs are defined as separate batches, as are fax-back and mail-back proofing requests." At page 842 you calculate the number of possible job type batches by taking account of paper size, plex options, bindery options, and color options.

- a. Has the computer code you provided at page 182 changed? If so, please provide a copy of the current code.
- b. Is each individual non-merge job treated as a separate job type batch? If so, why and how is this accomplished? If not, please describe how these jobs are batched and state whether these jobs are batched with mailmerge jobs.
- c. Is each individual fax-back job treated as a separate job type batch? If so, why and how is this accomplished? If not, please describe how these jobs are batched and state whether these jobs are batched with mailmerge jobs.
- d. Is each individual mail-back job treated as a separate job type batch? If so, why and how is this accomplished? If not, please describe how these jobs are batched and state whether these jobs are batched with mailmerge jobs.
- e. Please confirm that there are 48 possible page-count options. If you do not confirm, please state how many page-count options there are.
- f. Please confirm that for mail-merge jobs there are 42 X 48 = 2016 possible page-count/job-type batches. If you do not confirm, please state the correct number of possible mail-merge batches and show its derivation.
- g. Please confirm that the number of possible non-merge batches is unknowable, since each such job is treated as a separate batch. If you do not confirm, please state the correct number of possible non-merge batches and show its derivation.
- h. Please confirm that the number of possible fax-back batches is unknowable, since each such job is treated as a separate batch. If you do not confirm, please state the correct number of possible fax-back batches and show its derivation.
- i. Please confirm that the number of possible mail-back batches is unknowable, since each such job is treated as a separate batch. If you do not confirm, please state the correct number of possible mail-back batches and show its derivation.

RESPONSE:

a. According to the system developer, the code has not changed.

- b. Yes, at the present time all non-merge jobs are treated as separate batches. The current MOL system is an enhanced version of the original proof of concept software used for the operational test. The initial phases of system development have focused on simplicity and consistent operability. Consequently only mail-merge jobs are currently combined into co-mingled batches; all others are handled as separate batches.
 Current (and future) system development is focused on improved functionality including the capability to combine all like documents into co-mingled batches.
- Yes, at the present time all fax-back jobs are treated as separate batches.
 See my response to (b) above.
- d. Yes, at the present time all mail-back jobs are treated as separate batches. See my response to (b) above.
- e. Confirmed.
- f. Not confirmed. The system which has been implemented for the market test has different finishing options than the operational test system. Due to these differences the possible job-type batches are¹:

Letter & legal 2 possible plex options – simplex or duplex

 \times 3 possible binding options – stapled, not stapled or tape binding

6

x 2 possible paper sizes – letter or legal

12

x 5 possible color options – black, red, green, blue, magenta

¹ For technical reasons, neither the 11x17 paper choice nor the saddlestitching finishing option will be available at the launch of the market test. They are expected to be reintroduced shortly after the market test begins.

1 possible plex option – duplex
x 2 possible binding options – stapled or not stapled
2
x 1 possible paper size – newsletter (11"x17")
2
x 1 possible color option – black
2

This is a total of 62 job-type batches. The page-count can be equal to or less than 48. Therefore the possible page-count/job-type batches equals 62 x 48 = 3000

- g. Confirmed that at present the number of possible non-merge batches is unknowable. It is known however that the number will be equal to the total number of non-merge jobs submitted and processed.
- h. Confirmed that at present the number of possible fax-back batches is unknowable. It is known however that the actual number will be equal to the total number of fax-back requests submitted and processed.
- i. Confirmed that at present the number of possible mail-back batches is unknowable. It is known however that the actual number will be equal to the total number of mail-back requests submitted and processed.

OCA/USPS-T1-47. Please refer to your response to OCA/USPS-T1-43.

- a. Please provide a firm date for implementation of the "new version" of the MOL system software referred to in your response to part (a) of that interrogatory.
- b. Please provide a firm date when the "association of presort qualification with job type characteristics can be accomplished" through electronic means.
- c. Please provide a firm date when the tabulations requested in parts (b)-(d) of that interrogatory can be generated.
- d. Please provide the tabulations requested in parts (b)-(d) of that interrogatory as soon as they can be produced.
- e. Is it your understanding that the tabulations requested in part (d) of this interrogatory differ from "data in keeping with the Commission's Opinion regarding a market test for Mailing Online"? If so, please describe all differences.

RESPONSE:

- a. The new version of the MOL software was implemented for customer use when the PostOffice Online web site was made available for public access at approximately 3:15 PM Pacific Standard Time on October 30, 1998.
- b. No firm date has been determined.
- c-d. The tabulations requested in parts (b)-(d) assume a level of data gathering, automated or otherwise, presently not available in the MOL system. Automated reporting sufficient to permit tabulation at this level is unlikely to be available until the next major release of MOL software. See also, my response to part (e).
- e. Yes. The Commission has specified that the market test data collection plan encompass mailpiece characteristics data (which include job types and page counts) and hard copy mailing statements. No data beyond these are available regarding presort discount qualification, although

inferences can be made from the characteristics data. The first week of the market test has just been completed, and the first weekly report is being prepared. The Postal Service expects to provide that report in approximately two weeks, and anticipates that the lag time between the end of a week and the provision of its report can be reduced to a week as procedures become defined and implemented.

OCA/USPS-T1-48. Please refer to your response to OCA/USPS-T1-44.

- a. In part a. of your response you state, "No system modification has been performed which would allow the storing and forwarding of sortation software reports." Please reconcile this statement with your testimony at page 10, lines 16-18 (emphasis added): "Each batch address file is presorted to the maximum depth of sort with a prepared manifest and mailing statement, for transmission along with the print files."
- b. Please provide copies of correspondence from the MOL system developer related to the ability or inability of the MOL sortation software to retain an electronic version of the "prepared manifest and mailing statement" that is transmitted electronically to print sites. If no such correspondence exists, please explain the basis of your interrogatory response and provide documentary verification thereof.
- c. In part c. of your response you state, "The existing MOL system configuration and settings prevent the Postal Service from generating and storing mail.dat files." Please provide copies of correspondence from the MOL system developer related to the ability or inability of the existing MOL system to generate or store mail.dat files. If no such correspondence exists, please explain the basis of your statement and provide documentary verification thereof.
- d. In your response to part e. you state, "Currently, mailing statements generated by Presort Jobfile do not contain any identification which would allow them to be associated either with a particular batch number or the job type/page count reports generated by the system. We intend to investigate such an option in the near future." Please provide copies of correspondence from the MOL system developer related to this "option." If no such correspondence exists, please explain the basis for your response and provide documentary verification thereof.

RESPONSE:

- a. The mailing statement is indeed transmitted by the system along with the print files as my testimony indicates; however no provision was made for the statement to be stored and/or forwarded anywhere else. After transmission the file is deleted and no longer exists on the system.
- b. No such correspondence or other documentation exists. My interrogatory response was based on a telephone call to the developer wherein I asked

if the *system* could store and forward the mailing statement. What the system can do now is quite different from what is possible or under development.

- c. Again, no such correspondence or other documentation exists. The

 Mail.dat opportunity was discovered during phone conversations with

 Postalsoft company representatives and was subsequently communicated to the MOL system developer by phone.
- d. Again, no such correspondence or other documentation exists. The request for investigation of an option to associate mailing statements with batch numbers was communicated to the MOL system developer by telephone.

OCA/USPS-T1-49. Please refer to your response to OCA/USPS-T1-45.

- a. In part b. of your response you state, "[O]nly mail-merge jobs are currently combined into co-mingled batches; all others are handled as separate batches. Current (and future) system development is focused on improved functionality including the capability to combine all like documents into co-mingled batches." Please provide copies of correspondence from the system developer relating to the ability or inability of the MOL system software to "combine all like documents into co-mingled batches." If no such correspondence exists, please explain the basis for your response and provide documentary verification thereof.
- b. In part f. of your response you state, "[T]he possible page-count/job-type batches equals 62 x 48 = 3000 [sic]." In his response to interrogatory OCA/USPS-T1-46(d), redirected from you, witness Plunkett states, "Some batch types are simply more likely to be chosen than others. Moreover, if document length is a parameter used to define potential batch types, some are highly unlikely to be chosen at all."
 - i. Do agree with witness Plunkett's statement? If so, what is the basis for your agreement?
 - ii. Please provide a table, containing 62 x 48 cells, that displays the relative likelihood of each possible page-count/job-type batch and is consistent with the assumption that, on average, MOL pieces will be presorted to a depth justifying grant of the Automation Basic discounts.
 - iii. Please provide tables that allocate year-one MOL volume across subclass/page-count/job-type batches. Please show that this allocation is consistent with the assumption that, on average, MOL pieces will be presorted to a depth justifying grant of the Automation Basic discounts.

RESPONSE:

a. To my knowledge, no such correspondence or other documentation exists on this topic. As stated in my response to part (b), the current system is an enhanced version of the original proof-of-concept software. The specification for that development stated:

"Merge and presort. This capability will allow the NetPost system to automate network logistics, achieving optimum utilization of printing

resources, and maximizing postal automation efficiency."

As noted in my response to part (b), the developer understands that current (and future) system development will be focused on this and other improved functionality.

b.

- I agree that we are likely to learn that certain batch types are more prevalent than others. This learning is the purpose of the experiment.
- ii. I have no basis for predicting or even assuming the relative numerical likelihoods of possible batches and therefore am unable to produce such a table.
- iii. I have no basis for accurately allocating MOL volumes across possible batches and therefore am unable to produce such tables.

- OCA/USPS-T1-50. Please refer to page 3, note 3, of your testimony. You state, "[A] universal Portable Document Format (PDF) input capability will be included to allow document creation using many unsupported applications."
- a. Please confirm that such an "input capability" does not currently exist. If you do not confirm, please reconcile your response with witness Stirewalt's response to interrogatory OCA/USPS-T3-68.
- b. Please provide a firm date when such a capability will exist.

RESPONSE:

- a. Confirmed. A more complete extract of footnote 3 from my testimony is provided here to clarify that PDF input capability is a part of future development.
 - "...Future development will include additional applications identified by user demand studies. In addition, a universal Portable Document Format (PDF) input capability will be included to allow document creation using many unsupported applications." USPS-T-1 at 3
- b. See my responses to OCA/USPS-T3-78(a) and OCA/USPS-T1-47(b).



OCA/USPS-T1-51. Please provide an updated version of USPS-LR-6/MC98-1.

RESPONSE:

This material is being filed as library reference USPS-LR-24. Please note that the process of reviewing and correcting anomalies, such as flats in AP12 Week 3 and Week 4 reports having \$0.55 in revenue for 1,230 pieces, has not been completed.

OCA/USPS-T1-52. At page 20 of its Initial Brief, the Postal Service stated that "the Postal Service expects that exemptions from volume minimums will be unnecessary if Mailing Online matures. The DMCS language exempting Mailing Online volume from the minimums simply permits the market test (and perhaps the experiment) to mature under conditions likely emulative of its final form."

- Do you agree with this statement? Please state the basis for your agreement or disagreement.
- b. Would you agree that the characteristics of MOL jobs submitted near the end of the experiment would be more similar to jobs submitted under a permanent service than jobs submitted during the market test or toward the beginning of the experiment? Please explain the basis of your agreement or disagreement.

RESPONSE:

- a. Yes. Given that a goal of Mailing Online is to achieve the proper balance of providing automation discount opportunities to small volume mailers while still maximizing the operational efficiencies of print vendors and postal processing plants, both for the sake of lowering overall mailing costs, I do agree. The experiment should shed further light on the realization of this expectation.
- b. I can agree that jobs submitted in a more mature environment should be more similar to permanent jobs than those from early in the market test.
 Common sense suggests that only with some time for experimentation with a new concept can users be expected to understand fully how Mailing
 Online can best fit their needs. It follows that individual users' respective and collective experiences would mature over time to provide a clearer picture of demand and common job characteristics.

OCA/USPS-T1-53. Please provide an updated response to interrogatory OCA/USPS-T1-10, parts d.-f.

RESPONSE:

The requested update is being filed in Library Reference USPS-LR-23.

OCA/USPS-T1-54. Please provide an updated response to interrogatory OCA/USPS-T1-24.

RESPONSE:

The requested update is being filed in Library Reference USPS-LR-23.

OCA/USPS-T1-55. Please refer to your response to interrogatory OCA/USPS-T1-19. In parts b.-d. of that interrogatory, you were asked to provide data on merging, batching, and presorting of Mailing Online pieces. In parts e.-i. of that interrogatory, you were asked for "downflow densities" for MOL pieces. In part j. of that interrogatory, you were asked whether the Postal Service would collect data responsive to that interrogatory during the experiment.

- a. In your response to part j. you stated, "Since the proposed Mailing Online fees are based solely upon pre-mail costs, and Mailing Online pieces are processed in conformity with existing procedures and capabilities, there is no need to study these issues." Please confirm that the data requested could be used to determine the most appropriate presort and entry discounts to be offered with Mailing Online. If you do not confirm, please explain.
- b. In its MC98-1 Recommended Decision on the market test, the Commission stated, "An important factual finding necessary to determine whether the Postal Service's proposed Mailing Online mailstream prices for the market test are reasonable is whether Mailing Online volumes will be sufficient in the long run (after batching), to bring essentially all Mailing Online mailings above the current volume thresholds for automation discounts " PRC Op. MC98-1, October 7, 1998, at 27.
 - i. Please explain how the Commission can make a similar finding for the experiment if "there is no need to study these issues."
 - ii. Please identify the data that the Postal Service will be providing during the market test that will allow the Commission to make findings on (a) the appropriate level of automation discount for Mailing Online pieces during the experiment and (b) the need for a waiver of minimum volume requirements.

RESPONSE:

a. Not confirmed. In a fully implemented Mailing Online scenario, with all print sites in place and mature volumes, such data might indeed be analyzed to determine presort and entry discounts with some degree of confidence. However, during the experiment new print sites will be rapidly phased in as volume increases and as volume shifts to new locations, sortation densities will shift as well. This will have the effect of constantly changing the basis for evaluating any such data and significantly reducing its value for determining any mature presort levels.

b

- i. See the balance of my response to OCA/USPS-T1-19, part j. where I state, "... Collection of Mail Online mailpiece characteristics will suffice for informing any determination regarding the appropriate mail categories in which any permanent Mail Online mailpieces should be entered."
- ii. The data requested by the Commission for the market test data collection plan will be reported. This will include documentation sufficient to determine that either with or without the usual minimum volumes, all MOL addresses and mailpieces have been prepared in accordance with automation processing requirements. In addition, batch mailing statements and accompanying qualification reports from the presorting software will provide information on batch volumes, including presort densities where volume allows presorting.

OCA/USPS-T1-56. Please refer to your response to interrogatory OCA/USPS-T1-18. The computer code provided in that response does not appear to relate to the question. (i.e., it is the same code as provided in response to interrogatory OCA/USPS-T1-17g.) Please verify that you provided the intended code. If you did not, please provide the requested code.

RESPONSE:

The code provided was provided in error. Listed below are the correct lines of

code:

Here is the code to inform the user of the "expected mail date":

```
/************/
/* USPS - Restricted Information */
create or replace procedure update_print_options
   sessionID number,
                 in varchar2,
   iobID
   PrintOnSel
                  in varchar2,
                 in varchar2.
   ColorSel
   PaperSizeSel
                   in varchar2,
                    in varchar2,
   BindStyleSel
   MailClassSel
                    in varchar2.
   ProofCopySel
                    in varchar2.
   NoDays
                    in varchar2 default 0,
              in number default 0,
   X
              in number default 0
   У
)
AS
                      registered_member.USER_ID%TYPE;
     userID
                            JOB.JOB_MAIL_COST%TYPE;
     JOBMAILCOST
     JOBPRODUCTIONCOST JOB.JOB_PROD_COST%TYPE;
                            JOB.JOB UPDT%TYPE;
     JOBUPDT
                            JOB.JOB DOC%TYPE;
     JOBDOC
                            JOB.JOB_MAIL%TYPE;
     JOBMAIL
                            HOLIDAY.HOLIDAY DATE%TYPE:
    h holiday date
                      HOLIDAY.HOLIDAY%TYPE:
    h holiday
                            BINARY_INTEGER;
     holiday count
                      varchar2(50) default 'None';
     FoldStyleSel
```

```
varchar2(50);
     Bindstyle
     EnvelopeSizeSel
                             varchar2(50) default 'None';
     EnvelopeStyle
                       varchar2(50) default 'None';
                       varchar2(50) default 'None';
     InsertingTag
                       varchar2(50);
     mPrintOnSel
                             DOC.DOC PAGE%TYPE;
     no of sheets
     no of impressions DOC.DOC PAGE%TYPE;
                             DOC.DOC PAGE%TYPE;
     DOCPAGE
     MAILPAGE
                       MAIL.MAIL CNT%TYPE;
                       JOB.JOB_PAGE%TYPE;
     TOT_PAGE
                             PRODUCTION COSTS.unit cost%type;
     per impression cost
                       PRODUCTION COSTS unit cost%type;
     color cost
                       PRODUCTION_COSTS.unit_cost%type;
     binding ∞st
                             PRODUCTION COSTS.unit_cost%type;
     inserting cost
                       PRODUCTION_COSTS.unit_cost%type;
     proof_cost
                       PRODUCTION_COSTS.unit_cost%type;
     paper_cost
                             PRODUCTION COSTS.unit_cost%type;
     envelope cost
                       PRODUCTION_COSTS.unit_∞st%type;
     folding_cost
                       PRODUCTION COSTS.unit cost%type;
     folding_cost_piece
                       POSTAGE.POSTAGE%type;
     mail cost
                       VARCHAR2(60);
     jobday
                             VARCHAR2(60);
     exp mail day
                             VARCHAR2(60);
     iobtime
     jobmaildate
                       Date:
     i jobmaildate
                       Date:
                             NUMBER(2);
     job_time_num
                             NUMBER(3);
     mNoDays
     s_sysdate
                       date;
                       date:
     ss sysdate
                             BINARY INTEGER;
     d count
     m count
                             BINARY_INTEGER;
                       job.job title%type;
    d title
                       job.job title%type;
     m title
                             varchar2(60);
     per_impression
CURSOR Hol IS
     SELECT
           holiday, holiday_date
     FROM
           holiday
```

WHERE



```
to_char(holiday_date,'DD-MON-YYYYY') = to char(jobmaildate,'DD-
MON-YYYY');
CURSOR dmaildate is
select
      job_title
from
      job.
      mail
where
      (round(mail_date) + mail_days_to_delete < round(job_mail_exp_time))</pre>
and
      job_mail = mail_id and
      job_id = jobid and
      job_user_id = userid;
CURSOR ddocdate is
select
      job_title
from
      job,
      doc
where
      (round(doc_date) + doc_days_to_delete < round(job_mail_exp_time)) and
      job_doc = doc_id and
      job_id=jobid and
      job user id= userid;
BEGIN
 userID := check_session(sessionID);
 if (userID is null) then return; end if;
      SELECT
            JOB_DOC, JOB_MAIL
      INTO
             JOBDOC, JOBMAIL
      FROM
             JOB
      WHERE
             JOB_ID=JOBID;
```

/* select color cost */

```
select
      unit_cost
into
      color_cost
from
      production_costs
where
      cost_item = colorsel;
/* select proof cost */
select
      unit_cost
into
      proof_cost
from
      production_costs
where
      cost_item = proofcopysel;
/* select paper cost */
select
     unit_cost
into
      paper_cost
from
      production_costs
where
      cost_item ≈ PaperSizeSel;
/* SELECT NO OF PAGES FROM DOC TABLE */
SELECT
            DOC_PAGE
INTO
            DOCPAGE
FROM
            DOC
WHERE
            DOC_ID = JOBDOC;
/* SELECT NO OF PAGES FROM MAIL TABLE */
SELECT
            MAIL_CNT
INTO
            MAILPAGE
```

```
FROM
              MAIL
WHERE
              MAIL_ID = JOBMAIL;
if docpage = 1 then
       mPrintOnSel := 'One Side';
elsif
       docpage > 48 then
       mPrintOnSel := 'Two Side';
else
       mPrintOnSel := PrintOnSel;
end if;
if NoDays is null then
       mNoDays := 0;
else
       mNoDays := NoDays;
end if;
if (proofcopysel = 'Fax Back') or
  ( proofcopysel = 'Mail Back')
then
mailpage := 1;
end if:
no_of_impressions := docpage;
if (mPrintOnSel = 'One Side') then
      no_of_sheets := no_of_impressions;
else
      /* 11 x 17 is printed 4 doc_page(s) to 1 sheet duplex - 4 impressions */
      if PaperSizeSel = '11*17' then
             no_of_sheets := ceil (no_of_impressions / 4);
      else
             no_of_sheets := ceil (no_of_impressions / 2);
      end if;
end if:
TOT_PAGE := MAILPAGE * no_of_sheets;
/* Calculate Envelope Size */
if PaperSizeSel = '81/2*11' then
      if no of sheets <= 5 then
```

```
EnvelopeSizeSel := #10 Envelope':
       else
              EnvelopeSizeSei := 'Flat Envelope';
       end if:
elsif PaperSizeSel = '81/2*14' then
       if no_of_sheets <= 4 then
              EnvelopeSizeSel := \#10 Envelope';
       else
              EnvelopeSizeSel := 'Flat Envelope';
       end if:
elsif PaperSizeSel = '11*17' then
       if no_of_sheets <= 2 then
              EnvelopeSizeSel := #10 Envelope';
       else
              EnvelopeSizeSel := 'Flat Envelope';
       end if;
end if:
/* Determine inserting lookup key */
if EnvelopeSizeSel = #10 Envelope' then
      InsertingTag := 'Inserting#10';
elsif EnvelopeSizeSel = 'Flat Envelope' then
      InsertingTag := 'InsertingFlat';
end if:
/* select envelope cost */
select
      unit_cost
into
      envelope_cost
from
      production_costs
where
      cost_item = EnvelopeSizeSel;
if BindStyleSel = 'Tape' then

    begin

       if PaperSizeSel = '81/2*11' then
              Bindstyle := 'Tape 8';
       elsif PaperSizeSel = '81/2*14' then
              Bindstyle := 'Tape 14';
       elsif PaperSizeSel = '11"17 then
              Bindstyle := 'Tape 8';
       end if;
       end;
else
```

```
Bindstyle := BindStyleSel;
end if:
/* select binding style cost */
select
      unit_cost
into
      binding_cost
from
      production_costs
where
      cost_item = Bindstyle;
/* select binding style cost */
select
      unit_cost
into
      inserting_cost
from
      production_costs
where
      cost_item = InsertingTag;
/* select folding cost */
select
      unit_cost
into
      folding_cost
from
      production_costs
where
      cost_item = 'Folding';
if EnvelopeSizeSel = '#10 Envelope' then
       begin
     if PaperSizeSel = '81/2*11' then
              folding_cost_piece := folding_cost * 2;
       elsif PaperSizeSel = '81/2"14' then
              folding_cost_piece := folding_cost * 3;
       elsif PaperSizeSel = '11*17' then
             folding_cost_piece := folding_cost * 3;
       end if:
elsif EnvelopeSizeSel = 'Flat Envelope' then
       begin
```

```
if PaperSizeSel = '81/2*11' then
             folding cost piece := 0;
       else
             folding cost piece := folding cost * 1;
       end if:
       end;
end if:
if (PaperSizeSel = '81/2*11' and mPrintOnSel = 'One Side') then
       per_impression := '81/2*11One Side';
elsif (PaperSizeSel = '81/2*14' and mPrintOnSel = 'One Side') then
       per_impression := '81/2'14One Side';
elsif (PaperSizeSel = '81/2*11' and mPrintOnSel = 'Two Side') then
       per impression := '81/2*11Two Side';
elsif (PaperSizeSel = '81/2*14' and mPrintOnSel = 'Two Side') then
       per impression := '81/2*14Two Side';
elsif (PaperSizeSel = '11*17') then
       per_impression := '81/2*11Two Side';
end if:
/* select per impression cost */
select
   unit_cost
into
      per_impression_cost
from
  production_costs
where
 cost_item = per_impression;
/* select postage cost */
select
      postage
into .
      mail_cost
from
      postage
where
      paper size = PaperSizeSel and
      min pages <= no of sheets
      and max_pages >= no_of_sheets;
```

```
/* do not charge for postage if it is fax back */
if (proofcopysel = 'Fax Back') then
      mail\_cost := 0;
end if:
/* calculate postage cost */
jobmailcost := mail_cost * mailpage;
/* calculate production cost */
if proofcopysel = 'Fax Back' then
      jobproductioncost := (per_impression_cost + color_cost) *
no_of_impressions +
                       (paper_cost * no_of_sheets) + proof_cost;
else
      jobproductioncost := (( binding_cost + envelope_cost + folding_cost_piece
+ inserting_cost) +
                    (( per_impression_cost + color_cost ) * no_of_impressions)
                          ((paper_cost) * no_of_sheets)) * mailpage;
end if:
/* UPDATE JOB WITH NO OF PAGES AND DATE AND TIME */
SELECT
      sysdate
INTO
      ss_sysdate
FROM
      DUAL:
/* calculate date and time */
if NoDays > 0 then
s_sysdate := ss_sysdate + NoDays ;
s_sysdate := ss_sysdate;
end if:
iobday := to_char(s_sysdate,'DAY');
iobtime := to char(s_sysdate,'HH24');
```

```
job_time_num := to_number(jobtime);
if job_time_num <≈ 13 and jobday <> 'SATURDAY' then
jobmaildate := s_sysdate + 1;
end if:
if job_time_num > 13 and jobday <> 'FRIDAY' and jobday <> 'SATURDAY' then
jobmaildate := s_sysdate + 2:
end if;
if job_time_num <= 13 and jobday like '%SATURDAY%' then
jobmaildate := s_sysdate + 2;
end if:
if job time num > 13 and jobday like '%SATURDAY%' then
jobmaildate := s_sysdate + 3;
end if:
if job_time_num > 13 and jobday like '%FRIDAY%' then
jobmaildate := s_sysdate + 3;
end if;
OPEN Hol;
holiday_count := 0;
LOOP
      FETCH hol INTO
             h_holiday,h_holiday_date;
      EXIT WHEN hol%NOTFOUND;
      holiday count := holiday_count + 1;
END LOOP:
CLOSE Hol;
if holiday_count > 0 then
 j_jobmaildate := jobmaildate + 1;
 j jobmaildate :≈ jobmaildate;
end if;
exp_mail_day := to_char(j_jobmaildate,'DAY');
if exp_mail_day like '%SUNDAY%' then
j_jobmaildate := j_jobmaildate + 1;
end if:
```

```
UPDATE job SET
               JOB SIZE
                                   PaperSizeSel,
                   JOB_PLEX =
                                   mPrintOnSel,
                   JOB COLOR
                                        ColorSel.
                   JOB_BIND =
                                   BindStyleSel,
                   JOB_ FOLD
                                        FoldStyleSel,
                                        EnvelopeSizeSel,
                   JOB ENVNO
                   JOB_ENV =
                                   EnvelopeStyle,
                                        MailClassSel,
                  JOB CLASS
                  JOB_PROOF
                                        ProofCopySel,
                  JOB PAGE =
                                   TOT_PAGE,
                  JOB UPDT =
                                   ss sysdate,
                   JOB MAIL EXP TIME = j jobmaildate,
                   JOB_MAIL_COST =
                                        jobmailcost,
                  JOB_PROD_COST =
                                        jobproductioncost,
                  JOB SCHEDULE DAY =
                                              mNoDavs
      WHERE
                  JOB ID=jobID;
     COMMIT:
/* if job processing day set after the file is deleted do not accept the job */
OPEN DDOCDATE;
d count := 0;
LOOP
      FETCH DDOCDATE INTO
           d title;
      EXIT WHEN DDOCDATE%NOTFOUND;
     d count := d_count + 1;
END LOOP:
CLOSE DDOCDATE:
OPEN dmaildate;
m_{\infty} count := 0;
LOOP
      FETCH dmaildate INTO
            m title;
      EXIT WHEN dmaildate%NOTFOUND;
      m count := m count + 1;
END LOOP;
CLOSE dmaildate;
/* if fax back is selected redirect page to fax_back page */
if m count > 0 then
```

owa_util.redirect_URL(service_name||'changemail?sessionID='||sessionID||'&job| D='[[jobID,TRUE); elsif d count > 0 then owa_util.redirect_URL(service_name||'changemail?sessionID='||sessionID||'&jobl D='||jobID,TRUE); elsif proofcopysel = 'Fax Back' then owa_util.redirect_URL(service_name||'fax_back?sessionID='||sessionID||' &jobID='[[jobID,TRUE); elsif /* if Mail back Selected Redirect page to mail back page */ proofcopysel = 'Mail Back' then owa_util.redirect_URL(service_name||'mail_back?sessionID='||sessionID|| '&jobID='[ljobID,TRUE); elsif /* else go to confirmation page */ proofcopysel = 'None' then owa util.redirect URL(service name||'confirm?sessionID='||sessionID||'&j obID='lliobID,TRUE); end if; END;

OCA/USPS-T1-57. Please refer to your response to interrogatory OCA/USPS-T1-22, parts c. and d. You state that address list files are retained for at least 30 days and that they are "tagged" with an expiration date.

- a. Can the submission date and time of a job be deduced from the expiration date? If not, why not?
- b. Were all stored address list files with the same expiration date submitted on the same date? If not, why not?
- c. Can stored address list files be "tagged" with a submission date and time? If not, why not?
- d. Can the date of transmission of an address list file to print sites be deduced from the date and time of submission of a job? If not, why not?
- e. Can stored address list files be "tagged" with the date of transmission to a print site? If not, why not?
- f. Please confirm that co-mingled presort batches are "closed" at 2:00 P.M. eastern time on the date of transmission to the printer. If you do not confirm, please explain.
- g. Can stored address list files be "tagged" with a subclass/job-type/page-count identifier? If not, why not?
- h. If stored address list files were identified by date and time of transmission to a print site and by a subclass/job-type/page-count code, could code be written that would determine and report (after the fact) the degree of batching and the depth of presorting achieved on a given date? If not, why not? Please provide documentary verification (e.g., correspondence from the system developer) of your response.
- i. Please obtain from the system developer, and provide as a response to this interrogatory, a report on the feasibility of the procedure described in part h. of this interrogatory for determining depth of sort on a batch-by-batch basis by date.

RESPONSE:

- a. Yes. According to the system developer it can.
- b. No. Currently users are able to extend the expiration date of their address lists by up to 30 days. So, an expiring range of files could be 30 to 60 days old.
- c. Yes. According to the system developer they are currently so tagged.
- d. Yes. According to the system developer it can be determined.
- e. Yes. According to the system developer they can be so tagged.

- f. Confirmed. Currently all batches are closed each day at 2:00 P.M. Eastern time.
- g. Yes. According to the system developer they can.
- h. Yes. The system currently retains information regarding presort, address files and document data as it pertains to specific batches.
- i. See Attachment to response to OCA/USPS-T1-57(i).

TRACOR

Tracor Enterprise Solutions, Inc 11400 Commerce Park Drive Reston, VA 20191-1536 703 758-7000

The current system configuration keeps track of the following:

The users addresses by batch; and

2. The presort level reached by all addresses in a batch

The system could determine for each batch site where a user's mail was destined and the number of pieces that qualify for automated rates. This approach is fraught with at least three major shortcomings:

The need to automate refunds based on automated rates;

2. The system resources required to determine these discounts; and

The difficulty encountered with jobs moving from batch site to batch site
as system saturation levels are reached, or when the batch site is unable to
perform the work.

The procedure referenced is possible, however, the accounting processes implied would have a major impact on the system design; i.e., development of accounting processes not currently included in the system. In addition, this procedure would require a major investment in storage and retrieval of multiple refund records (for each generated batch site refund) and design and implementation of a refund tracking and refund system. This procedure would also adversely affect the amount of time required to complete the daily batch process for all submitted jobs. The developer's estimate is that the amount of physical time required to complete this process would increase by a factor of 2 to 3 times. The cost of this procedure could be prohibitive.

Attachment to response to OCA/USPS-T1-57(1)

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.

- 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.
- uses c. Redirected to witness Seekar.

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."

- 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.

- 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 aftering 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."

- 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).

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

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.

- 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.

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/jobtype/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?

- 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

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

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.

 Does an MOL customer receive separate job quotes for postage and for production? If so, please explain why

- 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.

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.

- 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.
- 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.

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.

- 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

design; together they provided an absolute disincentive.

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

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.

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.

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.

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.)

- 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.
- 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?

- 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.

OCA/USPS-T3-76. Please refer to your response to OCA/USPS-T3-63.

- Please confirm that it is the staff of the PostOffice Online Help Desk that makes an inquiry or problem report to the Technical Help Desk. If you do not confirm, please explain.
- b. Please confirm that it is the staff of the PostOffice Online Help Desk that makes an inquiry or problem report to the Technical Help Desk as a result of customer calls to the PostOffice Online Help Desk. If you do not confirm, please explain.
- c. Please confirm that the staff members of the PostOffice Online Help Desk acts as an intermediary between the Mailing Online Customer and the Technical Help Desk. If you do not confirm, please explain.
- d. Please confirm that the staff of the PostOffice Online Help Desk are "generalists" in that they are not experts in the technical aspects of the operation of Mailing Online. If you do not confirm, please explain and describe the level of expertise of the staff of the PostOffice Online Help Desk with respect to Mailing Online.
- e. Please confirm that under no circumstances are Mailing Online customers able to speak to Technical Help Desk personnel. If you do not confirm, please explain under what circumstances or conditions Mailing Online customers with technical questions can speak to Technical Help Desk personnel.
- f. Please confirm that the role of the staff of the PostOffice Online Help Desk as intermediaries increases the chances for misunderstanding, thereby increasing the amount of time to respond to customer calls requiring the assistance of the Technical Help Desk. If you do not confirm, please explain.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed that the Help Desk staff are not required to be experts in the technical aspects of the operation of Mailing Online. They are required to be experts in customer relations and technically oriented problem resolution handling. The Help Desk staff is very conversant in both the

technical aspects of PostOffice Online end user issues and the diagnoses of symptomatic operational problems. They understand and are able to clearly communicate the functions of the Mailing Online and Shipping Online applications and describe the user actions necessary to accomplish successful use of them in clear, non-technical language. Yet they also possess knowledge of the technical operations of PostOffice Online sufficient to elicit non-technical observations and complaints by customers and convey them effectively to more technically oriented staff in an operations help function.

- e. Confirmed that under most circumstances customers will not speak with Technical Help Desk personnel. If a customer were ever to speak with the Technical Help Desk, it would likely be through the POL Help Desk. However, to my knowledge no criteria for such an exchange have been established.
- f. Not confirmed. It is my opinion that having the staff of the PostOffice

 Online Help Desk as intermediaries could effect an improvement in

 customer understanding and result in increased customer satisfaction.

OCA/USPS-T3-78. Please refer to your response to OCA/USPS-T3-68(a).

- a. Please provide a date at which time Mailing Online software will accept customer files in PDF format.
- b. Please explain the reasons the current Mailing Online software does not accept files in PDF format.

- a. The inclusion of PDF as an acceptable input file format is planned for the next major release of Mailing Online software. A precise date for the implementation of that release is unknown at this time, but if is likely to be mid-1999.
- b. See my response to OCA/USPS-T3-82.

OCA/USPS-T3-81. Please refer to your response to OCA/USPS-T3-72(c).

- Please identify the applications currently supported by the Mailing Online software.
- b. Please identify the applications in part (a) of this interrogatory that permit the creation of files in a PDF format.
- c. Please identify the applications in part (a) of this interrogatory that permit Mailing Online customers to create files in a Postscript format.
- d. Please confirm that Mailing Online customers can submit files in Postscript format. If you do not confirm, please explain.

- a. See MC98-1, USPS T-1, page 3, footnote 3 for applications currently supported.
- b. Off the shelf, only PageMaker™ currently provides for the creation of a PDF file. However, used in conjunction with Adobe Acrobat software, all of the other applications are capable of producing PDF output.
- All of the applications currently supported permit creation of Postscript output.
- d. Not confirmed. Currently, document and list files are accepted from customers in native word processing or page layout application format only. The system as originally specified - and as currently configured was simply not required to accept print file format as an input. Also, as I understand it, there would be formidable technical constraints to accepting Postscript as in input format.

OCA/USPS-T3-82. Please refer to your response to OCA/USPS-T3-72(c). In that response, you state, "The San Mateo processing center forwards all print jobs to the print site in PDF format." If San Mateo is able to process print jobs in PDF format for transmittal to the print sites, please explain why the San Mateo processing center is unable to accept Mailing Online customer files in PDF format.

RESPONSE:

The system as originally specified - and as currently configured - was simply not required to accept PDF format as an input. This will be a future enhancement.

See my testimony, MC98-1, USPS T-1, page 3, footnote 3.

OCA/USPS-T3-83. Please refer to your response to OCA/USPS-T3-72(b). In that response, you did not confirm that "the San Mateo processing center processes files received from customers in PDF format." Please identify the format used by the San Mateo processing center to process files.

RESPONSE:

Currently, document and list files are received from customers in native word processing or page layout application format only. The system processes those files and creates PDF files as output.

OCA/USPS-T5-33. Please provide a flow chart detailing how the Mailing Online system software calculates postage for submitted jobs. Please provide the computer code used by the system software to calculate postage for submitted jobs.

RESPONSE:

As provided by the system developer, the processes utilized by the Mailing
Online system software in calculating postage are reproduced in Library
Reference LR-USPS-15/MC98-1.

OCA/USPS-T5-34. On Thursday, October 22, 1998, at noon, the OCA attempted to access the PostOffice Online web site. The web site stated:

"Coming Soon." On what date does the Postal Service anticipate that the PostOffice Online web site will be available for access by the general public?

RESPONSE:

The PostOffice Online web site was made available for public access at approximately 3:15 PM Pacific Standard Time on October 30, 1998.

OCA/USPS-T5-40. Please refer to your testimony at page 2.

c. Please confirm that the single fee quoted to a customer for each Mailing Online job, consisting of pre-mailing service costs, a 25 percent mark-up and postage, is calculated by computer at the San Mateo processing center. If you do not confirm, please explain.

RESPONSE:

c. Confirmed that the fees quoted are calculated by computer at the San Mateo data center; not confirmed that a single fee is quoted. Customers receive a two-part quote, pre-mailing fees and postage costs, which are then totaled for payment processing.

OCA/USPS-T5-41. Please refer to your testimony at page 11, lines 2-5, and the following quote from PRC Op. MC98-1, at 13-14.

All Mailing Online mail that undergoes batching is expected to have lower mailstream cost characteristics than it has at the time that it is submitted by the customer. [footnote omitted] The Postal Service recognizes that a system that reduces the mailstream cost of mail after it is submitted by the mailer but before the Postal Service enters it into the mailstream gives rise to a number of practical pricing problems. If the Mailing Online customer were charged the mailstream rate that its mailing could qualify for under the regular schedule at the time that it submits its mailing, the mailer would go uncompensated for the reduction in mailstream costs that its purchase of Mailing Online service enhancements made possible. Alternatively, if Mailing Online customers were not quoted a mailstream price until after they placed their orders and the mailstream costs of the batches formed with their orders were calculated, customers disappointed by the quoted prices could reject them and cancel their orders. This would undo batches that were tentatively formed, and disrupt the calculation of mailstream rates for other mailings that contributed to the tentative batches. Tr. 2/567, Postal Service Brief at 13.

- c. Please confirm that the Postal Service agrees with the third sentence in the passage quoted above. If you do not confirm, please explain.
- d. Please confirm that the Postal Service agrees with the fourth and fifth sentences in the passage quoted above. If you do not confirm, please explain.

- c. I can confirm that reductions in mailstream costs arising from address
 verification and standardization and from delivery point barcoding, would
 not be reflected in single-piece rates that might be charged to customers.
- d. Confirmed. These sentences reflect issues that guided the Postal

 Service's decisions regarding the structure of Mailing Online service.

OCA/USPS-T5-42. Please refer to your response to MASA/USPS-T5-3.

- a. Please confirm that the Postal Service calculates separate charges for pre-mailing services for the portion of the Mailing Online mailing sent to each print site. If you do not confirm, please explain.
- b. Please confirm that charging postage to a Mailing Online customer at the lowest rate for which the mailing would qualify if the customer had presented it to the Postal Service directly in hard copy is feasible. If you do not confirm, please explain.
- c. Please explain why the Postal Service cannot offer a firm discounted postage charge for a specific mailing based on historical experience with batching and presorting of that particular job-type/page-count category.

- Confirmed.
- t. I can confirm the possibility of such a software reconfiguration, but not its feasibility.
- See my response to OCA/USPS-T1-62(d).

OCA/USPS-T5-43. Please refer to your response to MASA/USPS-T5-3. Your response states that

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 identify all technical issues (e.g., computer programming, software development, etc.), if any, that would preclude the Postal Service from charging postage based upon a separate determination of the presort for each portion of the mailing.
- b. Please compare and contrast the technical issues identified in part (a) of this interrogatory to the technical issues associated with determining the charges for pre-mailing services to reflect each customer's portion of that batched Mailing Online mailing.
- c. Please explain why the technical issues identified in part (a) of this interrogatory are more or less difficult or insolvable than the technical issues associated with determining the charges for pre-mailing services to reflect each print site utilized by each customer's Mailing Online mailing.

- a. See Attachment 1 to the response to OCA/USPS-T1-56 for a statement from the developer regarding technical issues precluding the use of such a system. Note that system performance, cost and complexity are significantly affected.
- b-c. Since table-driven pre-mailing fee calculations are being performed real-time when each customer's job is submitted, the technical challenge consists of updating tables accurately and quickly. See my response OCA/USPS-T1-59. The difficulty of the scenario in part (a) is that the customer must pay online (presumably full rate) but presort determinations cannot be performed until batching is complete and presorting takes place for all print site batches. Each customer's

qualifying mailpieces must then be individually evaluated for rebating/crediting purposes, and those credits must be gathered and a transaction performed to adjust every affected customer's account.

Customer accounting, data gathering and data storage all present formidable challenges. While the OCA is certainly free to propose such a business model, that is not the one the Postal Service has determined is necessary to meet its strategic needs. See my response to Notice of Inquiry No. 1, Issue 2.

OCA/USPS-T5-46. Please provide a flow chart detailing how the Mailing Online system software calculates the charge for pre-mailing services for submitted jobs. Please provide the computer code used by the system software to calculate the charge for pre-mailing services for submitted jobs.

RESPONSE:

See my response to OCA/USPS T5-33.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO INTERROGATORIES OF PITNEY BOWES INC.

PB/USPS-T1-1. You testified at USPS-T1, 10, line 10, that payment for Mailing Online services by credit card will be permitted.

- a. What process or processes will be employed to verify credit card information?
- b. Will there be any limit imposed by the Postal Service, as opposed to the credit card issuing institution, on the amount that can be charged to a card for any given transaction or within any pre-established period of time?
- c. What will be the cost be to the Postal Service per dollar of MOL payments received by credit card?
- d. Identify all studies conducted by or for the Postal Service regarding the use of credit cards to pay fees for the use of Mailing Online and provide (or make available as library references) those studies.

- a. PostOffice Online (POL) requires the customer to enter credit card information each time service is purchased. The customer is required to submit both the credit card number and billing address of record as it is documented with the card issuer.
- b. No.
- c. This information is commercially sensitive and its release, other than pursuant to a court order regarding obligations under the Freedom of Information Act, or to a Congressional committee exercising its oversight or investigatory jurisdictions, would violate contractual provisions. However, I understand the Postal Service stands in the same shoes as any other vendor who accepts credit card payments and thus pays a very small percentage of each charge to the credit card companies.
- d. No such studies exist.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO INTERROGATORIES OF PITNEY BOWES INC.

PB/USPS-T1-2. You testified, at USPS-T1, 11, lines 10-12 that one of the goals of Mailing Online is "to reduce the aggregate cost of producing and entering a small mailing and provide a lower cost and more efficient way to use the mail."

- a. Is it your understanding that the printers with which the Postal Service will contract to produce MOL mailpieces will be required to use the permit imprint method for evidencing the payment of postage?
- b. If so, was consideration given to the fact that postage meters are generally considered to be more cost efficient ways of providing evidence of payment of postage than the permit imprint methodology?
- c. Do you know of any reason that the use of postage meters to show the postage of payment on MOL mailpieces is inconsistent with the general operation of the MOL program?

- a. The use of a permit imprint is currently the only method planned for evidencing postage payment on Mailing Online mailpieces. The current printer's contract specifies a requirement to supply envelopes printed with a USPS specified MOL permit imprint indicia and to insert all MOL mailpieces into those envelopes. This specification will be placed in future contracts as well.
- b. Consideration was given to all available methods of postage payment. I
 am not personally aware of any factual evidence or even a general
 opinion regarding the superiority of postage meters for evidencing
 postage payment. Each method has inherent advantages and
 disadvantages in specific situations and in this situation, permit imprint
 methodology is the best and most appropriate.
- c. In Mailing Online, postage collection and payment is designed to operate as a "just-in-time" system. Postage payment funds collected from MOL

customers at the completion of their transaction sessions are transferred daily to a standard Computerized Accounts Processing System (CAPS) account. Mailing Online permit imprint accounts (currently only one active account exists, in Waltham, Massachusetts) will be linked to that single MOL CAPS account at the time they are established. This procedure is standard practice for mailers with permit imprint accounts in several different locations, and has the unique attribute of facilitating the funding of multiple accounts through a single deposit. Deposited postage funds are immediately available for payment of MOL mailings through established links of CAPS to the USPS Permit system at major Business Mail Entry Units. Since the ultimate design of MOL calls for the electronic distribution of all documents to multiple distributed sites, postage for a given mailing must be available no later than the next day and at any location to which mailpieces from that mailing might be distributed. These requirements make usage of postage meters difficult if not impossible for MOL; even if such usage were possible, it would add considerable cost and complexity.

In addition, the overall Mailing Online system design is predicated on automating as much of the mailing process as possible at a system level.

Ultimately, a manifesting system will be integrated into MOL which will allow the co-mingling of variable weights in the same batch. Postage will be determined and recorded by the system and then documented in a

manifest. Unique piece identifiers will be applied to each envelope during the printing process and will be available to verify manifest reports and postage statements. In this environment, a postage meter's capabilities are eclipsed and rendered obsolete.

PB/USPS-T1-3. In response to OCA/USPS-T5-14-i, you testified (at least implicitly) that the Form 3600 was the only document to be supplied to the Postal Service on entry of First Class MOL mail at a postal facility.

- a. Is there any plan for additional or different documentation for First Class Mail entered during the experiment if it is approved?
- b. What is your understanding as to documentation that will be supplied to the entry Postal facility on the entry of Standard (A) mail?
- c. Please provide examples of any documents (other than the Form 3600) referred to in your answers above.

RESPONSE:

- a. The Form 3600 will continue to be the primary documentation. As included in Exhibit 1 to OCA/USPS-T5-14, a Coding Accuracy Support System (CASS) Report will also be included with Form 3600 during the experiment. For the experiment, it is also possible that a USPS Qualification Report will be produced and supplied to the Bulk Mail Entry Unit. Upon the development and approval of a manifesting capability for MOL, additional documentation will be supplied. It is expected that this documentation will be consistent with existing requirements for manifesting documentation.
- Standard (A) Mail will be submitted with a Form 3602, a CASS Report and
 a USPS Qualification Report or manifesting documentation.
- c. Attached are:

Exhibit 1 - sample Form 3602.

Exhibit 2 - sample CASS Report.

Exhibit 3 - sample USPS Qualification Report

Since the system design is not final, no specific examples are available of an MOL manifesting report.

United States Postal Service

Postage Statement — Standard Mail (A) (Other Than Nonprofit) — Permit Imprint

V	ULER: Complete all its	erns by typewriter, pen, or in	delible pencil. If	you need	a receipt on	pare in dunil	264a.			
Ī	Post Office of Mailing	Mailing Date		Processing Category Letters (DMM C050)			ized Mailing ID Code(s)			
Mailer Information	Permit No.	Federal Agency Cost Code	Statement Seque	Statement Sequence No.						
	Permit Holder's	Telephone	Receipt No.		☐ Machineble Percets		D	C1 H 1 (C)		
	Name and Address	,		(DMM C050)	_ •		er DMM (Check all that apply)			
	(Include ZIP Code)	Number of Contain			cels (DMS/ C050)		Bers, flats, percels)			
		Number of Containers (Fill in all that apply)				M610 (Upgradable letters)				
		1-PL 2-PL MAN Trays		2-PL EMM Trays	Total Lin. Traps	-	hanced Carrier Route)			
		Par Tops N/A		Pales	Chier	1=	tomation letters) tomation flats)			
		Weight of a Single Place				If Sacking, Be				
	Customer No (Dun & Bradstreet)	Total Pieces		Total Weight	pounds	13.55	- 🗀 10 100 100 11			
	CTAS Cust. Ref. ID]				
	Name and Address of Individual or Organization for Which Mailing is Prepared (If other than permit holder)		Name and Address of Mailing Agent (If other than permit holder)			<u>-</u>				
	Customer No(Dun & Bradstreet)		Customer No (Dun & Bradstreet							
ation	 For Regular automativeighing 2068 lb. (3. 	or flat-size pieces (see DMM C820) n reverse of this form.				Part A	\$			
	to Part B on reverse of	weighing .2068 lb. (3.3087 oz.) or less, go) weighing .2066 lb. (3.3062 oz.) or less, go			Postage (From reverse side)	Part B	\$			
,	so Part C on reverse of For Enhanced Carrie	ere than .2066 lb. (3.3062 oz.), or Regular				Part C	\$			
) afignation	Part D on reverse of t	more than .2068 lb. (3.3087 oz., his form.	but all less than 1.0 lb. (16.0 oz.), go to				Part D	\$		
	Single-Piece Rate	_ 	Special Service (Specify)			No. Pieces Rate/Fee Pe		° = \$		
	ts applicable bulk per piece rate affixed to each piece? (Form 3602-PR required) Yes							\$		
	For Enclosed Repty Pieces (Automation rates only) (Effective 1/1/97): I certify that all business repty, courtesy repty, or metered repty letter-size cards or envelopes, enclosed in the pieces described above, bear the correct facing identification mark (FIM) and barcode under DMM C810. For ZIP Codes (Nonautomation rates only): I certify that the ZIP Codes appearing on the pieces described above have been verified and corrected where necessary within 12 months of the date of this mailing using a USPS-approved method.									
	The signature of a mailer certifies that it will be liable for and agrees to pay, subject to appeals prescribed by postal laws and regulations, any revendencies assessed on this mailing. (If this form is signed by an agent, the agent certifies that it is authorized to sign this statement, that the certifications the agent and the mailer, and that both the mailer and the agent will be liable for and agree to pay any deficiencies.)									
	The submission of a false, fictitious, or fraudulent statement may result in imprisonment of up to 5 years and a fine of up to \$10,000 (18 USC 1001). addition, a civil penalty of up to \$5,000 and an additional assessment of twice the amount falsely claimed may be imposed (31 USC 3802).									
	I hereby certify that all information furnished on this form is accurate and truthful, that this mailing meets all applicable CASS/MASS standards for address and barcode accuracy, and that the material presented qualifies for the rates of postage claimed.									
	Signature of Permit Holder	of Agent (Both principal and agen	t are liable for any p	oostage del	(ciency incurred.)			Telephone		
1	Single Piece Weight	_ a pounds	Are figures at left	adjusted (rom mailer's en	tries?	☐ Yes	No No		
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Form 3602-R — Standard Mail (A) (Other Than Nonprofit) — Permit Imprint

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USPS Qualification Report

PB/USPS-T1-4. What requirements or restrictions will be imposed on payment of MOL fees by:

- a. Prepaid account; or
- b. Other approved payment method (USPS-T1, 10 i. 10)?
- i. To the extent of your answer to subpart a above describes a method different from that set out at 39 C.F.R. § 510.28(b), please explain any differences.

RESPONSE.

[Counsel for the Postal Service confirmed with counsel for Pitney Bowes that the reference in part (b) is to page 10, line 10 of USPS-T-1, and that the Code of Federal Regulations cite in subpart (i) is to section 501.28(b).]

PostOffice Online does not offer the use of prepaid accounts as a payment option. Development of additional payment methods is ongoing; when that process is complete any requirements or restrictions upon their usage will also be known.

PB/USPS-T1-5. Did the Postal Service consider contracting with a private service provider for verification of payments "via credit card, prepaid account, or other approved payment method" or any of those functions?

RESPONSE:

Yes, the Postal Service contracts with Bank of America (formerly NationsBank) for card processing.

PB/USPS-T1-6. Is the Postal Service's AMS database to which you make reference in your response to MASA/USPS-T5-8 (c) (redirected to you) available online to would-be competitors with the MOL offering?

- a. If so, how is access obtained and what are the terms and conditions of access?
- b. If not, why not?

RESPONSE:

a. Yes, the national Postal Service ZIP+4 AIS product, which is the source of data used by the MOL address matching systems, is available from the USPS Address Information Customer Support office for a subscription fee of \$900 per year. The MOL system developers also used a Postal Service developed Application Program Interface (API) to create the matching system. The license fee for the Postal Service ZIP+4 API (which includes the DLL) and associated address matching database, which is updated 6 times per year, is available to individual customers for \$1190 per year. Vendors (those who intend to remarket and sell the API) pay an additional \$5000.00 per year.

Issue 2: The Commission inquires whether the objectives of the minimum volume waiver could be achieved through other means.

The issue of threshold volume requirements for Mailing Online gets quickly to the heart of the fundamental goals of the Postal Service in offering the PostOffice Online (POL) services. The POL is about creating and maintaining simple access to postal products and services for small business people who have neither the time nor the inclination to focus on the complexities of mailing preparation and discount rate structures, and about making sure that this access channel is responsive to the requirements of electronically enabled commerce. The POL is about designing and conceiving a uniquely postal offering that draws upon and reinforces the strengths of the Postal Service's traditional role.

In its market test Opinion (at 27), the Commission suggests an alternative to the threshold volume eligibility waiver in the form of an automated rebate system. The system would have the Postal Service quote and charge currently applicable mailstream rates to Mailing Online mailings that are initially under the current threshold requirements for automation discounts, and then make an appropriate rebate to the customer's account after batches are ultimately formed and discounts determined. The Postal Service views this approach as unacceptable both because of the immense technical complexity implicit in such a design and because it is contrary to the goal of simplicity (finalizing a transaction during a single Web-site visit).

While the determination of appropriate discounts with batching via just one print location and limited volumes may not be that difficult, as volume

increases during the experiment and the number of print locations expands, the difficulties of tracking and matching each piece's origin to its ultimate qualifying rate would multiply the complexity many times over. Consolidating and successfully reconciling such information at an individual account level would also be very difficult. The development effort for such a complex system modification would require much time and expense.

In addition to this formidable technical challenge, the inherent complexity of such a transactional model is incompatible with the PostOffice Online's overall strategy of simplicity and ease of use. The Mailing Online interface is designed to be highly structured and automated so that the user's experience is completed quickly, efficiently and in a single session. The characteristics of the transaction — electronic document and list submission with real-time verification, online document proofing, menu-driven finishing options, and firm final cost quotes and real-time payment processing are all part of a strategy to create a simple, straightforward service that provides the same uncomplicated process and result whether used only occasionally or on a daily basis.

Also, while such a system is similar in concept to the Value Added Refund (VAR) and "Combined" programs used by letter shops and presorters to rebate automation discounts achieved by the use of automated sortation equipment, and in fact might benefit larger mailers, those uses imply consistency of use and volume characteristics not expected of MOL customers.

Issue 3: The Commission inquires whether the waiver of volume minimums should extend beyond Mailing Online, either on the basis of functional equivalency or some other basis, and what might constitute functional equivalency.

The Postal Service has requested a waiver of volume minimums for Mailing Online during the experiment for the primary purpose of modeling what it expects to see in a mature MOL service. This is necessary for analyzing potential interest in a new service that develops and utilizes several electronically enabled combinations of logistic and commerce functions.

Important to this discussion is an acknowledgment of the fact that the Postal Service, while requesting these waivers for the basic automation rate volume thresholds, has also foresworn any deeper discounts regardless of volume or level of sortation achieved, thus committing to a single average rate category (within class and shape) for all volume received and mailed. The use of an average rate is also critical to completion of a transaction in a single Web-site visit, as discussed in Witness Plunkett's response to Issue 1. Extension of waivers to other hybrid mail services would require similar limitations upon both larger and smaller discounts, as well as true functional equivalence.

Criteria necessary to establish functional equivalence with Mailing Online include the following:

 Automation compatible mailpieces, including 100% standardized addresses and barcodes on all mailpieces;

- 2. Co-mingling and batching of like mailpieces;
- 3. Sortation to the finest level of sort possible within batches;
- Geographic batching and distribution of mailpieces prior to printing and mailing;
- Secure and completely automated electronic submission of jobs, providing for real-time quotes and secure on-line payment; and
- Web and browser-based access with no absolute need for client software or a point-to-point dial-up connection with the vendor.

In evaluating the criteria for functional equivalence, it must be noted that the practice of electronic file submission and job ticketing has become common among digital printers and others in the print and mail services industries.

Software utilities and Web sites are electronically linking more and more printers and mail service providers to their client companies every day. This to-be-expected extension of existing commerce is commonly designed to emulate existing business practices. Pitney Bowes DirectNET is an example of this approach. DirectNET software provides users the opportunity to design simple mailpieces and create a job ticket for electronic uploading. Users are provided an estimate of the cost of their work, but are informed that final pricing cannot be determined until some time in the future. Included in the estimated cost of each transaction is a set-up fee, a fee traditional to the printing services industry which is designed to cover the cost of providing individualized service to a particular customer. It signifies that the job paid for will be "set-up" and run just for that

customer. Users are contacted subsequent to submitting the job and informed of the actual (often negotiated) costs of production. This is similar to the traditional printer-client interaction.

Mailing Online offers an alternative process by providing a complete single transaction approach. All parts of the job creation and specification process are conducted online and the transaction is completed in one session.

A goal of the Postal Service is to encourage the development of innovative approaches to mailing. Accordingly, the Postal Service would consider creating special licensing or certification criteria for third-party services that are full functional equivalents of Mailing Online.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

- 3. In response to OCA/USPS-T5-17, witness Garvey stated that non-merge jobs are treated as separate batches. Tr. 2/182.
- a. Will non-merge jobs continue to be treated as separate batches during the market test? During the experiment?
- -b. If so, please explain why the non-merge jobs are not batched and if there are any plans to modify the system so that non-merge jobs can be batched.

RESPONSE:

a. As stated in the response to OCA/USPS-T1-45 (a),

...at the present time all non-merge jobs are treated as separate batches. The current MOL system is an enhanced version of the original proof of concept software used for the operational test. The initial phases of system development have focused on simplicity and consistent operability. Consequently only mail-merge jobs are currently combined into co-mingled batches; all others are handled as separate batches. Current (and future) system development is focused on improved functionality including the capability to combine all like documents into co-mingled batches.

The current conditions for batching are likely to prevail throughout the market test. Depending on the success of technical developments which will allow the desired co-mingling, as well as the timing of the experiment,

- these conditions may change upon or after the initiation of the next phase of testing.
- b. The current limitations on batching simplify the technical requirements of the system. The capability of co-mingling batches more fully depends on a variety of technical considerations, many of which are being examined as the systems configuration develops. The system developers have

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

been instructed to expedite, to the extent possible, modifications which allow greater co-mingling of batches.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

- 4. During oral cross examination, witness Garvey stated that there is a "marketing plan that includes a variety of different devices and ways in which [the Postal Service] will market the Postoffice Online." Tr. 2/305.
 - Please provide this, and any other relevant, marketing plans.
- b. Please provide copies of the marketing materials used by the plan identified in response to a.
- c. Will customer service representatives market or promote Mailing Online services? If so, how?

RESPONSE:

- a. The pertinent marketing plan has been filed as Library Reference USPS-LR-16/MC98-1.
- b. Copies of marketing materials are provided as Attachment 1 to this response (marked as "Attachment 1 to POIR2.Q4").
- c. Current plans call for very limited involvement of customer service representatives (as well as other field marketing personnel) in the marketing and promotion of the PostOffice Online, including Mailing Online. The primary marketing emphasis will be through targeted advertising in various media as well as on the internet itself. The PostOffice Online marketing plan itself states at page 2, "The market test will not be supported by a live sales force." Customer service representatives and others in field marketing will be made aware of the PostOffice Online and they likely will have occasion to discuss it with customers, but there are currently no plans for dedicated use of their time and resources.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

and resources.

Some limited use of tactical marketing sales specialists is scheduled for

 trade shows and conferences; these instances will be reported as part of the data collection plan. Coming soon to a screen near you.

Le les et Latin et le grand de la grande

One click and itali



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Attachment 1 to POIR 2.Q4. Page 1



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PostOffice Online" will let you simplify and reduce the time it takes to prepare your business's mail, from mailing your advertising, invoices and correspondence to shipping your urgent documents and merchandise.

Our new Web site for small businesses will be like having a post office and a professional printing-and-mailing service inside your personal computer that is open 24 hours, 7 days a week. The address will be www.postofficeonline.com

PostOffice Online will offer Mailing Online to simplify the way you prepare your First-Class Mail and Standard A Mail. Instead of spending hours printing each piece, stuffing envelopes, applying postage and doing the mailing, you'll be able to have someone else conveniently do it for you. PostOffice Online will also offer Shipping Online to simplify the way you prepare Express Mail and Priority Mail shipments. You'll be able to prepare shipping tabels, schedule pickups, track Express Mail and confirm Priority Mail deliveries — all from the convenience of your keyboard.

PostOffice Online is convenient

- PostOffice Online is reliable

- Access our Web site anytime from your home, office or on the road
- Navigate quickly and easily with point-and-click menus
- Create, print and send First-Class Mail and Standard A Mail efficiently using Windows 95 (or Windows NT) and the Internet with Mailing Online
- Access expedited mail services conveniently and securely using Windows 95 (or Windows NT) and the Internet with Shipping Online
- Benefit from the reliability and integrity of the U.S. Postal Service
- PostOffice Online will be available this fall to the first 5,000 small businesses who qualify for this pilot program in limited geographic markets

Auachment 1 to POIR 2.Q4. Page 2

www.postofficeonline.com

UNITED STATES
POSTAL SERVICE
We deliver.

vve delivel.



Mailing Online" is the quick and easy way to prepare your First-Class® Mail and Standard A Mail

Mailing Online" will be available through PostOffice Online," our new Web site for small businesses. It will be like having a post office and a professional printing-and-mailing service inside your personal computer that are open 24 hours, 7 days a week. The address will be www.postofficeonline.com

Instead of spending hours addressing your First-Class Mail and Standard A Mail, printing each piece, stuffing envelopes, applying postage and doing the mailing, you'll be able to have someone else conveniently do it for you. Create your mail on Windows 95 (or Windows NT), using a variety of word processing and design programs, then send it electronically—along with your mailing list to the U.S. Postal Service. We'll send them to a USPS-approved printing-andmailing service that will take care of the rest of the work.

Mailing Online is convenient

Mailing Online has impac

- Create, print and send First-Class Mail and Standard A Mail via the Internet
- Prepare your advertising mail, correspondence, even your invoices, today, and have them in the mail tomorrow
- Personalize documents with data-merge.
- Have your mailing lists standardized automatically for more effective deliver:
- Navigate easily with point-and-click menus.
- Store frequently used documents, mailing lists and return addresses
- Estimate mailing and production costs beforehand with a built-in calculator
- Accepts Visa: MasterCard. Novus /Discover and American Express
- Give your mail impact with highlight color and graphics
- Give your mail a professional touch with high-quality printing

Attachment 1 to POIR 2.Q4. Page 3

www.postofficeonline.com

We deliver.

MAILING ONLINE" O&A



How does Mailing Online automatically standardize my mailing lists for more efficient mailing?

How sophisticated can I get with my mailpiece designs?

What word processing or design software can I use?

What mailing-list (spreadsheet or database) software can I use?

Can I really send invoices too?

Each time you upload a mailing list through Mailing Online," it's checked against the U.S. Postal Service's National Address Management System to standardize your addresses, including abbreviations, directionals and ZIP Codes.*

Unverifiable addresses are extracted and returned for review and correction.

The software packages that Mailing Online accepts offer you a wide variety of mailpiece-design options. Use of highlight colors includes your choice of red, blue, green or magenta (one highlight color per mailing).

You can mail most documents that you create on MS Word 6.0 or later, WordPerfect 6.0 or later, Pagemaker 6.5 or later, Ventura 7.0 or later, or QuarkXPress 6.0 or later.

You can submit mailing lists that you create on MS Word 6.0 or later, WordPerfect 6.0 or later, MS Access 95 or later, Excel 5.0 or later, or an ASCII Tab Delimited text file.

Mailing Online lets you use the Mail Merge feature of Word and WordPerfect You can use the Mail Merge feature to personalize each invoice. Then you simply send your document and mailing list to Mailing Online. We take care of the rest of the work for you.

Attactiment 1 to POIR 2.Q4. Page 4

www.postofficeonline.com





Shipping Online™ is the quick and easy way to prepare expedited shipments

Shipping Online" will be available through PostOffice Online, our new Web site for small businesses. It will be like having a post office inside your personal computer that's open 24 hours, 7 days a week. The address will be www.postofficeonline.com

Instead of writing out shipping labels by hand, you'll be able to prepare them electronically. You'll be able to use our online U.S. Postal Service database to check your addresses for accuracy and completeness. You'll be able to accurately calculate your postage, pay by credit card, schedule pickups, track Express Mail* and confirm Priority Mail* deliveries...all online. Express Mail and Priority Mail are already terrific values. Shipping Online will make them even better values.

- Access expedited mail services via the Internet
- Create shipping labels and schedule pickups from your personal computer
- Track Express Mail shipments
- Confirm delivery of Priority Mail shipments
- Order shipping supplies
- Navigate easily with point-and-click menus.
- Accepts Visa: MasterCard. Novus /Discover: and American Express.
- Check your addresses for accuracy and completeness using the U.S. Postal Service's National Address Management System
- Be certain of our most current rates and service delivery times
- Pinpoint mail collection boxes and post office locations

Shipping Online is convenient

Shipping Online is accurate

Attachment 1 to POIR 2.Q4, Page 5

www.postofficeonline.com





Should I consider sending all my expedited shipments via Shipping Online***?

What is the charge if I schedule a pickup?

Do Express Mail* and Priority Mail* deliver on Saturdays?

Give it serious thought. The more you use it, the more convenient it becomes. You can prepare several shipping labels and pay for them together, without ever having to visit the post office.

You pay a single \$4.95 fee for each scheduled pickup. We will pick up as many Express Mail® or Priority Mail® packages per stop as you want. If you have one package, it's \$4.95. If you have ten packages, it's still just \$4.95.

Yes. We deliver Express Mail shipments 7 days a week, 365 days a year, including Saturdays, Sundays and holidays. There's no extra charge for weekend or holiday Express Mail deliveries. We deliver Priority Mail shipments Monday through Saturday, and there's no extra charge for Saturday Priority Mail deliveries. We also deliver Express Mail and Priority Mail shipments to Post Office Boxes.

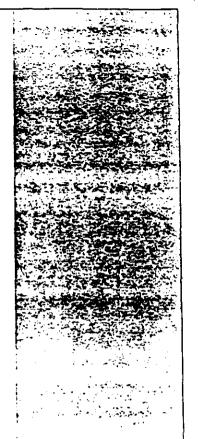
Attecnment 1 to POIR 2.Q4, Page 6

www.postofficeonline.com



You want 24 hour access to the Post Office? Here are the keys.





The keys to a whole new world of apportunity. With PostOffice Online, you can create your own mail piece right on your PC and then send it electronically to be printed and malled out. All without leaving your desk. You'll also be able to arrange to send Express Mail® and Priority Mail* right from your PC, at your convenience, 24 hours a day To take advantage of PostOffice Online, all you need is a PC that's connected to the internet and the desire to expand your business: Click anto our Web site www.postofficeonline.com/and for complete details. But burry, because PostOffice Online will only be available to the first \$000 small businesses who quality for this exciting pilot program. ONE CLICK AND IT ALL

3 #####.

We deliver

STARTS TO CLICK.

Fly Like an Eagle.

You want 24-hour access to the Post Office? Here are the keys.





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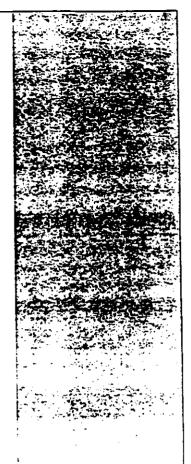
world of opportunity. With PostOffice Online" you can create your own mail piece right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk. You'll also be able to arrange to send Express Mail* and Priority Mail* right from your PC, at your convenience, 24 hours a day. To take advantage of PostOffice Online all you need is a PC that's connected to the Internet and the desire to expand your business. . . . Click onto our Web site, www.postofficeonline.com/key for complete details. But hurry, because PostOffice Online™ will only be available to the first 5,000 small businesses who qualify for this exciting pilot program. ONE CLICK AND IT ALL STARTS TO CLICK!

POSTAL SETVICE

We deliver

Growing your business comes down to pushing the right buttons.





All you have to do is type www.postofficeonline.com/one. It will let you create your own mail piece right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk. You'll also be able to arrange to send Express Mail® and Priority Mail* at your convenience, right from your computer, 24 hours a day. All you need is a PC that's connected to the Internet and the desire to expand your business. Click onto our Web site www.postafficeonline.com/one for complete details. But hurry, because PostOffice Online will only be available to the first 5000 small businesses who qualify for this exciting pilot program.ONE CLICK AND IT ALL STARTS TO CLICK.

Fly Like an Eagle™



tre delive

How much time do you spend on mailing and shipping?
That's too much.



than the click of a mouse PostOffice Online" will let you create your own mail piece right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk You'll also be able to arrange to send Express Mail* and Priority Mail* right from your PC at your convenience, 24 hours a day. All you need is a PC that's connected to the Internet and the desire to expand your business Click anto our Web site, www.postofficeonline.com/key for complete details. But hurry, because PostOffice Online" will

only be available to the first 5,000 small businesses who qualify for this exciting pilot program. ONE CLICK AND IT

It shouldn't take longer

ly Like an Eagh (



We defree

Now you only need one box to do all of your shipping.



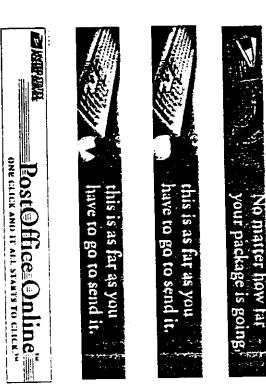
Your desktop or even a laptop. With PostOffice Online you'll be able to arrange to send Express Mail® and Priority Malf at your convenience, right on your PC, 24 hours a day. Even track or confirm delivery. And that's not all. PostOffice Online will also let you create your own mail piece right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk. All you need is a PC that's connected to the internet and the desire to expend your business. Click anto our Web site www.postufficagnine.combne for complete details. But hurry, because PostOffice Online will only be available to the first 5000 small businesses who qualify for this excit-

Fly Like an Eagle."



ing pilot program. ONE CLICK AND IT ALL STARTS







ONE CLICK AND IT ALL STARTS TO CLICK!"

this is as far as you have to go to send it.

Nont package is going.

Attachment 1 to POIR ? Or Page 13

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

- 5. During oral cross examination witness Garvey stated that "the underlying technology of digital printing has a certain characteristic of limiting the usage to mailings of less than 5,000." Tr. 2/398.
 - -a. Please discuss the characteristics that limit usage.
 - b. Is this 5,000 limit expected to increase as the technology improves? If so, over what time horizon?

RESPONSE:

a. The usage of 5000 is an agreed upon "rule of thumb" limit for digital printing run length and can be found in the subject literature.\(^1\) A characteristic of digital printing is that each copy of a document has a "run length of one". Each unit copy costs the same as any other copy, regardless of how many are produced. This differentiates digital ondemand printing from the traditional offset printing methods in which a great deal more of the cost is associated with a job itself as opposed to the flat rate costs of digital printing. For example, traditional offset printing methods require an initial set-up cost for each job, with each additional copy having a very small incremental cost. This means that for small jobs the whole cost of set-up must be borne by a small number of copies, making it generally uneconomical to produce small runs; large jobs however have very low per-unit costs since most of the cost is in the initial set-up.

In digital printing, small jobs are more economical while large jobs

¹ This answer was prepared in consultation with the Printing Industries of America.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GARVEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

- ultimately cost more per copy than traditional methods, producing higher unit costs above a certain threshold. The number 5000 is a generally
- accepted cut-off for digital printing per unit cost advantages. Included as Attachment 1 to this response (marked as "Attachment 1 to POIR2.Q5") is the introductory section from an industry guide, The Print on Demand Opportunity, which discusses in detail the economics of digital printing. It is provided with the permission of the authors, CAP Ventures, Inc.
- b. The technology of printing is dynamic. According to CAP Ventures, increases in speed and efficiency of print engines can be taken for granted in digital on-demand printing.² Currently, the number 5000 expresses an extreme upper limit for economically rational consideration of digital printing with its flat cost curve as compared to the volume driven economies of offset printing. The number 5000 is unlikely to rise dramatically despite improvements in on-demand technology. The basic concept of digital print-on-demand as a highly effective short run length tool is well established and may lead to increased use of smaller mailings, but in general large quantities will continue to be served better by other technologies.

CAP Ventures, The Print-on-Demand Opportunity (Norwell, MA: CAP Ventures, 1997) at 442

The Print-on-Demand Opportunity Technologies, Products & the Business 2ND Edition

By CAP Ventures

Jim Hamilton, Editor

Contributing Editors: Merilyn E. Dunn Ron J. Gilboa Jeffrey J. Hayes Barbara A. Pellow Peter W. Perine Charles A. Pesko David C. Pesko James S. Summers

The Print-on-Demand Opportunity

Technologies, Products & the Business

2ND Edition

CAP Ventures

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Introduction

For the past twenty years, digital processes have been overtaking and replacing conventional ones. Typesetting was the first to go. Then imagesetters and digital scanners ended the role of the camera room. Platesetters could soon finish off the plate room. The press room is next. Today we stand at the edge of a new era of on-demand digital color printing. Print on demand's success in the black & white world is well known. Color is not far behind. Anyone involved in the printing and publishing industry needs to know about print on demand.

Where is the opportunity?

To understand the importance of print on demand, it helps to look at the economics of printing. If you were to make a chart of print cost per page versus run length, it would look something like Figure I-1.

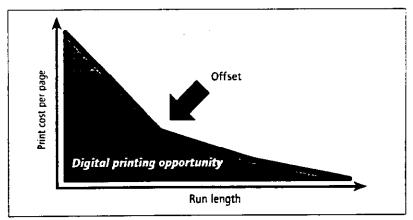


Figure I-1

Short runs are much more expensive per page because of the cost of preparing films, burning plates, and press make-ready. However, as the press run increases, the price per page drops. Conventional offset lithography provides a very low price per page for long runs. Therefore the window of opportunity for digital printing is anywhere under the curve. The shorter the run, the greater the opportunity. Currently, most commercial printers shun short-run work because they can't produce it economically. The make-ready costs are simply too high and in addition, they are not set up to handle many low-dollar-item transactions.

Figure I-2 is a variation on the traditional cost curve shown in Figure I-1.

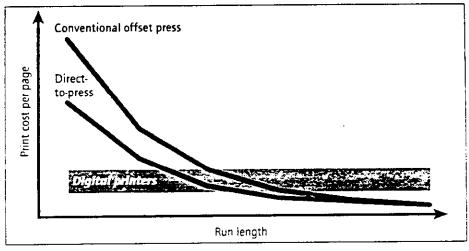


Figure I-2

It includes a comparison between conventional offset lithography, direct-to-press offset (like the Omni-Adast 705 CD DI series and the Heidelberg GTO-DI and Quickmaster DI), and high-speed digital printers (see the Representative Products section for a full listing of black & white, spot color, and process color digital printers). Press automation (like digital platesetters, automatic plate mounters, and press control units) helps to improve the cost per page of offset lithography. Direct-to-press devices, because they image the plate on press, go even further, eliminating plate mounting and thereby improving register and making it easier to get up to color. Digital printers often have little or no make-ready. Their cost curves are virtually flat. This means that they can profitably attack the short-run market, but because of high consumables cost and relatively low speed, they cannot compete with offset lithography for long runs.

More than just short runs

It would be a mistake to conclude that digital printers are simply scaled down versions of traditional presses that are suited solely for printing a few copies of the same document. This misses an important strength of digital printing: variable data (also called personalization). Many digital printers are capable of printing a totally different image on each successive sheet of paper. That means that you could conceivably print an entire book one page at a time consecutively in page order. Or you could print sales materials that have your sales representative's address and photo on each one (even if you have hundreds of sales reps who only need 100 copies each). Or you could print personalized catalogs based on information from a database.

People often have difficulty imagining how these kinds of capabilities will be used. This is simply because the market is new and developing. As customers are educated about the possibilities of the technology, there is little doubt that they will take advantage of it. In Chapter 1 we'll talk specifically about print-on-demand applications.

A growing market

In 1995 the U.S. printing & publishing industry generated \$224 billion in sales. Of this total, \$87.9 billion went to general commercial, in-plant, and quick printers. (See Figure I-3.)

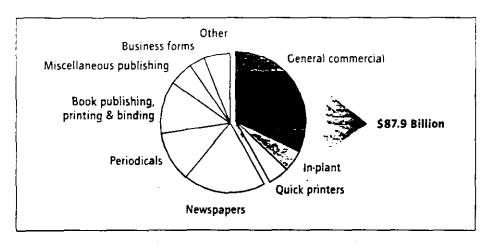


Figure I-3: Total 1995 U.S. printing & publishing industry is \$224 billion - general commercial, in plant, and quick printers make up \$87.9 billion of that total.

If you look at the \$87.9 billion general commercial printing portion and break it down by run length, \$41.3 billion is for run lengths under 5,000 impressions. (See Figure 1-4.)

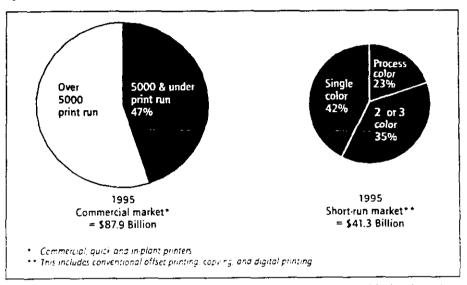


Figure I-4: Nearly half the general commercial print market is eligible for digital printing systems

It is this portion of the commercial printing market that is the area of opportunity for digital printing. While much of this work (42%) is currently black & white, the economies of digital printing make it likely that at least a portion of this will move to color (either 2-, 3- or 4-color).

Of the \$87.9 billion 1995 U.S. print market, CAP Ventures estimates that about 7%, or \$5.8 billion, was printed with on-demand methods. (See Figure 1-5.) Another \$82.1 billion was printed by conventional offset techniques. By the year 2000, the print on demand portion will account for 19.1%, or \$22.4 billion of the total. There will be continue to be growth in the offset market, but it will not occur at nearly the rate of print on demand.

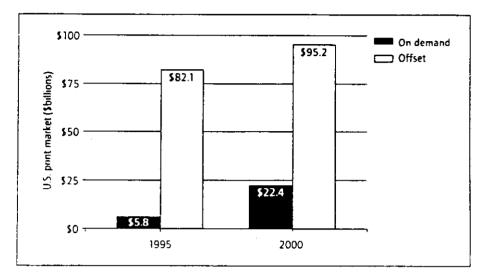


Figure I-5: Growth of print on demand compared to offset

These numbers paint a clear picture of an industry in need of change. Print on demand can provide it

What is print on demand?

Print on demand is an electronic printing process that delivers exactly and only what the customer wants, when the customer wants it, and at the place where it is needed.

Changing customer requirements and expectations have led to the need for print on demand. Today, customers expect shorter and shorter turnaround times, often approaching same-day delivery. They want to be able to revise documents right up to the moment of printing. The impact on printing operations is a radical compression of production times. This compression is made possible by the explosive growth of electronic prepress, and by technological changes that have automated the print production process.

Print buyers are under pressure to get better results from shrinking print budgets. This includes receiving quick turnaround or printing short runs without paying a price penalty. Color is becoming more important, particularly since it is so easily attainable from desktop publishing systems.

Instead of disregarding these trends, print-on-demand providers look to supply:

- What the customer wants
- · When the customer wants it
- Where the customer wants it

What the customer wants

One of the benefits of print on demand is that the customer can select – or create – exactly what is desired for printing and have it prepared in the format they wish. Here is an example: Print on demand is being used to assemble reading materials for college courses. Professors can, once appropriate copyright clearances are obtained, collect selected chapters from different textbooks into a customized textbook, and assemble them in the order in which they will be studied. Books are then printed in the quantity required for that course (based on student pre-registration). The professor provides exactly the course materials desired, and, perhaps more importantly, the student pays less for the course materials. No longer must the student spend, say \$60 or more, for a textbook in which only one chapter might be used.

When the customer wants it

The production of printed materials exactly when they are needed is the essence of print on demand. The net result is a reduction in inventory, reduced storage requirements, and potential overall cost savings due to a reduction in pieces printed. Additionally, the customer has the opportunity to revise the document until the time when it is printed, ensuring a more timely and more accurate finished product.

Where the customer wants it

Print on demand can also substantially reduce charges to ship the printed materials. In combination with the ability to electronically distribute documents, print on demand enables distribution before printing. This process not only reduces freight charges (which sometimes add 10% or more to the cost of printing), it also allows the user of the document to receive it without shipping delays.

Print on demand is a process

Print on demand is more than just physical printing. It's everything from idea generation to printing, to delivering and distributing that information to the end user. Because print on demand is so all-encompassing, it requires a re-engineering of the

entire process. The best way to see how print on demand changes the process is to ask the following questions:

- 1. Why is the job being printed?
- 2. What are the costs associated with printing the job?
- 3. What are the benefits of printing the job in a more effective manner?

In today's environment, most printers don't get involved in the discussion of why the job is being printed. The customer calls up, they need a job printed, and the printer tells them how much it will cost and when it will be delivered.

Regarding cost, however, printers have this down to pennies and tenths of pennies per page. A lot of time is spent analyzing the cost elements, but printers rarely measure the effectiveness of a document (This issue, of course, is paramount to the print user.)

Without feedback in these three key areas, it is difficult for a printer to position the benefits of on-demand printing, because it isn't always a simple issue of cost. Obviously it is expensive and wasteful to print large quantities and either ship or warehouse them, but there are other less tangible costs that come from using documents that are either out-of-date because they are printed so infrequently or so generic that they are of little use

There is another reason why it is important to understand the costs and the benefits of printing: printing is just a small part of a much larger process of communication. In looking at print costs versus process costs it becomes clear that the cost of printing is only about 10% of the total cost of creating, ordering, warehousing, and inventory. (See Figure 1-6.)

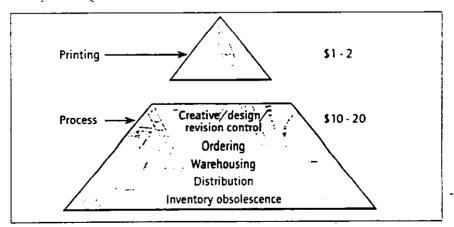


Figure I-6: Print cost versus process cost

With all this time spent on creating and managing information, it is surprising —that the focus is on the printing of that information rather than the communication of the information. If it is the information that is so important, how do we present it in the most effective fashion? How can we re-use that information? Re-purposing information for a variety of applications — from print to CD-ROM to on-line — has become, and will continue to be a key issue for information providers.

No longer a linear process

Traditionally, print buyers have followed a very linear process from idea creation through production and distribution (see Figure 1-7). They work with multiple suppliers, order large quantities, print infrequently, ship needed materials while warehousing the rest, and simply throw away publications if they go out of date.

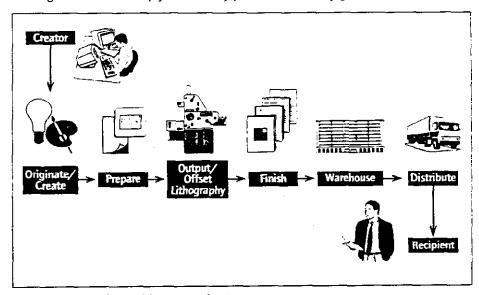


Figure I-7: A traditional linear production process

A re-engineered print-on-demand process (see Figure 1-8) provides customer access at many points in what is essentially a continuous, dynamic process. The customer can order documents and track their progress, they can create new documents or edit existing ones, they can draw on information from a database and update the database as well, they can print to remote locations closer to the ultimate destination of the document. In essence, they can take greater control over the process.

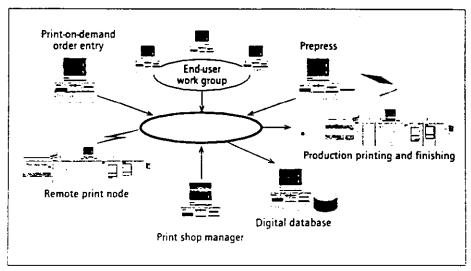


Figure I-8: A print-on-demand production process

All of this requires a 100% digital workflow. For quick and easy access, documents must be in an electronic format. But once this is accomplished, the benefits are enormous. One benefit of a fully digital print-on-demand workflow is that it allows users to print fewer copies of more targeted, up-to-date documents. A targeted document, for example, could be a sell sheet for a product that is customized with the name, address, and photograph of the participating dealer (even if the dealer only needs a hundred copies).

What is a short run?

Because print on demand is often described as short-run printing, it is important to clarify what is meant by the term "short run". Is it the number of pages (sheets, impressions, etc.) in a single press run? How does the number of pages in the document play a role? (In terms of complexity, it is clear that 100 copies of a 50-page document is a much more complex job than 5,000 copies of a single page document.) What if variable information is printed on each page, essentially making each document a run length of one? Color printing, either spot or process, adds another level of complexity to a document. And what if the document is printed several times in different locations, with different editions as time passes (such as regional editions of a newsletter)?

As you examine this question, it becomes clear that the term "short run" can mean different things to different people. In general, this is a good blanket definition for short run:

Short-run printing:

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.

In production, there are practical limits to the the number of pages that a device can print, these may be technology-limited (the plate life of a Quickmaster DI is about 20,000 impressions) or cost-limited (there is little sense in making 1,000 copies on a color copier because offset lithography can generally provide a higher quality product for less money at that run length). In addition, once variable information is added to a document, the whole concept of run length becomes something of a moot point. How much shorter can you get than a run length of one?

Of course, print on demand is much more than short-run printing. And that will become clearer as we look at the different levels of print on demand described in Chapter 2.

The changing market

A variety of factors are making digital printing and print on demand processes a business necessity:

- Increase in the number of jobs supplied in digital format Today
 nearly half of the jobs received by commercial printers are in digital format. By the year 2000, over three quarters of all jobs received by print
 providers will be in digital format.
- Increase in the use of color Digitally submitted black & white jobs
 can have spot or process color added to them relatively easily. And
 though many current print-on-demand jobs are monochrome, there is
 ample reason to believe that the number of color jobs will increase dramatically as it becomes easier and less expensive to create and print
 color documents.
- The accelerated pace of business The business environment is becoming increasingly fast and fierce. Greater production volume is

expected from jobs with smaller budgets; increasingly, customers in all areas are demanding faster job turnaround at a lower price. Print on demand fits well into this new business model.

- Downsizing Fewer and fewer companies can afford dedicated design and printing facilities in house. They are turning to full-service providers (some known as facilities management, or FM, companies) to handle documents and printing. This allows them to focus on their core business, whatever it may be.
- Just-in-time manufacturing Just-in-time manufacturing techniques demand just-in-time production of collateral materials and documentation.
- Global market Companies cannot operate in a vacuum. Increasingly, competition may come from anywhere in the world. And, companies must be prepared to serve customers worldwide. Print on demand is only one aspect of this trend. As we will see in the Chapter 2, a new paradigm called "distribute and print" will change how companies handle printed matter.

These market forces result in documents which require frequent updates and changes and thus have a shorter useful life than ever before. Print-on-demand technology can satisfy these priorities and do so in smaller print runs.

The changing role of the print buyer

Increasingly, the demand for print is driven not only by traditional print buyers, but also by the document owner. The corporate environment is becoming decentralized, and department managers – often with profit and loss accountability and compensation driven by the bottom line – are buying or directing the print buying for their own areas. Many of these managers are quite willing to make trade-offs that traditional print buyers find unacceptable. For example, a product manager may accept lower quality or higher cost in exchange for a rapid turnaround time that makes it possible for updated product sell sheets to be ready in time for an important trade show.

Print buyers will take a more active role in initiating the printing process, perhaps without even consulting their print sales representative. Software is already available that allows print buyers to specify the job, including choosing paper, print run, and finishing requirements. With an approved line of credit, and some method of on-line -

job quoting, the print buyer can act quickly and effectively. In these ways, technology is changing the business environment and enabling more people to become print buyers. In turn, these people are driving changes in the services and products offered by print providers.

Key benefits of print on demand

Print on demand changes the rules of who prints, what is printed, and the relationship of print to the corporate profitability of both the print buyer and the print provider. For example:

• More effective documents – Documents produced by print on demand can be more effective for a variety of reasons. First and foremost, print on demand improves the time to market by reducing the entire production cycle involved in preparing and printing a document. This also allows document creators to push back their editorial deadlines so that they can include more up-to-date information. Print on demand can allow them to produce more frequent editions in shorter print runs. The use of color or variable data can also improve the comprehension of documents or the response rates that the documents generate.

Print on demand provides an opportunity for the customer to develop more effective documents, perhaps, by using customized information or by personalizing the document with a person's name or a specific message based on prior knowledge of the recipient. Print-on-demand technology also presents an opportunity to provide timely, accurate information that is subject to rapid change, such as corporate telephone directories or rate tables for the banking and insurance industries.

Decreased inventory – There are two considerable advantages to the
decrease in inventory that print on demand allows. First, time and cost
savings are realized because of decreased warehousing requirements,
reduced shipping costs, and increased handling efficiency because only
the necessary print quantity is handled through the distribution channel.
Second, print on demand also reduces the costs of renting and staffing a
warehouse facility.

Controlling costs makes for good customer service. CAPV research has shown that faster turnaround times and cost savings are the top two priorities of print buyers.

 Waste – Between 12% and 26% of all printing purchased is obsolete, out-of-date, or discarded. (See Figure I-9.) At the same time, print buyers are being asked for more effective printing with a lower budget. If, with print on demand, you can cut in half the throwaways due to outdated information and shipping damage, you have achieved a strategic cost advantage.

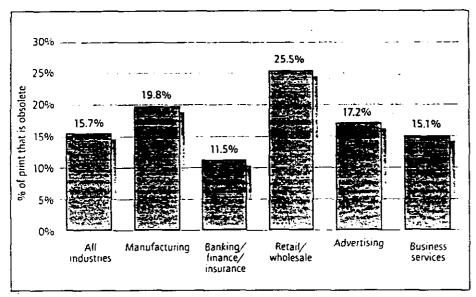


Figure I-9: Pre-printed material that is obsolete (by industry)

These benefits will come into play as we look at the applications discussed in Chapter 1.

1	COMMISSIONER LeBLANC: Mr. Garvey, you also
2	provided answers to several of the questions in Presiding
3	Officer's Information Request Number 2 and to several of the
4	issues raised in notice of inquiry number 1.
5	Let me note for the record that on November 5th,
6	1998, the Postal Service provided a revised answer to
7	question 4(a) of Presiding Officer's Information Request
8	Number 2. The revision apparently inadvertently omitted the
9	final sentence of your answer to question 4(c).
10	Do you want me to repeat that for you?
11	THE WITNESS: Would you, please?
12	COMMISSIONER LeBLANC: Okay. On November 5th,
13	1998, Postal Service provided a revised answer to your
14	question 4(a) of Presiding Officer's Information Request
15	Number 2.
16	The revision apparently, it is my take on this
17	that you apparently inadvertently, if you will, admitted the
18	final sentence of your answer to question 4(c) of the (a),
19	(b) and (c) there.
20	I want to hand you, if you will I'm going to
21	hand you two copies of it here that will include that
22	sentence. Take a look at it for me, if you will. If this
23	is correct, let me know; if it is not, please let me know.
24	THE WITNESS: All right.
25	[Pause.]

1	THE WITNESS: Are these corrected copies?
2	COMMISSIONER LeBLANC: Those are the corrected
3	copies.
4	THE WITNESS: These are correct.
5	COMMISSIONER LeBLANC: That's right.
6	Mr. Hollies, would you care to take a look at
7	that? And are you familiar with what we're talking about
8	here, just to make sure we're on the same sheet of music?
9	MR. HOLLIES: Yes, I am familiar with this,
10	although you've just introduced it to me for the first time.
11	It appears that what happened is that we replaced just the
12	one page. However, that one page includes the last two
13	words of a sentence that previously were found on the
14	subsequent page, and it's the subsequent page that has that
15	full sentence after those two words which are now missing
16	from the revised form.
17	COMMISSIONER LeBLANC: That should have them
18	there.
19	MR. HOLLIES: Well, in some sense yes, we did not
20	mean to take that sentence out. That is not our intent. I
21	think that if we
22	COMMISSIONER LeBLANC: First of all, I did not
23	mean to insinuate it was your intent. I just wanted to make
24	sure if it was a mistake or anything else that we're on the
25	same sheet of music, everybody's clear and understands what

- 1 is being designated here.
- MR. HOLLIES: Well, I could use some clarity on
- 3 that point. If the one page is substituted as we
- 4 contemplated, that will mean that the words "some" -- excuse
- 5 me -- "and resources" would appear in two locations, but
- 6 that the single-page substitution would otherwise be as we
- 7 had intended.
- 8 Are you adding the sentence back in? Is that what
- 9 your interest is here?
- 10 COMMISSIONER LeBLANC: In effect I'm just trying
- 11 to clarify it, adding the sentence back in but making sure
- in our opinion that it's clear. If you want to take a look
- 13 at what we have done there, feel free to do so. Make sure
- 14 again that that's acceptable to you. Just a clarification
- 15 for the record.
- MR. HOLLIES: This is fine in the form you have
- 17 it.
- 18 COMMISSIONER LeBLANC: That'll be fine.
- 19 Go ahead and present them if you will, please.
- I seem to be missing my Request No. 2.
- 21 May I see those, please, to make sure that we're
- on the same -- thank you. That should be 3, 4, and -- that
- 23 should be both copies. Okay. That's good.
- Mr. Garvey, if you were asked those questions
- 25 today, if you will, would your answers be the same --

1	THE WITNESS: Yes, they would.
2	COMMISSIONER LeBLANC: As the completed one that
3	you just reviewed?
4	THE WITNESS: That's correct.
5	COMMISSIONER LeBLANC: Thank you.
6	Now I direct that they be transcribed into the
7	record and admitted into evidence at this time.
8	[Additional written
9	cross-examination of Lee Garvey was
10	received into evidence and
11	transcribed in to the record.]
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- 3. In response to OCA/USPS-T5-17, witness Garvey stated that non-merge jobs are treated as separate batches. Tr. 2/182.
- a. Will non-merge jobs continue to be treated as separate batches during the market test? During the experiment?
- → -b. If so, please explain why the non-merge jobs are not batched and if there are any plans to modify the system so that non-merge jobs can be batched.

RESPONSE:

a. As stated in the response to OCA/USPS-T1-45 (a),

. . .at the present time all non-merge jobs are treated as separate batches. The current MOL system is an enhanced version of the original proof of concept software used for the operational test. The initial phases of system development have focused on simplicity and consistent operability. Consequently only mail-merge jobs are currently combined into co-mingled batches; all others are handled as separate batches. Current (and future) system development is focused on improved functionality including the capability to combine all like documents into co-mingled batches.

The current conditions for batching are likely to prevail throughout the market test. Depending on the success of technical developments which will allow the desired co-mingling, as well as the timing of the experiment,

- these conditions may change upon or after the initiation of the next phase of testing.
- b. The current limitations on batching simplify the technical requirements of the system. The capability of co-mingling batches more fully depends on a variety of technical considerations, many of which are being examined as the systems configuration develops. The system developers have

been instructed to expedite, to the extent possible, modifications which allow greater co-mingling of batches.

- 4. During oral cross examination, witness Garvey stated that there is a "marketing plan that includes a variety of different devices and ways in which [the Postal Service] will market the Postoffice Online." Tr. 2/305.
 - a. Please provide this, and any other relevant, marketing plans.
- b. Please provide copies of the marketing materials used by the plan identified in response to a.
- c. Will customer service representatives market or promote Mailing Online services? If so, how?

RESPONSE:

- a. The pertinent marketing plan has been filed as Library Reference USPS-LR-16/MC98-1.
- Copies of marketing materials are provided as Attachment 1 to this response (marked as "Attachment 1 to POIR2.Q4").
- c. Current plans call for very limited involvement of customer service representatives (as well as other field marketing personnel) in the marketing and promotion of the PostOffice Online, including Mailing Online. The primary marketing emphasis will be through targeted advertising in various media as well as on the internet itself. The PostOffice Online marketing plan itself states at page 2, "The market test will not be supported by a live sales force." Customer service representatives and others in field marketing will be made aware of the PostOffice Online and they likely will have occasion to discuss it with customers, but there are currently no plans for dedicated use of their time



and resources.

Some limited use of tactical marketing sales specialists is scheduled for

trade shows and conferences; these instances will be reported as part of
 the data collection plan.

Coming soon to a screen near you.



Attachment 1 to POIR 2.Q4.

Page 1

POSTOTI OF ONLINE

ONE CLICK AND IT ALL STARTS TO CLICK.



Gift et Entire ; afferent Of VEW vere blue appp light eed of lost and chicaen light A bachmatt Strempide heathers PostOffice Online[™] will let you simplify and reduce the time it takes to prepare your business's mail, from mailing your advertising, invoices and correspondence to shipping your urgent documents and merchandise.

Our new Web site for small businesses will be like having a post office and a professional printing-and-mailing service inside your personal computer that is open 24 hours, 7 days a week. The address will be www.postofficeonline.com

PostOffice Online will offer Mailing Online to simplify the way you prepare your First-Class Mail and Standard A Mail. Instead of spending hours printing each piece, stuffing envelopes, applying postage and doing the mailing, you'll be able to have someone else conveniently do it for you. PostOffice Online will also offer Shipping Online to simplify the way you prepare Express Mail and Priority Mail shipments. You'll be able to prepare shipping labels, schedule pickups, track Express Mail and confirm Priority Mail deliveries — all from the convenience of your keyboard.

- PostOffice Online is convenient

- DETERMINED TO THE PARTY OF TH

PostOffice Online is reliable

- Access our Web site anytime from your home, office or on the road
- Navigate quickly and easily with point-and-click menus
- Create, print and send First-Class Mail and Standard A Mail efficiently using Windows 95 (or Windows NT) and the Internet with Mailing Online
- Access expedited mail services conveniently and securely using
 Windows 95 (or Windows NT) and the Internet with Shipping Online
- Benefit from the reliability and integrity of the U.S. Postal Service
- PostOffice Online will be available this fall to the first 5,000 small businesses who qualify for this pilot program in limited geographic markets

Attachment 1 to POIR 2.Q4.
Page 2

www.postofficeonline.com

UNITED STATES POSTAL SERVICE
We deliver.

S

MAILING ONLINE"

ONE CLICK AND IT ALL STARTS TO CLICK.



Mailing Online™ is the quick and easy way to prepare your First-Class® Mail and Standard A Mail

Mailing Online" will be available through PostOffice Online," our new Web site for small businesses. It will be like having a post office and a professional printing-and-mailing service inside your personal computer that are open 24 hours, 7 days a week. The address will be www.postofficeonline.com

Instead of spending hours addressing your First-Class Mail and Standard A Mail, printing each piece, stuffing envelopes, applying postage and doing the mailing, you'll be able to have someone else conveniently do it for you. Create your mail on Windows 95 (or Windows NT), using a variety of word processing and design programs, then send it electronically-along with your mailing listto the U.S. Postal Service. We'll send them to a USPS-approved printing-andmailing service that will take care of the rest of the work.

Mailing Online is convenient

- Create, print and send First-Class Mail and Standard A Mail via the Internet
- Prepare your advertising mail, correspondence, even your invoices, today, and have them in the mail tomorrow
- Personalize documents with data-merge
- Have your mailing lists standardized automatically for more effective delivery
- Navigate easily with point-and-click menus
- Store frequently used documents, mailing lists and return addresses
- Estimate mailing and production costs beforehand with a built-in calculator
- Accepts Visa, MasterCard, Novus /Discover, and American Express
- Give your mail impact with highlight color and graphics
 - Give your mail a professional touch with high-quality printing

Mailing Online

Attachment 1 to POIR 2.Q4. Page 3

www.postofficeonline.com



MAILING ONLINE" Q & A



How does Mailing Online" automatically standardize my mailing lists for more efficient mailing?

> How sophisticated can I get with my mailpiece designs?

What word processing or design software can I use?

What mailing-list (spreadsheet or database) software can I use?

> Can I really send invoices too?

Each time you upload a mailing list through Mailing Online," it's checked against the U.S. Postal Service's National Address Management System to standardize your addresses, including abbreviations, directionals and ZIP Codes. Unverifiable addresses are extracted and returned for review and correction.

The software packages that Mailing Online accepts offer you a wide variety of mailpiece-design options. Use of highlight colors includes your choice of red, blue, green or magenta (one highlight color per mailing).

You can mail most documents that you create on MS Word 6.0 or later, WordPerfect 6.0 or later, Pagemaker 6.5 or later, Ventura 7.0 or later, or QuarkXPress 6.0or later.

You can submit mailing lists that you create on MS Word 6.0 or later, WordPerfect 6.0 or later, MS Access 95 or later, Excel 5.0 or later, or an ASCII Tab Delimited text file.

Mailing Online lets you use the Mail Merge feature of Word and WordPerfect. You can use the Mail Merge feature to personalize each invoice. Then you simply send your document and mailing list to Mailing Online. We take care of the rest of the work for you.

Attachment 1 to POIR 2.Q4,

www.postofficeonline.com



We deliver.

SHIPPING ONLINE" ONE CLICK AND IT ALL STARTS TO CLICK.



Shipping Online" is the quick and easy way to prepare expedited shipments Shipping Online" will be available through PostOffice Online," our new Web site for small businesses. It will be like having a post office inside your personal computer that's open 24 hours, 7 days a week. The address will be www.postofficeonline.com

Instead of writing out shipping labels by hand, you'll be able to prepare them electronically. You'll be able to use our online U.S. Postal Service database to check your addresses for accuracy and completeness. You'll be able to accurately calculate your postage, pay by credit card, schedule pickups, track Express Mail® and confirm Priority Mail® deliveries...all online. Express Mail and Priority Mail are already terrific values. Shipping Online will make them even better values.

- Shipping Online
- Access expedited mail services via the Internet
- Create shipping labels and schedule pickups from your personal computer
- Track Express Mail shipments
- Confirm delivery of Priority Mail shipments
- Order shipping supplies
- Navigate easily with point-and-click menus
- Accepts Visa: MasterCard. Novus "Discover" and American Express:
- Check your addresses for accuracy and completeness using the U.S. Postal Service's National Address Management System
- Be certain of our most current rates and service delivery times
- Pinpoint mail collection boxes and post office locations

is convenient

Shipping Online is accurate

Attachment 1 to POIR 2.Q4, Page 5

www.postofficeonline.com

We deliver.

SHIPPING ONLINE" Q & A



Should I consider sending all my expedited shipments via Shipping Online**?

What is the charge if I schedule a pickup?

Do Express Mail® and Priority Mail™ deliver on Saturdays? Give it serious thought. The more you use it, the more convenient it becomes. You can prepare several shipping labels and pay for them together, without ever having to visit the post office.

You pay a single \$4.95 fee for each scheduled pickup. We will pick up as many Express Mail® or Priority Mail® packages per stop as you want. If you have one package, it's \$4.95. If you have ten packages, it's still just \$4.95.

Yes. We deliver Express Mail shipments 7 days a week, 365 days a year, including Saturdays, Sundays and holidays. There's no extra charge for weekend or holiday Express Mail deliveries. We deliver Priority Mail shipments Monday through Saturday, and there's no extra charge for Saturday Priority Mail deliveries. We also deliver Express Mail and Priority Mail shipments to Post Office Boxes.

Attachment 1 to POIR 2.Q4, Page 6

www.postofficeonline.com



We deliver.

You want 24 hour access to the Post Office? Here are the keys.



The keys to a whole new world of apportunity. With PostOffice Online, you can create your own mail piece right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk. You'll also be able to arrange to send Express Mall® and Priority Mail* tight from your PC, at your convenience, 24 hours a day. To take advantage of PostOffice Online, all you need is a PC that's connected to the Internet and the desire to expand your business: Click anto our Web site www.nostofficeonline.com/one for complete details. But burry, because 🗟 PostOffice Online will only

Fly Like an Eagle?

be available to the first 5000 small businesses who qualify for this exciting pilot program. ONE CLICK AND IT ALL STARTS TO CLICK.

No deliver

You want 24-hour access to the Post Office? Here are the keys.





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create your own mail piece. right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk. You'll also be able to arrange to send Express Mail® and Priority Mail right from your PC, at your convenience, 24 hours a day. To take advantage of PostOffice Online, all you need is a PC that's connected to the Internet and the desire to expand your business. Click onto our Web site, www.postofficeonline.com/key for complete details. But hurry, because PostOffice Online* will only be available to the first 5,000 small businesses who qualify for this exciting pilot program. ONE CLICK AND IT ALL STARTS TO CLICK?

The keys to a whole new world of opportunity. With PostOffice Online, you can

TARTS TO CLICK.

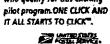
We delive

Growing your business comes down to pushing the right buttons.



www.postofficeonline.comione. It will let you create your own mail piece right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk, You'll also be able to arrange to send Express Mail® and Priority Mail* at your convenience, right from your computer, 24 hours a day. All you need is a PC that's connected to the Internet and the desire to expand your business. Click onto our Web site www.postafficeonline.com/one for complete details. But burry, because PostOffice Online will only be available to the first 5000 small businesses who qualify for this exciting

Fly Like an Eagle."



We delive

How much time do you spend on mailing and shipping? That's too much.



Fly Like an Eagle"

It shouldn't take longer than the click of a mouse. PostOffice Online" will let you create your own mail piece right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk. You'll also be able to arrange to send Express Mail® and Priority Mail* right from your PC at your convenience, 24 hours a day. All you need is a PC that's connected to the Internet and the desire to expand your business. Click onto our Web site, www.postofficeonline.com/key for complete details. But hurry, because PostOffice Online" will only be available to the first 5,000 small businesses who qualify for this exciting pilot program. ONE CLICK AND IT ALL STARTS TO CLICK."



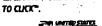
We delive

Now you only need one box to do all of your shipping.



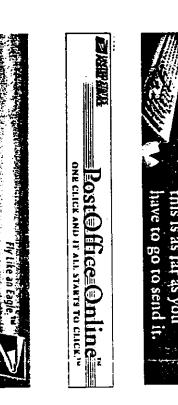
Your desktop or even a laptop. With PostOffice Online you'll be able to arrange to send Express Mali® and Priority Malf" at your -convenience, right on your PC, 24 hours a day. Even . track or confirm delivery. And that's not all. PostOffice Online will also let you create your own mail piece right on your PC and then send it electronically to be printed and mailed out. All without leaving your desk. All you need is a PC that's connected to the Internet and the desire to expand your business. www.postofficeonfine.combne for complete details. But hurry, because PostOffice Online will only be available to the first 5000 small businesses

Fly Like an Eagle."



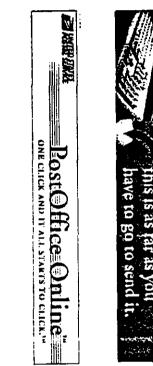
who qualify for this exciting pilot program. ONE CLICK AND IT ALL STARTS

We defive











- 5. During oral cross examination witness Garvey stated that "the underlying technology of digital printing has a certain characteristic of limiting the usage to mailings of less than 5,000." Tr. 2/398.
 - -a. Please discuss the characteristics that limit usage.
 - b. Is this 5,000 limit expected to increase as the technology improves? If so, over what time horizon?

RESPONSE:

a. The usage of 5000 is an agreed upon "rule of thumb" limit for digital printing run length and can be found in the subject literature.\(^1\) A characteristic of digital printing is that each copy of a document has a "run length of one". Each unit copy costs the same as any other copy, regardless of how many are produced. This differentiates digital ondemand printing from the traditional offset printing methods in which a great deal more of the cost is associated with a job itself as opposed to the flat rate costs of digital printing. For example, traditional offset printing methods require an initial set-up cost for each job, with each additional copy having a very small incremental cost. This means that for small jobs the whole cost of set-up must be borne by a small number of copies, making it generally uneconomical to produce small runs; large jobs however have very low per-unit costs since most of the cost is in the initial set-up.

In digital printing, small jobs are more economical while large jobs

¹ This answer was prepared in consultation with the Printing Industries of America.

- ultimately cost more per copy than traditional methods, producing higher unit costs above a certain threshold. The number 5000 is a generally
- accepted cut-off for digital printing per unit cost advantages. Included as Attachment 1 to this response (marked as "Attachment 1 to POIR2.Q5") is the introductory section from an industry guide, *The Print on Demand* Opportunity, which discusses in detail the economics of digital printing. It is provided with the permission of the authors, CAP Ventures, Inc.
- b. The technology of printing is dynamic. According to CAP Ventures, increases in speed and efficiency of print engines can be taken for granted in digital on-demand printing.² Currently, the number 5000 expresses an extreme upper limit for economically rational consideration of digital printing with its flat cost curve as compared to the volume driven economies of offset printing. The number 5000 is unlikely to rise dramatically despite improvements in on-demand technology. The basic concept of digital print-on-demand as a highly effective short run length tool is well established and may lead to increased use of smaller mailings, but in general large quantities will continue to be served better by other technologies.

² CAP Ventures, The Print-on-Demand Opportunity (Norwell, MA: CAP Ventures, 1997) at 442

The Print-on-Demand OpportunityTechnologies, Products & the Business 2ND Edition

By CAP Ventures

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The Print-on-Demand Opportunity

Technologies, Products & the Business

2ND Edition

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Introduction

For the past twenty years, digital processes have been overtaking and replacing conventional ones. Typesetting was the first to go. Then imagesetters and digital scanners ended the role of the camera room. Platesetters could soon finish off the plate room. The press room is next. Today we stand at the edge of a new era of on-demand digital color printing. Print on demand's success in the black & white world is well known. Color is not far behind. Anyone involved in the printing and publishing industry needs to know about print on demand.

Where is the opportunity?

To understand the importance of print on demand, it helps to look at the economics of printing. If you were to make a chart of print cost per page versus run length, it would look something like Figure I-1.

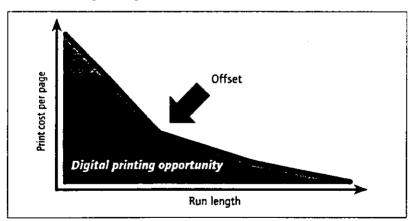


Figure I-1

Short runs are much more expensive per page because of the cost of preparing films, burning plates, and press make-ready. However, as the press run increases, the price per page drops. Conventional offset lithography provides a very low price per page for long runs. Therefore the window of opportunity for digital printing is anywhere under the curve. The shorter the run, the greater the opportunity. Currently, most commercial printers shun short-run work because they can't produce it economically. The make-ready costs are simply too high and in addition, they are not set up to handle many low-dollar-item transactions.

Figure I-2 is a variation on the traditional cost curve shown in Figure I-1.

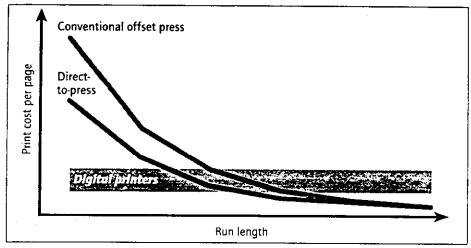


Figure I-2

It includes a comparison between conventional offset lithography, direct-to-press offset (like the Omni-Adast 705 CD DI series and the Heidelberg GTO-DI and Quickmaster DI), and high-speed digital printers (see the Representative Products section for a full listing of black & white, spot color, and process color digital printers). Press automation (like digital platesetters, automatic plate mounters, and press control units) helps to improve the cost per page of offset lithography. Direct-to-press devices, because they image the plate on press, go even further, eliminating plate mounting and thereby improving register and making it easier to get up to color. Digital printers often have little or no make-ready. Their cost curves are virtually flat. This means that they can profitably attack the short-run market, but because of high consumables cost and relatively low speed, they cannot compete with offset lithography for long runs.

Introduction

More than just short runs

It would be a mistake to conclude that digital printers are simply scaled down versions of traditional presses that are suited solely for printing a few copies of the same document. This misses an important strength of digital printing: variable data (also called personalization). Many digital printers are capable of printing a totally different image on each successive sheet of paper. That means that you could conceivably print an entire book one page at a time consecutively in page order. Or you could print sales materials that have your sales representative's address and photo on each one (even if you have hundreds of sales reps who only need 100 copies each). Or you could print personalized catalogs based on information from a database.

People often have difficulty imagining how these kinds of capabilities will be used. This is simply because the market is new and developing. As customers are educated about the possibilities of the technology, there is little doubt that they will take advantage of it. In Chapter 1 we'll talk specifically about print-on-demand applications.

A growing market

In 1995 the U.S. printing & publishing industry generated \$224 billion in sales. Of this total, \$87.9 billion went to general commercial, in-plant, and quick printers. (See Figure I-3.)

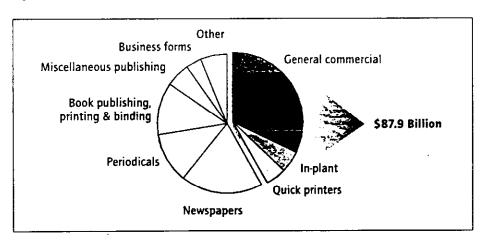


Figure I-3: Total 1995 U.S. printing & publishing industry is \$224 billion – general commercial, in plant, and quick printers make up \$87.9 billion of that total.

If you look at the \$87.9 billion general commercial printing portion and break it down by run length, \$41.3 billion is for run lengths under 5,000 impressions. (See Figure I-4.)

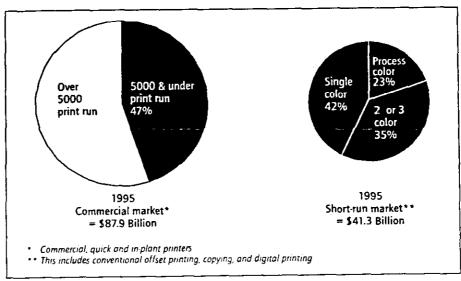


Figure I-4: Nearly half the general commercial print market is eligible for digital printing systems

It is this portion of the commercial printing market that is the area of opportunity for digital printing. While much of this work (42%) is currently black & white, the economies of digital printing make it likely that at least a portion of this will move to color (either 2-, 3- or 4-color).

Of the \$87.9 billion 1995 U.S. print market, CAP Ventures estimates that about 7%, or \$5.8 billion, was printed with on-demand methods. (See Figure I-5.) Another \$82.1 billion was printed by conventional offset techniques. By the year 2000, the print on demand portion will account for 19.1%, or \$22.4 billion of the total. There will be continue to be growth in the offset market, but it will not occur at nearly the rate of print on demand.

Introduction ix

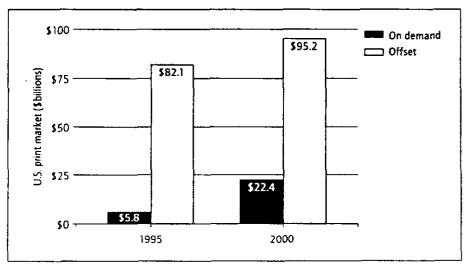


Figure I-5: Growth of print on demand compared to offset

These numbers paint a clear picture of an industry in need of change. Print on demand can provide it.

What is print on demand?

Print on demand is an electronic printing process that delivers exactly and only what the customer wants, when the customer wants it, and at the place where it is needed.

Changing customer requirements and expectations have led to the need for print on demand. Today, customers expect shorter and shorter turnaround times, often approaching same-day delivery. They want to be able to revise documents right up to the moment of printing. The impact on printing operations is a radical compression of production times. This compression is made possible by the explosive growth of electronic prepress, and by technological changes that have automated the print production process.

Print buyers are under pressure to get better results from shrinking print budgets. This includes receiving quick turnaround or printing short runs without paying a price penalty. Color is becoming more important, particularly since it is so easily attainable from desktop publishing systems.

Instead of disregarding these trends, print-on-demand providers look to supply:

- What the customer wants
- When the customer wants it
- Where the customer wants it

What the customer wants

One of the benefits of print on demand is that the customer can select – or create – exactly what is desired for printing and have it prepared in the format they wish. Here is an example: Print on demand is being used to assemble reading materials for college courses. Professors can, once appropriate copyright clearances are obtained, collect selected chapters from different textbooks into a customized textbook, and assemble them in the order in which they will be studied. Books are then printed in the quantity required for that course (based on student pre-registration). The professor provides exactly the course materials desired, and, perhaps more importantly, the student pays less for the course materials. No longer must the student spend, say \$60 or more, for a textbook in which only one chapter might be used.

When the customer wants it

The production of printed materials exactly when they are needed is the essence of print on demand. The net result is a reduction in inventory, reduced storage requirements, and potential overall cost savings due to a reduction in pieces printed. Additionally, the customer has the opportunity to revise the document until the time when it is printed, ensuring a more timely and more accurate finished product.

Where the customer wants it

Print on demand can also substantially reduce charges to ship the printed materials. In combination with the ability to electronically distribute documents, print on demand enables distribution before printing. This process not only reduces freight charges (which sometimes add 10% or more to the cost of printing), it also allows the user of the document to receive it without shipping delays.

Print on demand is a process

Print on demand is more than just physical printing. It's everything from idea generation to printing, to delivering and distributing that information to the end user. Because print on demand is so all-encompassing, it requires a re-engineering of the

entire process. The best way to see how print on demand changes the process is to ask the following questions:

- 1. Why is the job being printed?
- 2. What are the costs associated with printing the job?
- 3. What are the benefits of printing the job in a more effective manner?

In today's environment, most printers don't get involved in the discussion of why the job is being printed. The customer calls up, they need a job printed, and the printer tells them how much it will cost and when it will be delivered.

Regarding cost, however, printers have this down to pennies and tenths of pennies per page. A lot of time is spent analyzing the cost elements, but printers rarely measure the effectiveness of a document (This issue, of course, is paramount to the print user.)

Without feedback in these three key areas, it is difficult for a printer to position the benefits of on-demand printing, because it isn't always a simple issue of cost. Obviously it is expensive and wasteful to print large quantities and either ship or warehouse them, but there are other less tangible costs that come from using documents that are either out-of-date because they are printed so infrequently or so generic that they are of little use.

There is another reason why it is important to understand the costs and the benefits of printing: printing is just a small part of a much larger process of communication. In looking at print costs versus process costs it becomes clear that the cost of printing is only about 10% of the total cost of creating, ordering, warehousing, and inventory. (See Figure 1-6.)

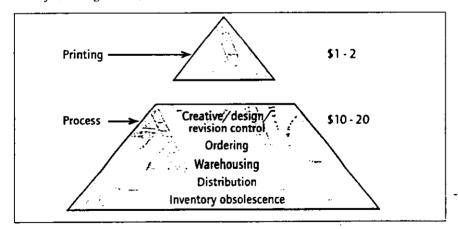


Figure I-6: Print cost versus process cost

With all this time spent on creating and managing information, it is surprising that the focus is on the printing of that information rather than the communication of the information. If it is the information that is so important, how do we present it in the most effective fashion? How can we re-use that information? Re-purposing information for a variety of applications – from print to CD-ROM to on-line – has become, and will continue to be a key issue for information providers.

No longer a linear process

Traditionally, print buyers have followed a very linear process from idea creation through production and distribution (see Figure I-7). They work with multiple suppliers, order large quantities, print infrequently, ship needed materials while warehousing the rest, and simply throw away publications if they go out of date.

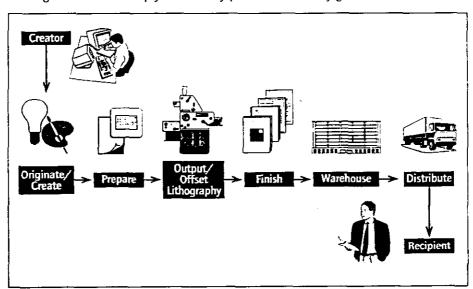


Figure I-7: A traditional linear production process

A re-engineered print-on-demand process (see Figure 1-8) provides customer access at many points in what is essentially a continuous, dynamic process. The customer can order documents and track their progress, they can create new documents or edit existing ones, they can draw on information from a database and update the database as well, they can print to remote locations closer to the ultimate destination of the document. In essence, they can take greater control over the process.

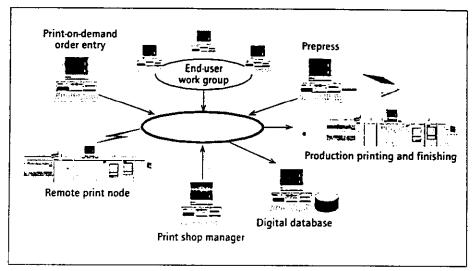


Figure I-8: A print-on-demand production process

All of this requires a 100% digital workflow. For quick and easy access, documents must be in an electronic format. But once this is accomplished, the benefits are enormous. One benefit of a fully digital print-on-demand workflow is that it allows users to print fewer copies of more targeted, up-to-date documents. A targeted document, for example, could be a sell sheet for a product that is customized with the name, address, and photograph of the participating dealer (even if the dealer only needs a hundred copies).

What is a short run?

Because print on demand is often described as short-run printing, it is important to clarify what is meant by the term "short run". Is it the number of pages (sheets, impressions, etc.) in a single press run? How does the number of pages in the document play a role? (In terms of complexity, it is clear that 100 copies of a 50-page document is a much more complex job than 5,000 copies of a single page document.) What if variable information is printed on each page, essentially making each document a run length of one? Color printing, either spot or process, adds another level of complexity to a document. And what if the document is printed several times in different locations, with different editions as time passes (such as regional editions of a newsletter)?

As you examine this question, it becomes clear that the term "short run" can --mean different things to different people. In general, this is a good blanket definition for short run:

Short-run printing:

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.

In production, there are practical limits to the the number of pages that a device can print, these may be technology-limited (the plate life of a Quickmaster D1 is about 20,000 impressions) or cost-limited (there is little sense in making 1,000 copies on a color copier because offset lithography can generally provide a higher quality product for less money at that run length). In addition, once variable information is added to a document, the whole concept of run length becomes something of a moot point. How much shorter can you get than a run length of one?

Of course, print on demand is much more than short-run printing. And that will become clearer as we look at the different levels of print on demand described in Chapter 2.

The changing market

A variety of factors are making digital printing and print on demand processes a business necessity:

- Increase in the number of jobs supplied in digital format Today
 nearly half of the jobs received by commercial printers are in digital format. By the year 2000, over three quarters of all jobs received by print
 providers will be in digital format.
- Increase in the use of color Digitally submitted black & white jobs can have spot or process color added to them relatively easily. And though many current print-on-demand jobs are monochrome, there is ample reason to believe that the number of color jobs will increase dramatically as it becomes easier and less expensive to create and print color documents.
- The accelerated pace of business The business environment is becoming increasingly fast and fierce. Greater production volume is

expected from jobs with smaller budgets; increasingly, customers in all areas are demanding faster job turnaround at a lower price. Print on demand fits well into this new business model.

- Downsizing Fewer and fewer companies can afford dedicated design and printing facilities in house. They are turning to full-service providers (some known as facilities management, or FM, companies) to handle documents and printing. This allows them to focus on their core business, whatever it may be.
- Just-in-time manufacturing Just-in-time manufacturing techniques demand just-in-time production of collateral materials and documentation.
- Global market Companies cannot operate in a vacuum. Increasingly, competition may come from anywhere in the world. And, companies must be prepared to serve customers worldwide. Print on demand is only one aspect of this trend. As we will see in the Chapter 2, a new paradigm called "distribute and print" will change how companies handle printed matter.

These market forces result in documents which require frequent updates and changes and thus have a shorter useful life than ever before. Print-on-demand technology can satisfy these priorities and do so in smaller print runs.

The changing role of the print buyer

Increasingly, the demand for print is driven not only by traditional print buyers, but also by the document owner. The corporate environment is becoming decentralized, and department managers – often with profit and loss accountability and compensation driven by the bottom line – are buying or directing the print buying for their own areas. Many of these managers are quite willing to make trade-offs that traditional print buyers find unacceptable. For example, a product manager may accept lower quality or higher cost in exchange for a rapid turnaround time that makes it possible for updated product sell sheets to be ready in time for an important trade show.

Print buyers will take a more active role in initiating the printing process, perhaps without even consulting their print sales representative. Software is already available that allows print buyers to specify the job, including choosing paper, print run, and finishing requirements. With an approved line of credit, and some method of on-line •

job quoting, the print buyer can act quickly and effectively. In these ways, technology is changing the business environment and enabling more people to become print buyers. In turn, these people are driving changes in the services and products offered by print providers.

Key benefits of print on demand

Print on demand changes the rules of who prints, what is printed, and the relationship of print to the corporate profitability of both the print buyer and the print provider. For example:

• More effective documents – Documents produced by print on demand can be more effective for a variety of reasons. First and foremost, print on demand improves the time to market by reducing the entire production cycle involved in preparing and printing a document. This also allows document creators to push back their editorial deadlines so that they can include more up-to-date information. Print on demand can allow them to produce more frequent editions in shorter print runs. The use of color or variable data can also improve the comprehension of documents or the response rates that the documents generate.

Print on demand provides an opportunity for the customer to develop more effective documents, perhaps, by using customized information or by personalizing the document with a person's name or a specific message based on prior knowledge of the recipient. Print-on-demand technology also presents an opportunity to provide timely, accurate information that is subject to rapid change, such as corporate telephone directories or rate tables for the banking and insurance industries.

Decreased inventory – There are two considerable advantages to the
decrease in inventory that print on demand allows. First, time and cost
savings are realized because of decreased warehousing requirements,
reduced shipping costs, and increased handling efficiency because only
the necessary print quantity is handled through the distribution channel.
Second, print on demand also reduces the costs of renting and staffing a
warehouse facility.

Controlling costs makes for good customer service. CAPV research has shown that faster turnaround times and cost savings are the top two priorities of print buyers.

 Waste – Between 12% and 26% of all printing purchased is obsolete, out-of-date, or discarded. (See Figure I-9.) At the same time, print buyers are being asked for more effective printing with a lower budget. If, with print on demand, you can cut in half the throwaways due to outdated information and shipping damage, you have achieved a strategic cost advantage.

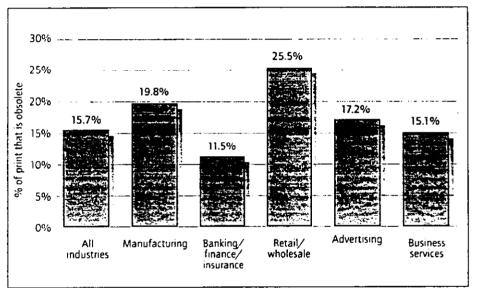


Figure I-9: Pre-printed material that is obsolete (by industry)

These benefits will come into play as we look at the applications discussed in Chapter 1.

Issue 2: The Commission inquires whether the objectives of the minimum volume waiver could be achieved through other means.

The issue of threshold volume requirements for Mailing Online gets quickly to the heart of the fundamental goals of the Postal Service in offering the PostOffice Online (POL) services. The POL is about creating and maintaining simple access to postal products and services for small business people who have neither the time nor the inclination to focus on the complexities of mailing preparation and discount rate structures, and about making sure that this access channel is responsive to the requirements of electronically enabled commerce. The POL is about designing and conceiving a uniquely postal offering that draws upon and reinforces the strengths of the Postal Service's traditional role.

In its market test Opinion (at 27), the Commission suggests an alternative to the threshold volume eligibility waiver in the form of an automated rebate system. The system would have the Postal Service quote and charge currently applicable mailstream rates to Mailing Online mailings that are initially under the current threshold requirements for automation discounts, and then make an appropriate rebate to the customer's account after batches are ultimately formed and discounts determined. The Postal Service views this approach as unacceptable both because of the immense technical complexity implicit in such a design and because it is contrary to the goal of simplicity (finalizing a transaction during a single Web-site visit).

While the determination of appropriate discounts with batching via just one print location and limited volumes may not be that difficult, as volume

increases during the experiment and the number of print locations expands, the difficulties of tracking and matching each piece's origin to its ultimate qualifying rate would multiply the complexity many times over. Consolidating and successfully reconciling such information at an individual account level would also be very difficult. The development effort for such a complex system modification would require much time and expense.

In addition to this formidable technical challenge, the inherent complexity of such a transactional model is incompatible with the PostOffice Online's overall strategy of simplicity and ease of use. The Mailing Online interface is designed to be highly structured and automated so that the user's experience is completed quickly, efficiently and in a single session. The characteristics of the transaction — electronic document and list submission with real-time verification, online document proofing, menu-driven finishing options, and firm final cost quotes and real-time payment processing are all part of a strategy to create a simple, straightforward service that provides the same uncomplicated process and result whether used only occasionally or on a daily basis.

Also, while such a system is similar in concept to the Value Added Refund (VAR) and "Combined" programs used by letter shops and presorters to rebate automation discounts achieved by the use of automated sortation equipment, and in fact might benefit larger mailers, those uses imply consistency of use and volume characteristics not expected of MOL customers.

Issue 3: The Commission inquires whether the waiver of volume minimums should extend beyond Mailing Online, either on the basis of functional equivalency or some other basis, and what might constitute functional equivalency.

The Postal Service has requested a waiver of volume minimums for Mailing Online during the experiment for the primary purpose of modeling what it expects to see in a mature MOL service. This is necessary for analyzing potential interest in a new service that develops and utilizes several electronically enabled combinations of logistic and commerce functions.

Important to this discussion is an acknowledgment of the fact that the Postal Service, while requesting these waivers for the basic automation rate volume thresholds, has also foresworn any deeper discounts regardless of volume or level of sortation achieved, thus committing to a single average rate category (within class and shape) for all volume received and mailed. The use of an average rate is also critical to completion of a transaction in a single Web-site visit, as discussed in Witness Plunkett's response to Issue 1. Extension of waivers to other hybrid mail services would require similar limitations upon both larger and smaller discounts, as well as true functional equivalence.

Criteria necessary to establish functional equivalence with Mailing Online include the following:

 Automation compatible mailpieces, including 100% standardized addresses and barcodes on all mailpieces;

- 2. Co-mingling and batching of like mailpieces;
- 3. Sortation to the finest level of sort possible within batches;
- Geographic batching and distribution of mailpieces prior to printing and mailing;
- Secure and completely automated electronic submission of jobs, providing for real-time quotes and secure on-line payment; and
- 6. Web and browser-based access with no absolute need for client software or a point-to-point dial-up connection with the vendor.

In evaluating the criteria for functional equivalence, it must be noted that the practice of electronic file submission and job ticketing has become common among digital printers and others in the print and mail services industries.

Software utilities and Web sites are electronically linking more and more printers and mail service providers to their client companies every day. This to-be-expected extension of existing commerce is commonly designed to emulate existing business practices. Pitney Bowes DirectNET is an example of this approach. DirectNET software provides users the opportunity to design simple mailpieces and create a job ticket for electronic uploading. Users are provided an estimate of the cost of their work, but are informed that final pricing cannot be determined until some time in the future. Included in the estimated cost of each transaction is a set-up fee, a fee traditional to the printing services industry which is designed to cover the cost of providing individualized service to a particular customer. It signifies that the job paid for will be "set-up" and run just for that

customer. Users are contacted subsequent to submitting the job and informed of the actual (often negotiated) costs of production. This is similar to the traditional printer-client interaction.

Mailing Online offers an alternative process by providing a complete single transaction approach. All parts of the job creation and specification process are conducted online and the transaction is completed in one session.

A goal of the Postal Service is to encourage the development of innovative approaches to mailing. Accordingly, the Postal Service would consider creating special licensing or certification criteria for third-party services that are full functional equivalents of Mailing Online.

1	COMMISSIONER LeBLANC: Does any participant have
2	any additional written cross-examination for Witness Garvey?
3	Okay. Three participants requested oral
4	cross-examination of the witness here, but before we get
5	started today, I'm going to take a little liberty, if you
6	will, as our Chairman has done on occasion, gotten me
7	started, but I've got to blame it on somebody, Mr.
8	Chairman.
9	Mr. Garvey, as a Presiding Officer, I'm a little
10	bit confused after hearing Mr. Plunkett, Mr. Seckar, and a
11	few yesterday
12	CHAIRMAN GLEIMAN: If I could just interrupt, he's
13	confused even when he's not presiding.
14	COMMISSIONER LeBLANC: I told you I followed my
15	Chairman's lead.
16	But during yesterday's hearing it was stated that
17	significant changes are being made in the Mailing Online
18	system for the experiment. In response to interrogatory of
19	OCA, USPS-T-66, you state that plans have not been finalized
20	for the, and I quote, "full range of services to be offered
21	during the course of the experiment." End of quote.
22	And you start off today for me with a summary
23	statement, if you can, of exactly what it is that we are
24	being asked to consider. And I say that because Mr. Hollies
25	yesterday answered for Mr. Stirewalt because he said Mr.



- 1 Stirewalt didn't know about some of the changes. Then we
- 2 have Mr. Plunkett, who says volume 5, transcript page 1024,
- 3 talked about the changes in the software program, the
- 4 meetings that are being taken place are taking place today,
- 5 and I'm not sure whether it's today or fairly shortly, but
- 6 it's soon, and the changes in the software.
- Really, what's going on? Where are we at this
- 8 point? So again I start off with the same question. Could
- 9 you please give us a summary statement of exactly what it is
- that we're being asked to consider today?
- 11 THE WITNESS: I'd be glad to. I'm not a systems
- 12 engineer, so this will be a nontechnical description by its
- 13 nature.
- 14 COMMISSIONER LeBLANC: But you are the policy
- 15 witnesses.
- 16 THE WITNESS: That is correct.
- 17 COMMISSIONER LeBLANC: Thank you.
- 18 THE WITNESS: As I've indicated in previous
- 19 responses, the system that's being used for the market test
- 20 and which was used for the operations test was a
- 21 proof-of-concept system. Technically speaking it was
- 22 designed to prove the concept and to allow low-volume usage
- of the Mailing Online system. Obviously for the Postal
- 24 Service to offer a full-scale nationally implemented version
- of Mailing Online such a proof-of-concept system would not

1	be	suitable.
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23

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The technical design of a system that would meet 2 the rigorous requirements that the Postal Service technical 3 experts, the IT folks in the Postal Service, require of such 4 a production-level system have as I understand it 5 necessitated a revision of the original architecture of the 6 7 system, and I think the substantial changes that are being 8 talked about are not so much in the nature of changing what's being offered for the service but in how it's 9 10 configured in a technical sense, how many sites there are for purposes of redundancy fail over for disaster recovery, 11 and I think that that, if I'm hearing correctly, is what 12 13 everyone's talking about in the substantial revisions in the Mailing Online system. 14 COMMISSIONER LeBLANC: Having said that, then, 1.5 could you provide some assessment of the expected impact on 16 projected costs and benefits from the modifications, or as 17 18 you call them, just the changes that are being made? THE WITNESS: 19 Impact on the cost as compared to what? 20

21 COMMISSIONER LeBLANC: As to where they started 22 out.

THE WITNESS: I can give you an estimate as I have it today of what the development of the new system is projected to cost.

1	COMMISSIONER LeBLANC: Please do so.
2	THE WITNESS: The estimate that I have in hand for
3	the development of this what we're calling Version 3 of
4	Mailing Online is somewhere in the neighborhood of \$3-1/2
5	million.
6	COMMISSIONER LeBLANC: Is that 3-1/2 million more,
7	or is that just 3-1/2 million now?
8	THE WITNESS: That is \$3-1/2 million.
9	COMMISSIONER LeBLANC: Okay.
10	THE WITNESS: Now that is an estimate. It hasn't
11	been analyzed. I only received it in the past few days.
12	But that's the estimate that I have in hand.
13	COMMISSIONER LeBLANC: Do you envision any major
14	changes in benefits that you offer to the general public as
15	well as maybe down the road commercial mailers or anybody
16	else? I mean is anything changing there?
17	THE WITNESS: Because of the system design, you
18	mean?
19	COMMISSIONER LeBLANC: Yes.
20	THE WITNESS: The changes to answer your
21	question directly, no. I think the changes that are being
22	made are changes to offer the benefits of reliability and
23	dependability and what people would expect from the Postal
24	Service in terms of availability.
25	COMMISSIONER LeBLANC: Availability to what?

1	THE WITNESS: To the website.
2	COMMISSIONER LeBLANC: To the original starting
3	point or to the Mailing Online?
4	THE WITNESS: What I meant to say was that the
5	I think that the American public when they use the Post
6	Office online system will expect to see it there as they do
7	the post office on the corner when they go there to go to
8	it.
9	They don't expect it to be experiencing technical
10	difficulties so that it can be down for a couple of days,
11	technically down, and they can't use it. It needs to be
12	dependable and reliable and technically there all the time.
13	COMMISSIONER LeBLANC: And that will not affect
14	the Mailing Online as far as you can see it?
15	THE WITNESS: Only in making it more reliable and
16	dependable.
17	COMMISSIONER LeBLANC: Okay. Thank you very much.
18	CHAIRMAN GLEIMAN: Can I ask a question?
19	COMMISSIONER LeBLANC: Now we have the Chairman
20	has a question also for you, and then our newest
21	Commissioner, Commissioner Covington, being a new kid on the
22	block, would like to
23	CHAIRMAN GLEIMAN: He can go first.
24	COMMISSIONER LeBLANC: being a new kind on the
25	block has some clarifications on his part that he would like

1	to have from you.
2	Commissioner Covington.
3	COMMISSIONER COVINGTON: Thank you, Mr. Chairman,
4	for your deferment and I would also like to thank the
5	Presiding Officer for giving me a moment to figure out in
6	what direction I am supposed to be headed today.
7	I guess you can probably tell, Mr. Garvey, I am
8	just about as thrilled as a hog in slop to be considering
9	all this mail classification and other pertinent issues, and
10	I had made it up in my mind that I felt that since I am
11	taking the plunge I needed to find out on way down whether
12	the swimming pool was full enough to take me as I dive in or
13	whether I am going to suffer some kind of spinal or
14	muscular-skeletorial damage.
15	I have taken the liberty of reading your
16	autobiographical sketch and I would imagine with your having
17	served, illustriously we would hope, 25 years for the United
18	States Postal Service, I would imagine that they feel quite
19	sure that you are the right man for the right job at this
20	time as it relates to policy and the service that we are
21	discussing here today.
22	For my clarification I would like to first find
23	out if you are still what they say that you still serve
24	as the New Business Initiatives Group Program Manager in the
25	Marketing Department of the United States Postal Service?

1	THE WITNESS: Yes, I do. I hesitate because there
2	is a reorganization within the Postal Service underway and I
3	am not exactly certain.
4	[Laughter.]
5	COMMISSIONER COVINGTON: Well, hopefully well,
6	it would be my sincere wish that it would be something a
7	little bit more shorter so you could at least fit it on your
8	average business card.
9	[Laughter.]
10	COMMISSIONER COVINGTON: And I also notice where
11	you have been charged with the responsibility of managing
12	and more or less overseeing the development of the Marketing
13	Online project, which states that it is supposed to be a
14	strategy that has been designed to provide small businesses
15	with convenient Internet access to First Class and Standard
16	Mail. Correct?
17	THE WITNESS: Yes.
18	COMMISSIONER COVINGTON: All right, so since I
19	have been here I took it upon myself, Mr. Garvey, to, number
20	one, find out what the current status is with the Mailing
21	Online process or procedure, and I am kind of glad that the
22	Presiding Officer asked you to summarize a statement as to
23	where we are now and it's kind of ironic when I saw the
24	initial direct cost, you know, you all were projecting one
25	point a little over one point something million dollars

1	and now we are up to three, so I can see that something is
2	going on in the experimental phases, and we would hope that

it is going to really have a profound impact on everything

- 4 from your software initiative to the service you want to
- 5 provide overall, you know, to the customers.
- But what I did was I have here a schematic or
- 7 something of a diagram, and I wanted you to glimpse this or
- 8 look at it a minute and then I had a few questions I wanted
- 9 to ask you from there.
- 10 THE WITNESS: Certainly.
- 11 COMMISSIONER LeBLANC: If anyone in the audience
- would care to look at the schematic, it should be on the
- 13 table.

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- Margaret, where did you -- she will be having it
- out available for anybody that needs to look at it.
- Don't forget the Commissioners, Margaret.
- 17 MS. CIGNO: I would never forget you.
- 18 COMMISSIONER COVINGTON: Okay?
- 19 THE WITNESS: Yes.
- 20 COMMISSIONER COVINGTON: All right. Mr. Garvey,
- 21 now that you have had a chance to look at the diagram, I
- 22 would like to think, or I would hope that what I presented
- you with should be an accurate portrayal of the way files
- 24 will be generated by the Mailing Online orders that are
- 25 going to be submitted to the printer.

1 THE WITNESS: These would be good representations 2 of that, yes. 3 COMMISSIONER COVINGTON: Okay. Now, if you will notice, for customers 1 and 2 on the far left hand side of 4 that page, that is individualized with the merging text, I 5 6 would imagine, that will go with the address list out at San 7 Mateo. You can see, I guess, that several merged orders can be batched, or, that is, they can be combined into a single 8 9 presorted mailing, and, as I understand it, the letters that 10 do not need to be individualized will be sent directly in to the printer, but that they cannot be batched. 11 Thus, I am assuming, on the right side of the schematic, the orders 12 customers 3 and 4 have submitted will be treated as separate 13 14 mailings. 15 Now, what I am asking you, is this a correct representation of how the Mailing Online process is going to 16 be handled once everything gets to the processing center? 17 THE WITNESS: Currently, this is the way the 18 Mailing Online system functions, yes. 19 COMMISSIONER COVINGTON: Okay. So it is safe to 20 assume that that is the way it is now. Now, what I would 21 need you to kind of clarify for me, or make me feel a little 22 bit more at ease with, is I need for you to explain to me 23

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THE WITNESS: Okay. The reason that merged orders

why non-merge orders can't be batched.

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1	are able to be batched today is because, for a merge
2	document, each address creates a document. Those document
3	files can then be functionally merged prior to all of the
4	document files being sent to the print site. To conserve
5	system resources and network space, I guess you could call
6	it, non-merge jobs currently are sent as a single document
7	along with an address list and, at the print site, a
8	document is produced for each one of those addresses.
9	This is the way the system is currently designed
10	because it was easy to do it that way, and with the proof of
11	concept system, it functioned well enough to get us where we
12	needed to go.
13	COMMISSIONER COVINGTON: Thank you, Mr. Garvey.
14	COMMISSIONER GOLDWAY: That response seems to
15	imply that there will be a change in the experimental phase.
16	You keep underling in your comments, this is the way it is
17	now, and I recall previously that you said you are
18	reconfiguring the software to function more reliably, but
19	these emphases seem to indicate that you are reconfiguring
20	the software to do more tasks as well.
21	THE WITNESS: Yes. The ultimate design of Mailing
22	Online has always been that we would do the best job of
23	commingling that we could within different shapes of mail,
24	so that, ultimately, what we would like to see is one mail
25	stream composed of all letter size pieces, and one composed

- of all flat size pieces. This is, technically speaking, a 1 2 difficult thing to do, but it is our ultimate goal. As I 3 have indicated in my interrogatory responses, the technical designers have been charged with that task, to find a way to 4 5 do this. It would be my hope that that technical change 6 would be available for the experiment. We are not certain 7 that that will take place, because, as I indicted, 8 technically speaking, it is a difficult thing to do, but it 9 10 is a goal towards which we will work. COMMISSIONER GOLDWAY: But the response yesterday 11 was that changes are going to be implemented quickly enough 12 13 that we will get certain data within the next few weeks, that we thought we would get yesterday or a week ago. The 14 implication being that whatever changes were being made were 15 going to be implemented very quickly. Now, you are saying 16 something different. 17 THE WITNESS: Don't let me be misunderstood that 18 the changes indicated yesterday are not being made. 19 are being made, but they are being made to the existing 20 system, which, as I indicated, is an upgraded proof of 21 concept system, and the changes are being made to allow the 22
- COMMISSIONER GOLDWAY: So this change in

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Commission.

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collection of data and the provision of that data to the

1	architecture that you are talking about is different from
2	the changes that are being made to the current system for
3	data?
4	THE WITNESS: Absolutely different, yes.
5	COMMISSIONER GOLDWAY: Okay. Can I ask one other
6	question? In these new changes that you are contemplating,
7	that include greater ability to consolidate files, and
8	handle multiple files, actually, in one transaction, would
9	it then also be possible to make finer distinguishing
10	measurements for postage costs? Your answers to Notice of
11	Inquiry number 1, Issue 3, say that the use of average rate
12	is critical to the completion of a transaction in a single
13	web site visit, which led me to believe that there were
14	limitations in the software program regarding price. So is
15	this new software going to allow you to also charge
16	different customers different rates based on quantity or
17	sorting?
18	THE WITNESS: I think the relationship between
19	what is charged to the customer during the online
20	transaction and what we could charge them is impacted by the
21	concept of batching. The batching and presorting of the
22	customers' jobs occurs at the end of the day, basically, and
23	that can be many hours after the customer has logged on and
24	submitted their job. So what depth of sort we might achieve
25	and what possible Postal rate we could offer customers based

1	upon that commingling and combining is not known until
2	possibly long after they have logged off and gone away.
3	Technically speaking, it would be possible to
4	charge many different rates, multiple rates to the customer
5	online. The problem with that is we don't know what the
6	ultimate rate they should be charged until, as I said,
7	perhaps long after they are gone.
8	COMMISSIONER GOLDWAY: They could place an order
9	and you could e-mail back, or, in the network, mail back
10	four or five hours later what the
11	COMMISSIONER LeBLANC: Could you speak up,
12	Commissioner Goldway? I'm sorry.
13	COMMISSIONER GOLDWAY: They could place their
14	order and you could respond at the end of the day with what
15	the cost would be, under even under the current system,
16	you are saying, if you wanted to?
17	THE WITNESS: If we were going to allow customers
18	to not pay for the job at the time that they submitted it,
19	we would be able to introduce some kind of a notification
20	system allowing them to notify us and send payment. The
21	problem is that we have a requirement to have payment for
22	postage in hand when we take the mail, at least today, in a
23	physical environment. And I think the assumption of Mailing
24	Online is that we have the same requirement in an Internet
25	environment. So we have to take the money from them at the

1 time they submit the mail.	1	time	thev	submit	the	mail.
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- 2 COMMISSIONER GOLDWAY: Okay. So that is not a
- 3 software issue then?
- 4 THE WITNESS: It is a timing issue.
- 5 COMMISSIONER LeBLANC: Commissioner Covington has
- 6 a follow-up, Mr. Garvey.
- 7 COMMISSIONER COVINGTON: Mr. Garvey, to follow-up
- 8 what my colleague, what Commissioner Goldway just asked,
- 9 number one, when you talk about -- is architecture and
- 10 configuration one and the same?
- 11 THE WITNESS: As I said, I am not a technical
- 12 engineer, so I can't --
- 13 COMMISSIONER COVINGTON: I know, you are not a
- 14 systems person.
- THE WITNESS: I can't make a technical designation
- 16 there, but --
- 17 COMMISSIONER COVINGTON: Well, let me ask you
- 18 this.
- 19 THE WITNESS: Could you give me a context
- 20 question?
- 21 COMMISSIONER COVINGTON: All right. Let me ask
- 22 you this. As I understand it, the primary objective of the
- 23 Service is that it is going -- as far as accommodation, it
- 24 still -- or would I be out of line to think that it is still
- 25 going to serve the largest percentage of households or

1	people that have PCs?
2	THE WITNESS: Oh, yes.
3	COMMISSIONER COVINGTON: Okay.
4	THE WITNESS: Yes. The change in configuration or
5	architecture, whatever you want to call it, will be
6	transparent to the end user at their PC. The difference
7	would be in speed and reliability as they see it on their
8	browser.
9	COMMISSIONER COVINGTON: Okay. But then we can't
10	you can't clearly know or project whether the costs are
11	going to be decent, you know, extravagant, or whether most
12	people are going to be at ease even benefitting from the
13	service as it is right now? In other words, what
14	limitations do you see with John Q. Public wanting to
15	benefit from this service?
16	THE WITNESS: Due to the change in platform, you
17	mean, or configuration?
18	COMMISSIONER COVINGTON: Yes.
19	THE WITNESS: I think it has been part of our goal
20	all along to make sure that we weren't going to spend so
21	much that the system would cost too much, both from our
22	perspective and from the customers' perspective. We are
23	trying to offer both convenience and economy. I don't
24	believe that the change in the price of development of the
25	system will materially affect what we have to charge. If it



1	does, we need to revisit. But, as I said, we have just now
2	received the numbers, we haven't processed them. We don't
3	know what the ultimate effect.
4	I can say, however, that I think that the
5	development of any Internet or web-enabled service, as I
6	understand it, is far below the cost of constructing any
7	kind of an analog or physical system which would do the same
8	thing. We are all aware of what Amazon.com has done, and
9	they started on a shoestring.
10	COMMISSIONER COVINGTON: But then, in light of
11	that, since you undertook this initiative, the Postal
12	Service direct costs have already doubled.
13	And I am not trying to say that this is going to
14	get to a ceiling point to where you don't want to stick your
15	head through and lose your neck, but I'm saying, you know,
16	when you start talking about availability, you start talking
17	about accommodation to the customer, the overall objective I
18	would like to think would be to do it so the feasibility and
19	the economic benefits are still going to be there.
20	THE WITNESS: I would absolutely agree, but if I
21	might make an analogy, if you construct a fleet of Greyhound
22	buses with Volkswagen engines, it might be economical, but
23	your bus fleet is not going to last very long and your
24	customers won't be very happy. So I think it's important

COMMISSIONER COVINGTON: Depending on the size of

25

1	the customer.
2	[Laughter.]
3	THE WITNESS: I think it's important when
4	designing the system from the beginning that you keep in
5	mind the ultimate needs of all of your customers and what
6	their real requirements will be.
7	COMMISSIONER COVINGTON: Thank you, sir.
8	COMMISSIONER LeBLANC: Before we get to the
9	Chairman, I want to make sure that Commissioner Covington
10	had asked that we have that schematic put in as a
11	cross-examination exhibit, and we will mark that PRC-X-1,
12	and I will give two copies to the reporter, ask that it be
13	transcribed into the record.
14	[Cross-examination Exhibit No.
15	PRC-X-1 was received into evidence
16	and transcribed into the record.]
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Batching and File Generation of Merge and Nonmerge Orders (jobs) Submitted to Mailing Online

Address List

Addressee 1

Addressee 200

or purposes of this schematic all orders are 1 page, B&W, 8.5 x 11, Standard (A) documents submitted the same day

MERGE (individualized) ORDERS NONMERGE (nonindividualized) ORDERS Sustomer 1 - Merge order Customer 2 - Merge order Customer 3 - Nonmerge order Customer 4 - Nonmerge order **Body of Letter** Address List **Body of Letter Address List Body of Letter Address List Body of Letter** Addressee 1 Dear ^ Addressee 1 Sale, Sale, Sale Addressee 1 Grand Opening IIII You are cordially Thank you for your Addressee 2 TONY BOLOGNA'S ivited to the opening Interest in the Don't Miss It! OLD WORLD DELI f Urban Sprawl: A position of CEO. Addressee 400 Addressee 260 ?etrospective at Pinky Addressee 3 Unfortunately... rt Gallery... Addressee 150 2 separate files sent to printer 2 separate files sent to printer (1 letter, 1 address list) (1 letter, 1 address list) 51 separate files sent to printer 401 separate files sent to printer 260 pieces sorted to greatest depth possible 200 pieces sorted to greatest depth possible (150 letters, 1 address list) (400 letters, 1 address list) Orders BATCHED together 550 pieces sorted to greatest depth possible

1	MR. WIGGINS: Mr. Presiding Officer, while on that
2	subject, I recalled that I neglected to provide to the
3	reporter and ask that there be transcribed into the record
4	the cross-examination exhibit that I used with Ms.
5	Rothschild.
6	COMMISSIONER LeBLANC: I was going to ask you
7	about that.
8	MR. WIGGINS: And that testimony is not going to
9	be clear in any event, but it's going to be a whole lot more
10	murky without the document.
11	COMMISSIONER LeBLANC: Well, let's wait one
12	second, if you will, Mr. Wiggins.
13	MR. WIGGINS: When it's convenient.
14	COMMISSIONER LeBLANC: That will be transcribed
15	into the record, Mr. Reporter.
16	Now our Chairman has some questions, Mr. Garvey.
17	Do you want to go ahead and get that?
18	All right, we won't forget, then we'll go ahead
19	and take yours into evidence right now.
20	MR. WIGGINS: What would you like me to call it?
21	COMMISSIONER LeBLANC: That's up to you. I can't
22	make your case for you, Mr. Wiggins. Call it whatever you
23	will, PB-X-2.
24	MR. WIGGINS: And I apologize for being out of

25

COMMISSIONER LeBLANC: Now do you want that

1	inserted now in the record or do you want it at the
2	appropriate place as per the colloquy with the witness?
3	MR. WIGGINS: I think it would probably make sense
4	to have it adjacent to my interrogation of her.
5	COMMISSIONER LeBLANC: Mr. Reporter, can you take
6	care of that, please?
7	And you want that transcribed and admitted into
8	the evidence or just transcribed, Mr. Wiggins?
9	MR. WIGGINS: I believe she testified as to the
10	accuracy of the numbers. I'd like to have it admitted.
11	COMMISSIONER LeBLANC: Any problem with that
12	where did he go Mr. Hollies?
13	MR. HOLLIES: That's fine.
14	COMMISSIONER LeBLANC: Okay. Now we having all
15	that out of the way, our Chairman, Mr. Garvey.
16	CHAIRMAN GLEIMAN: Mr. Garvey, Mr. Hollies, am I
17	being heard today? Just want to make sure.
18	Commissioner LeBlanc started the questioning by
19	mentioning the references yesterday to significant changes.
20	Actually the terminology used yesterday was orders of
21	magnitude, which is in my mind more than significant, but
22	let's not quibble over the words there. But separate and
23	apart from the systems changes that are apparently taking
24	place that are on order of magnitude as, you know, from
25	operational to market test, and now market test to

1	experimental, there were some other changes that are
2	significant in my mind also.
3	For example, in his response to NOI-1, Mr.
4	Plunkett implied and we had some back and forth about it
5	that the Postal Service was not going to pursue the offering
6	of the DMBC discount during the experimental phase of the
7	case, and when I questioned him I said he presented it
8	accurately, and I think I understood him that, you know, the
9	case that the Governors sent over is the case that the
10	Governors sent over. But you're the policy guy, and when
11	push comes to shove, the Governors are going to ask you what
12	about this DMBC discount that we sent over to the Rate
13	Commission some time ago.
14	Do I understand correctly that the policy person
15	at the Postal Service feels that at this juncture during the
16	experimental case the Postal Service will not pursue
17	offering of DMBC discounts?
18	THE WITNESS: You understand correctly.
19	CHAIRMAN GLEIMAN: You mentioned a moment ago that
20	this whole change that was taking place reconfiguration,
21	redesign, whatever you want to call it, was because you
22	wanted to make sure that the customers got from the Postal
23	Service what they've learned to expect, which is the
24	consistency that they get by having that corner post office.
25	Of course there are thousands and thousands of corner post

- offices that aren't there anymore, but separate and apart 1 from that, do I understand correctly that this is all 2 3 Internet-based, this whole system? 4 THE WITNESS: From the customer's perspective, 5 yes. 6 CHAIRMAN GLEIMAN: Do you control the Internet? THE WITNESS: Absolutely not. 7 CHAIRMAN GLEIMAN: Is it likely that there could 8 9 be some, if you will, temporary suspensions of service on 10 Mailing Online akin to perhaps the facilities going out at a 11 small rural post office that requires a sign to be placed on 12 the door? I mean -- I know sometimes I have trouble getting 13 on the Internet. Sometimes I have trouble and have to wait 14 while the little thing whirls and, you know, flashes up on the right-hand corner of the screen while I wait to get on 15 16 the Post Office's home page. 17 I mean, what you're doing really isn't going to assure the consistency of people's access, it's only going 18 19 to assure that once they get on, you hope, assure that once they get there to the front door that the front door can be 20 opened and --21 THE WITNESS: That's correct. To use my previous 22 analogy, if the street in front of the post office is torn 23 24 up, there's nothing we can do about it, but we can have the
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door open and be there to serve the public.

25

1	CHAIRMAN GLEIMAN: I just wanted to make sure I
2	understood.
3	You analogized when you were talking to
4	Commissioner Goldway to the situation that exists now with
5	hard copy, the traditional hard copy mail where, you know,
6	you've got to put the money down when you put the mail down
7	on the counter. Isn't there some type of a system that you
8	all have where people have something called advance deposit
9	accounts and they present mail, and after it's checked by
10	the acceptance clerk, money is drawn down from the advance
11	deposit account?
12	THE WITNESS: Yes, there is.
13	CHAIRMAN GLEIMAN: And if a mailing is presented
14	to the Postal Service and portrayed as meeting certain
15	conditions that would provide for a lesser than the full
16	rate for that particular type of mail and the acceptance
17	clerk finds that the conditions have not been met, then the
18	acceptance clerk indicates so, and more is drawn out of the
19	advance deposit account than the presenter of the mail might
20	have thought was going to be drawn out of there?
21	THE WITNESS: That is correct.
22	CHAIRMAN GLEIMAN: And I assume on the flip-side
23	of that that if somebody did more presorting than he or she
24	thought they did when they presented the mail, you might
25	even take less money out of the advance deposit account?

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1	which the Mail Advertising Service Association will be here
2	tomorrow morning, and that leaves the Office of the Consumer
3	Advocate and Pitney Bowes, and we will start with Pitney
4	Bowes at 25 minutes to 4:00.
5	We are off the record, Mr. Reporter.
6	[Recess.]
7	COMMISSIONER LeBLANC: Ladies and gentlemen,
8	including the bench, we are just about ready.
9	Mr. Reporter, are we on the record? Okay.
10	Mr. Wiggins.
11	MR. WIGGINS: Thank you, Mr. Presiding Officer.
12	CROSS EXAMINATION
13	BY MR. WIGGINS:
14	Q Mr. Garvey, I am Frank Wiggins. I am here
15	representing Pitney Bowes.
16	While you still have fresh in mind, and we all
17	have freshly in front of us, the elegantly done schematic
18	here concerning merging and the like, I would like to
19	inquire some of you on that topic.
20	You say in response to Interrogatory 2 propounded
21	to you by Pitney Bowes, if you would like to get that in
22	front of you
23	A I have it.
24	Q You suggest that in the fullness of time, and I
25	think you said this in response to a question or two from



- 2 more documents than are at present being batched. Is that
- 3 right?
- 4 A That is correct.
- 5 Q And at present only merged documents are batched,
- 6 is that right?
- 7 A Only documents that are created as mail merge
- 8 documents are batched -- are merged and batched. Yes, that
- 9 is correct.
- 10 Q Obviously, only documents that are merged are
- 11 merged, but the only documents that are batched are those
- 12 that are merged, right?
- 13 A Yes.
- 14 Q Okay. Do you have a notion of how long into the
- 15 future that condition is likely to obtain?
- A As I think I responded earlier today, we are
- 17 looking to have that changed as soon as possible and it may
- 18 change in an incremental manner.
- 19 Q So you don't know?
- 20 A I do not know. We would like to have it change at
- least partially by the time the experiment begins, perhaps
- 22 completely by then.
- 23 Q But that is what you would like. Do you have a
- 24 basis for giving us a sound projection of when it is likely
- 25 to happen?

1	A Unfortunately, I don't.
2	Q Okay. You talked when last you were before the
3	Commission with Mr. Costich about the reports that are
4	prepared for the Postal Service by Price Waterhouse
5	concerning the Mailing Online project. Do you remember
6	that?
7	A Yes, I do.
8	Q You are familiar with those documents?
9	A Yes.
10	Q The Postal Service recently in Library Reference
11	24 provided an updating of the previous lot of those
12	documents.
13	Are you familiar with those updated papers as
14	well?
15	A Yes, I am.
16	MR. WIGGINS: Mr. Presiding Officer, I would like
17	to show the witness and provide to anybody else who wants
18	one one page of the Price Waterhouse report, if I might.
19	COMMISSIONER LeBLANC: Please.
20	BY MR. WIGGINS:
21	Q The document that I have shown to you, Mr. Garvey,
22	purports to be the Mailing Online report, program total, as
23	opposed to split down between the two locations for AP week
24	number 2, July 25 through July 31. We are both looking at

25

the same document, right?

T Y 103	1	Α	Yes
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- 2 Q Okay. And you talked with Mr. Costich last time
- 3 about the report of merge features, which is about
- 4 three-quarters of the way down the page. And this shows
- 5 year-to-date jobs, 13 percent mail merge, 87 percent
- 6 non-mail merge. Do you have any reason to believe that that
- 7 report is inaccurate?
- 8 A My answer would be that this report is incomplete.
- 9 I am sure that, to the extent that it reflects collected
- information which is shown on these percentages, it is
- 11 correct. But all the mail merge or non-merge
- 12 characteristics, I don't believe were gathered during the
- 13 period of this year-to-date period.
- 14 Q Is that why on every report subsequent to this
- one, subject to your check, of course, but this is the way I
- 16 saw it in the Library Reference, you quit reporting this
- information, didn't you? Or Price Waterhouse -- you
- 18 directed Price Waterhouse not to report it anymore?
- 19 A We have not directed Price Waterhouse to not
- 20 report it, no.
- 21 Q Every report following this one, in the version of
- 22 the Library Reference that I collected from the docket room,
- 23 said N/A, where here there are the percentage numbers. Can
- 24 you explain to me why?
- 25 A And I believe if you check previous reports

1	earlier in there, you will find that they indicate the same
2	N/A.
3	Q No, but there is no information reported on mail
4	merge following AP 12, week 2. Am I wrong about that?
5	A I would have to check it to be sure, but you will
6	find in earlier reports in the year, it is not corrected
7	either.
8	Q I am not really interested in earlier reports, I
9	am interested in the reports subsequent to this one.
10	MR. WIGGINS: And I would appreciate, Mr.
11	Presiding Officer, if the Postal Service would make good on
12	the witness' volunteering to check that information.
13	COMMISSIONER LeBLANC: Mr. Hollies.
14	THE WITNESS: Subject to check, I will say that it
15	is true. I won't deny it now.
16	COMMISSIONER LeBLANC: Let's make sure we are
17	clear on the question, Mr. Wiggins. What are you
18	specifically asking here, so we know?
19	MR. WIGGINS: Is there, in the report, for any
20	week following AP 12, week 2, information reported
21	concerning the proportion of jobs that were mail merge and
22	those that were non-mail merge?
23	COMMISSIONER LeBLANC: Mr. Garvey.

THE WITNESS: I am sorry, could you repeat the

24

25

question?

1	MR. WIGGINS: Sure.
2	BY MR. WIGGINS:
3	Q There is a place on this report, as I say, under
4	the heading Merge Features, about three-quarters of the way
5	down the page, where there is a row that says Mail Merge and
6	a row that says Non-Mail Merge, in this document there are
7	reported, for the year-to-date, 13 percent mail merge jobs
8	and 87 percent non-mail merge jobs. By my review of the
9	other documents associated with Library Reference 24, there
10	is not, subsequent to this report, any information given
11	concerning that relationship, the percentage mail merge and
12	non-mail merge. Instead, there appears on those lines the
13	letters N, the symbol slash, and the letter A, which I take
14	it to be not available or not applicable, or just not. And
15	I am asking you to check and confirm whether my review of
16	the documents was accurate in that regard.
17	COMMISSIONER LeBLANC: Mr. Garvey, any problem
18	with that?
19	THE WITNESS: No, I will be glad to do that.
20	COMMISSIONER LeBLANC: Fine. Thank you.
21	MR. HOLLIES: Excuse me. I believe the witness
22	has a copy of the Library Reference there and this could be
23	accomplished right now.
24	COMMISSIONER LeBLANC: Would you take a moment,
25	Mr. Garvey, and take a look through it, please?

1	This is only on the Library Reference, Mr.
2	Wiggins, is that correct?
3	MR. WIGGINS: That is absolutely correct, yes.
4	[Pause.]
5	THE WITNESS: I can confirm that what Mr. Wiggins
6	says is correct.
7	BY MR. WIGGINS:
8	Q Do you know why, Mr. Garvey, the reports
9	subsequent to the week ending July 31, '98, no longer report
10	that information?
11	A I don't know precisely why. We indicated in our
12	response, when we gave you the Library Reference, there is
13	inconsistent data that is being worked out, and, as you will
14	also notice on the report, there are lines on there that
15	have never had data on them due to our inability to collect
16	and report some of that data.
17	Q Well, but this is information that you at least
18	episodically were able to report and then you globally quit
19	having that report. Is there a reason for that?
20	A I am sure there is. I don't know what it is at
21	the moment.
22	Q Had you not noticed do you customarily review
23	these reports?
24	A Yes, I do.
25	Q Had you not noticed that that was a piece of

1	information that quit appearing before you?
2	A Frankly, no, I hadn't.
3	Q You told me just a little bit ago that you were
4	interested, that you found it highly desirable to increase
5	the extent to which you were able to batch mail, correct?
6	A That is correct.
7	Q And at present, these numbers tell you the extent
8	to which you are able to batch mail, because you only batch
9	merged jobs, correct?
10	A Could you separate that question into two
11	questions, please?
12	Q Yes. You have testified to me a little bit before
13	that the only mail that is batched is merged mail, is that
14	correct?
15	A Currently, that is true, yes.
16	Q Yes. And that this report which tells you how
17	much mail is merged also tells you how much mail can be
18	batched, is that correct?
19	A That is correct.
20	Q And you want to batch more mail, I mean that is ar
21	important thing to you, is that correct?
22	A That is correct.
23	Q And yet you failed to notice that the information
24	about how much mail you could batch was being provided to
25	you by Price Waterhouse?

1	A That is true insofar as it goes. The inability to
2	batch is not going to be cured or speeded up by noticing how
3	much can be batched today.
4	Q Because it requires a more elemental revision to
5	the software, is that right?
6	A That is correct.
7	Q Which you hope is going to happen sometime
8	relatively soon, but you don't know? Is that correct as
9	well?
10	A I do not know. I have testified to that.
11	Q In your answer for the Postal Service to the
12	Commission's Notice of Inquiry Number 1, Issue 3, if you
13	would like to get that in front of you
14	A I have it.
15	Q you essentially concede the point that Pitney
16	Bowes has been trying to make, that those who have mail
17	functionally equivalent, I think is the word we used in a
18	brief, to that of Mailing Online, ought to be accorded the
19	same discount structure, right?
20	A It says so in here, yes.
21	Q Well, do you believe that to be right?
22	A Yes.
23	Q You testified to it under oath in this paper,

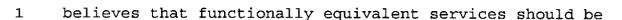
I testified to the fact that the Postal Service

right?

Α

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25



- 2 considered for the same discount. I testified nothing about
- 3 Pitney Bowes though.
- 4 Q No, no, no -- I understand that.
- 5 When you say considered for, aren't you willing to
- 6 go a little bit further than that and say so long as we
- 7 could come to agreement about what is functionally
- 8 equivalent -- not considered for -- given the same discount,
- 9 isn't that right?
- 10 A I am not at liberty to make that policy statement
- 11 for the Postal Service.
- 12 Q I am asking you your opinion as the policy guy, as
- 13 the Presiding Officer put it, for the Postal Service on
- 14 Mailing Online, what is the right outcome in your view, as a
- 15 policy guy?
- A My view is as stated in the answer to this that I
- think, I personally think, that it should be considered.
- 18 Q Not given? Not granted but considered?
- 19 A I can't, I don't have the power to grant.
- 20 Q I understand. I am not asking you to give me
- 21 anything right here today except your opinion, and I am
- 22 asking you what your opinion is, and you say your opinion is
- 23 consider it and I am asking does your opinion go further
- than that, not just considered but granted?
- I don't know what "considered" means.

1	A As solely my opinion
2	Q Yes.
3	A all other considerations of the Postal Service
4	aside, it would be my opinion that that would be true, yes,
5	that it should be granted.
6	Q Thank you. You set out beginning at the bottom of
7	the first page of your answer on Issue 1 of NOI Number 1 a
8	series of criteria in your words "necessary to establish
9	functional equivalents" and I would like to walk through
10	these with you and make sure that I understand not only what
11	they are but why they are, in your view, the right tests.
12	The first says automation compatible, as a first
13	element.
14	Is there anything other than 100 percent
15	standardized addresses and barcodes on all mail pieces,
16	which is the next part of that sentence that you would
17	require in terms of automation compatibility of a mail piece
18	in order to qualify it for the grant of a discount
19	equivalent to that?
20	A I would state that the Postal Service has specific
21	standards and requirements for automation compatibility, and
22	I could not vary those.
23	Q Okay, so I would I would look at the DMM in
24	EO80 or whatever the heck it is and apply those standards to
	my mail and you would apply them to MOL Mail, is that right?

1	A That's correct.
2	Q And we'd both meet, we would both have the same
3	bar to clear in establishing our eligibility, is that right?
4	A I think that is the intent, yes.
5	Q Yes. Whatever the DMM says it's good for you,
6	good for me. Okay?
7	A Yes.
8	Q Thank you. The next one, Number 2, on your Hit
9	Parade is commingling and batching of like mail pieces.
10	You have just told me that MOL does not do that
11	universally. Would you require Pitney Bowes or another
12	competitor to do it universally in order to qualify for the
13	discounts?
14	A As indicated here, yes.
15	Q Well, now why is that fair? Why is it that your
16	competitor ought to have to satisfy a standard that the
17	Postal Service does not in order to get equivalent
18	treatment?
19	A I don't believe the Postal Service has ever made
20	the claim that we were completely able to do the commingling
21	and batching that is intended in the ultimately Mailing
22	Online system.
23	As is frequently the case, mailers or
24	organizations such as Pitney Bowes will come to the Postal

Service and propose that something is a worthwhile idea and

25

- we work with either those mailers or organizations to make thappen. That frequently involves flexibility on both
- 3 sides.
- 4 Q You certainly have done that with Pitney Bowes
- 5 over time and my client appreciates it. I am not trying to
- 6 denigrate the generosity of spirit of the Postal Service in
- 7 most particulars, but I don't understand why you are getting
- 8 so parsimonious here all of a sudden.
- 9 You are willing to treat yourself with this
- open-minded generosity in experiment, in moving forward to
- something that you think is going to be overall better for
- 12 both the Postal Service and the public, but you are not
- willing to help Pitney Bowes do the same thing. Why is
- 14 that?
- 15 A I don't believe I ever said we weren't willing to
- 16 help Pitney Bowes do that.
- 17 Q I think you just said, didn't you, that you were
- 18 going to require of my client commingling and batching that
- 19 the Postal Service does not require of itself. Did I get
- 20 that wrong?
- 21 A You did. I indicated that what I said in my
- response here was that full functional equivalence to
- 23 Mailing Online would require these elements.
- Q I see, but is it not your position that full
- 25 functional equivalence is required for entitlement to the

1	same discounts that the Postal Service is according itself?
2	A Yes, that's correct.
3	Q It is correct. You demand full functional
4	equivalence.
5	A Under this circumstance and under what we are
6	talking about here, yes.
7	Q Okay, well, I mean I am not trying to fence with
8	you here, Mr. Garvey. I want to understand first what your
9	notion of the requirement is and then I want to understand
10	why, and what you are saying to me, if I have it right now,
11	is that you are going to require of a competitor, and we'll
12	use Pitney Bowes as an example, you are going to require of
13	Pitney Bowes something that you will not require of the
14	Postal Service in order to get the same schedule of economic
15	benefit discounts, is that right?
16	A In a fully-implemented Mailing Online system, that
17	would be correct, yes.
18	Q Well, how about tomorrow? You know, Pitney Bowes
19	is looking, taking a real hard look, at doing some of these
20	things to a greater extent than it does today, and part of
21	what is going to inform whether, you know, it starts moving
22	in that direction is what it's going to have to pay the
23	Postal Service.
24	When I call them this evening or tomorrow morning

after we are through, I got to say to them, hey, Pitney

25



- 1 Bowes, this is what Mr. Garvey thinks. What about tomorrow,
- 2 Mr. Garvey?
- 3 A I can't speak for tomorrow.
- 4 Q Well, can you explain to me why you think it the
- 5 right outcome as a policy guide for Mailing Online that the
- 6 Postal Service gets one set of benefits and you deprive your
- 7 competitors of equivalent benefits tomorrow?
- 8 MR. HOLLIES: Mr. Presiding Officer, I would like
- 9 to object to this line of questioning at this point. In
- 10 essence, what counsel is getting into is he's asking for
- 11 legal opinions from this witness, who is not a lawyer, and I
- think that's why we're being stymied.
- 13 This case is about the request made by the Postal
- 14 Service which has specific DMCS language in it, and it is
- 15 the case that Pitney Bowes would not be, as it were, let in
- the door pursuant to that language; and of course, it's also
- 17 possible that in its direct case, Pitney Bowes will make a
- 18 separate request or separate proposal which would let it in
- 19 the door.
- The line of questioning is in some sense
- 21 unnecessary. I think this is unnecessarily strained, and
- it's because these legal issues are interfering. The bottom
- 23 line as stated in the response of Mr. Garvey to the notice
- of inquiry is that we're trying to create a level playing
- 25 field, and if everybody is playing by the same rules on the

1	same field, we would open the door up to anybody who wanted
2	to be let in.
3	This particular line of questioning has to do with
4	the fact that Mailing Online is not yet mature. We are here
5	to we have requested authorization to conduct an
6	experiment as it matures, and we would expect that as part
7	of any permanent request for permanent service, as is
8	indicated in some of these responses, that would be an
9	appropriate time to make sure that the playing field is
LO	level as defined by the DMCS if that has not occurred prior
L1	to that time.
L2	COMMISSIONER LeBLANC: Mr. Wiggins, do you care to
L3	comment?
L 4	MR. WIGGINS: Sure. I will certainly stipulate
L5	the immaturity, Mr. Presiding Officer, and I will point out
L6	to you just that this witness has said and this is an
_7	important point to my client. I mean, we have been
-8	advocating this. He said that it's only fair and it's
_9	not a legal question: he's a policy guy and he's making a

to you just that this witness has said -- and this is an important point to my client. I mean, we have been advocating this. He said that it's only fair -- and it's not a legal question; he's a policy guy and he's making a policy judgment here -- it's only fair that people who have mail functionally equivalent to that of Mailing Online get the same discounts, and I'm trying to explore with the man how that's going to work. And what he's saying to me is that he didn't mean it and that he's going to require of Pitney Bowes, for example, things that he would not require



- of the Postal Service in order for that eligibility, and I'm
- 2 trying to explore that. It seems to me that's a
- 3 fundamentally important point.
- 4 COMMISSIONER LeBLANC: Mr. Garvey, you are the
- 5 policy witness, are you not?
- 6 THE WITNESS: I am, indeed.
- 7 COMMISSIONER LeBLANC: And he was talking direct
- 8 to your testimony and your responses to issues to the NOI,
- 9 was he not?
- 10 THE WITNESS: He was.
- 11 COMMISSIONER LeBLANC: Then under the
- 12 circumstances, you can -- the objection will be overruled
- and you will answer as best that you can based on your
- 14 policy position with the Postal Service.
- Now, if it is a legal issue, you say that you're
- 16 not in a position to know it if it's a legal issue, whatever
- 17 you may want to call it, counsel will be in a position then
- 18 to either argue it on brief, he can come back in oral
- 19 argument, or Postal Service counsel can change in question
- 20 and the redirect this afternoon or whenever that will occur.
- 21 But answer to the best of your ability at this time.
- 22 Objection overruled.
- Move on, Mr. Wiggins.
- MR. WIGGINS: Thank you, Mr. Presiding Officer.
- BY MR. WIGGINS:

1	Q Mr. Garvey, the question is why is it that you
2	think it's the right outcome as a policy matter that the
3	Postal Service should be entitled to discount when it does
4	not universally indeed, we just saw evidence that it does
5	only in 13 percent of the mail pieces do batching? You
6	would require Pitney Bowes to do batching more broadly,
7	right?
8	A As stated in the response to this question, it is
9	the Postal Service's and my opinion that functional
10	equivalence would enable Pitney Bowes or any other player to
11	request the same conditions for mailing as Mailing Online.
12	As you indicate, that does in fact include a discount, but
13	it also includes some other restrictions, and if you'll read
14	further down the list, you'll find those.
15	Q Oh, we're going to read the whole list.
16	A As stated by counsel, it's not my place to
17	indicate that such things could be done as part of this case
18	or proceeding.
19	Q Well, would it be okay, do you think, if Pitney
20	Bowes as a policy matter, if Pitney Bowes came to you and
21	said, okay, we'll do batching, but we're only going to do
22	batching of mail merge pieces, and anything that isn't mail
23	merge, we're going to present it and we're going to ask for
24	a discount, we're not going to batch it; would that be okay?

A Would it be okay in what sense?

25

1	Q To qualify for a discount, the same discount that
2	the Postal Service is giving itself for non-batched mon-mail
3	merge pieces.
4	A Well, I would say as an opinion, if it were Pitney
5	Bowes' ultimate intent to achieve a system that acquired
6	these characteristics as outlined in this document, that
7	that would certainly be something worth considering.
8	Q Pitney Bowes ought to get the same warm-up period
9	that the Postal Service is getting in order to make its
10	system mature; is that right?
11	A I couldn't make that decision, but I certainly
12	wouldn't deny that, no.
13	Q Would you advocate it?
14	A Would I advocate it?
15	Q Yes. Would you advocate to the Postal Service if
16	that's the right outcome?
17	A Perhaps with the provision that Pitney Bowes has
18	had quite a bit more warm-up time than the Postal Service
19	already.
20	Q What does that mean?
21	A Well, as you're aware and as everyone else perhaps
22	should be aware, Direct Net, the service offered by Pitney
23	Bowes and claimed as equivalent to Mailing Online, has been
24	under development and in market for quite some time.

25

Q So you feature Direct Net as it is now constituted

- as equivalent to Mailing Online; is that your testimony?
- 2 A I said it's claimed.
- 3 Q Well, what's your assessment? Is it?
- A No, as I previously testified, I don't believe
- 5 that it's equivalent.
- 6 Q Well, if Pitney Bowes came to you and said, by
- 7 golly, Mr. Garvey, I believe you have a point there, we're
- 8 not precisely equivalent, we've been doing a slightly
- 9 different thing, but you guys have such a smart idea here
- 10 that we would like to be like you, we would like to have
- 11 Pitney Bowes online -- PBOL we call it -- and we want this
- warm-up period to do it and get your discount, would you
- advocate the discounts in that environment for Pitney Bowes?
- 14 A I would advocate taking a close look at Pitney
- 15 Bowes' proposal.
- 16 Q You have no notion of how you would come out on
- 17 the merits of it? This isn't very complicated, is it, Mr.
- 18 Garvey?
- 19 A I'm sorry?
- 20 Q This isn't a terribly complicated hypothetical
- 21 that I posed for you, is it?
- 22 A I don't believe I can make that judgment. I think
- 23 that it would have to stand on the merits of the proposal.
- 24 0 What about your third factor: sortation to the
- 25 finest level of sort possible within batches. Obviously,



- that does not apply to any mail that is not batched; is that
- 2 correct?
- A All mail is batched. The definition of a batch
- 4 for Mailing Online is a quantity of mail that arrives at the
- 5 print site ready to be printed.
- 6 Q So that it -- in going back to factor two, it's
- 7 the commingling part of that that's important; is that
- 8 right?
- 9 A It's the commingling into merged batches, yes.
- 10 Q Well, I'm having a conceptual difficulty here. I
- thought that it was your testimony in response to some
- interrogatories that merge means melding the document file
- and the address file that are associated with any mail
- 14 piece. Did I get that wrong?
- 15 A No, you didn't.
- 16 O Okay. So that's merging. And define for me, as
- you did in an interrogatory, and I think inconsistently here
- 18 just a moment ago, describe to me what batching as opposed
- 19 to merging is.
- 20 A Batching, as I have just mentioned, is preparing a
- 21 quantity of mail that arrives at the printer batched and
- 22 prepared to be printed.
- 23 O We have used the term to be defined in the
- 24 definition, and that always give me some heartburn, because
- 25 it tends to tautology. Can you give me a definition of

1	batching that doesn't have batching in the definition?
2	A Well, perhaps it would help if I used this diagram
3	
4	Q That would be perfect.
5	A to be illustrative of what will happen in the
6	ultimate system.
7	Q That would be perfect. Perfect.
8	A If we can look at the diagram
9	COMMISSIONER LeBLANC: Excuse me, Mr. Garvey.
10	Make sure we are on the same sheet of music. You are
11	talking about the diagram now that was given by Commissioner
12	Covington?
13	THE WITNESS: That is correct, PRC-X-1.
14	COMMISSIONER LeBLANC: Thank you.
15	THE WITNESS: If you look at the two segregated
16	groups, the merge orders and then non-merge orders, and on
17	the left, the lines are drawn down to orders batched
18	together from the merged orders. Ultimately, what will
19	happen is that lines will be drawn down from the non-merge
20	groups as well, and you will end up with a group of lines
21	which converge at the bottom into merged batched which are
22	combined by physical characteristics, so that even non-merge
23	orders consisting of multiple documents will create
24	documents that are merged into merged jobs, so that your
25	ultimate mail stream consists of all documents presorted in

1	ZIP code order.
2	BY MR. WIGGINS:
3	Q And the presortation and ZIP code order is w
4	you mean when you use the word merge?
5	A No, that is what I mean when I use the word
6	sortation, as in item 3.

7 And commingling, as you use that word in your item

and ZIP code order is what

- 2, is schematically represented on PRC-X-1 at what point on
- the left hand side of the page?
- 10 Α Where your two merge orders come together in a 11 single batched order together.
- Right. And it is at that point as well that what Q 12
- 13 you refer to as sortation would occur?
- Essentially, yes, that merged batch is what is 14
- 15 sorted.
- Right. And must that merged, sorted batch be 16 Q
- presented to a single acceptance point at the Postal 17
- Service? Does this go to a single Post Office, is that part 18
- of the definition? 19
- Α Yes. 20
- So that you can't have a batch that is going to be 21
- entered at more than one Postal facility, is that correct? 22
- That is correct. 23 Α
- Okay. And the finest level of sort possible means 24 0
- what, saturation? High density? 25

1	A The finest level of sort possible is defined by
2	the batch itself, so that, depending upon the density of ZII
3	codes and the quantity of mail pieces, it is sorted to
4	whatever level is achievable, given that quantity and
5	saturation or density.
6	Q And how do you know?
7	A How does who know?
8	Q How does the person who is going to be accepting
9	the mail and I take it that person who accepts the mail
10	will be determining whether I have passed the test here,
11	right? Is that correct?
12	A I don't know what test you are referring to.
13	Q The test that tells me, okay, Pitney Bowes, you
14	have satisfied the Garvey equation and you, too, are now
15	entitled to the discounts that the Postal Service accords
16	itself. What's the test?
17	A Checking the sortation of a batch would be one,
18	certainly, one step in doing such an analysis, yes.
19	Q And how would you define we are setting up the
20	rules of the game here, Mr. Garvey, and I want to make the
21	game operational. I want to know, when I go back to my
22	office and have to call Pitney Bowes, I want to say this is
23	what you need to do. And in order to do that, I have to
24	know what that acceptance person is going to require of the
25	Pitney Bowes mail in order to make it eligible for the

discounts. Okay. 1 Now, you are going to issue instructions to that 2 acceptance clerk, and you are going to say here are the 3 conditions that the Pitney Bowes mail must satisfy in order 4 to be eliqible for these discounts. In terms of your 5 standard number 3, what do you tell that acceptance clerk? 6 The acceptance clerk follows a set of guidelines 7 that are in the Domestic Mail Manual for the sortation of 8 The actual sortation in the Mailing Online system is 9 performed by a piece of Postal Soft software, used by many 10 commercial mailers, that takes the input, the addresses, and 11 12 sorts them according to DMM guidelines. So would a demonstration that I had passed test 13 number 3 consist of me saying to you, Mr. Garvey, I am using 14 Postal Soft or an equivalent program, would that be all it 15 took to pass test number 3? 16 No, as I said, the clerk would use DMM guidelines A 17 to do the physical check of the mail. 18 Well, but what is the clerk going to look at, Mr. 19 0 How do I know what I need to do to satisfy the 20 clerk? 21

today, which is the physical preparation of the mail, the tray labels, the mailing statements and the documentation attached.

Well, he is going to look at what he looks at

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1	Q Sure. Okay. And there are lots of different
2	degrees of sortation that I might accomplish, correct? I
3	could sort it to five digits, okay. And I could pass every
4	DMM requirement concerning the presentation of mail that
5	wanted to have five digit discount. Okay. I have passed
6	all those tests. I walk in to the clerk with a five digit
7	mail and I say, okay, Mailing Online discount. Does that
8	work for you?
9	A I don't know what you mean by that.
10	Q Well, what is the clerk going to say to me? I
11	have passed
12	A If the quantity of mail that you have and the
13	density of ZIP codes that you have need to be sorted to a
14	five digit level, and you have done so, that qualifies. If,
15	however, you have a quantity of mail that qualifies and
16	necessitates a three digit, or a combined three and five
17	digit sort, that is what the clerk would be looking for.
18	Q No more finely sorted than that would be required?
19	I do three-five, to the extent that I can't get five, and I
20	do five to the extent that I can't, and the clerk says,
21	okay, Wiggins, or Pitney Bowes.
22	A As you would do today, to get the finest level of
23	sortation possible, you would look at the ZIP codes within
24	there, the tray parameters necessary, and you would do the
25	sortation based upon that.

Q	Well,	how	does	the	clerk	know	 there	is	a	finer

- 3 A There's carrier route level, yes.
- 4 Q For example, and even within carrier route, you

level of sortation than five digit, is there not?

- 5 have some choices, don't you?
- A I am not an expert on such things, but I know that
- 7 there are -- I think that there are different rates
- 8 available for carrier route, depending upon level of
- 9 saturation. I am not sure about that.
- 10 Q Well, let's suppose that they are. Is that a
- 11 sortation issue, in your mind?
- 12 A Carrier route is not a characteristic of normal
- 13 sortation, no.

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- 14 Q Okay. So even if I had mail which was susceptible
- to sortation to the carrier route standards in the DMM, you
- 16 wouldn't require that?
- 17 A That is correct.
- 18 Q Okay. So I have to sort to five digit it I can,
- is that right? Is that basically the requirement?
- 20 A You have to sort to the finest level required,
- 21 yes.
- Q Well, say to me, is there a level required more
- 23 rigorous, more onerous than five digit? Is that the
- 24 toughest standard you have got?
- 25 A I don't know the answer to that question.

1	Q So you don't know what you mean when you say					
2	sortation to the finest level of sort possible?					
3	A I would refer you to the Domestic Mail Manual.					
4	Q Would you refer me to a particular section in the					
5	DMM?					
6	A If I had one in front of me, yes, I would.					
7	Q Could I ask, Mr. Presiding Officer, that when the					
8	witness has occasion to be close in hand with a DMM that he					
9	provide the citation that he's just represented he could?					
10	COMMISSIONER LeBLANC: To make sure I'm with you					
11	here, you want a definition from the witness as to the					
12	2 finest sortation available?					
13	MR. WIGGINS: Yes. He just told me that if he					
14	could look at a DMM, he could cite me to a DMM section that					
1 5	15 would advise me.					
16	COMMISSIONER LeBLANC: No, I understood that.					
17	MR. WIGGINS: Yes.					
18	COMMISSIONER LeBLANC: I just want to make sure I					
19	understood the question. Is that correct?					
20	MR. WIGGINS: Yes, that section of the DMM that					
21	tells me what I need to accomplish in order to have the					
22	finest level of sort available.					
23	COMMISSIONER LeBLANC: Mr. Garvey, do you have any					
24	problem with that? We need a cite, because if I understood					
25	what you just said, you said if you had one in front of you,					

1.	you could give us a cite. Is that correct?
2	THE WITNESS: To a section of the DMM; yes.
3	MR. WIGGINS: That's all I'm looking for.
4	COMMISSIONER LeBLANC: Okay.
5	MR. HOLLIES: I wonder if there isn't some way we
6	could facilitate this line of questioning. The description
7	in Mr. Garvey's response to NOI-1, issue 3, indicates that
8	sortation to the finest possible level is what would be
9	appropriate to establish functional equivalence on this one
10	criterion.
11	The DMM defines the respective levels of
12	presortation that are available, and so I'm sure Mr. Garvey
13	can provide a cite to those sections of the DMM which
14	prescribe the levels of sortation. That does not mean,
1 5	however, that the DMM is going to tell Mr. Wiggins what the
16	finest level of possible sortation is. What we're talking
17	about here is a piece of software that takes input and sorts
18	it to the extent that it can. It's that simple. So I'm not
19	sure that the citation Mr. Wiggins now seems to be reaching
20	for is actually going to answer the question he's trying to
21	ask.
22	CHAIRMAN GLEIMAN: Could I interject? Is it
23	possible, Mr. Garvey, that to achieve functional equivalence
24	you don't mean that something needs to be sorted to the
25	finest level possible but to the level required by the

- 1 Postal Service for itself, whether it's traditional
- 2 hard-copy mail or hybrid mail?
- 3 THE WITNESS: Perhaps it is a matter of
- 4 understanding. The intent here is that rather than being
- 5 sorted to a basic automation rate sort, which is the rate
- 6 requested, it is sorted beyond that if possible within that
- 7 batch.
- 8 COMMISSIONER LeBLANC: Then in that case, Mr.
- 9 Garvey, we will need a definition of what the finest sort
- is, because if you're going to go to the finest level
- 11 then --
- 12 CHAIRMAN GLEIMAN: The finest level of sort is not
- 13 listed in the Domestic Mail Manual. I can almost guarantee.
- 14 And I'll go get one and you can look in there and find it if
- 15 you want. It tells you what you have to do, what's
- 16 required.
- MR. WIGGINS: That's precisely my problem, Mr.
- 18 Presiding Officer. My version of the DMM doesn't have that,
- 19 either.
- 20 COMMISSIONER LeBLANC: It says what is required;
- 21 that is correct.
- MR. WIGGINS: That's right. And that's what I'm
- 23 questioning after here.
- 24 COMMISSIONER LeBLANC: I understand, Mr. Wiggins.
- MR. WIGGINS: Okay. Good. Thank you.



MR. HOLLIES: The basic point here is that Mailing 1 2 Online is about removing costs from the system, the costs of handling mail, and the more sorted it is, the deeper 3 presortation level it is, the better it is, and the 4 functional equivalence requirement is that it be as deep as 5 possible. 6 MR. WIGGINS: Mr. Chairman, I always enjoy having 7 8 Ken explain things to me, but we have a witness here to do 9 that. 10 COMMISSIONER LeBLANC: Thank you very much. 11 might help, Mr. Wiggins, if Mr. Garvey cannot respond any further, try a hypothetical. Would that help you? 12 MR. WIGGINS: Sure. If I have -- and let's 13 take -- let me proceed through the next couple of points, 14 and then we'll get a hypothetical. 15 BY MR. WIGGINS: 16 No. 4 is called "geographic batching," and let's 17 0 just stop there. What do those words mean in this context? 18 Geographic batching. 19 20 They refer to batching by geographic location. Α Does that mean by where my printing site is? 21 0 I think that's the reference; yes. 22 Okay. So that if I, Pitney Bowes, like the Postal 23

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Service in the early sledding of my efforts to do an

imitative hybrid mail offering have only one printing

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1	location like you're going to have, right?
2	A Like we do have; yes.
3	Q Like you do have now, yes, the notion of
4	geographic batching is nonexistent; is that right?
5	A The notion is existent; the actuality of it is
6	not.
7	Q I see. A nice distinction. Wittgensteinian, one
8	might even say.
9	And if I have two printing locations, say to me
10	how geographic batching works. I've got nationwide mail,
11	nationwide input, nationwide output, okay? And I've got two
12	printing places, let's say one west coast, one east coast.
13	Say how geographic batching works, what's required of me.
14	A The basic requirement is that mail destined for
15	the west coast would be routed to a west coast print site,
16	and mail destined for an east coast one would be routed
17	there.
18	Q And if it's going to Omaha, I have my choice.
19	A I don't know Omaha's relationship to the east or
20	west coast.
21	Q Darn near right in the middle.
22	Okay. So you have to send it to the printing
	onaj. So jou mate de sema la est president

destination. Is that a fair summary?

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Yes.

1	Q Okay. And is there any requirement, in your No. 4
2	here concerning geographical batching, is there a
3	requirement as to how many printing places I need to have?
4	Because that's going to affect the extent to which I do
5	geographic batching, isn't it?
6	A Certainly it will.
7	Q Sure. Is there a requirement unstated but hidden
8	in those words as to how many print locations I need?
9	A No, as indicated in my previous testimony, even
10	the Postal Service doesn't know what the ultimate number of
11	print sites will be for Mailing Online.
12	Q Okay. So in your assessment if you were to
13	advocate an outcome, Pitney Bowes could come to you with one
14	print site and qualify for discounts; is that right?
15	A As I've said, Pitney Bowes' proposal would be
16	judged on its merits.
17	Q Would you apply to Pitney Bowes any standard that
18	you're not applying to yourself? That's what it really gets
19	down to, isn't it, Mr. Garvey?
20	A Well, I think what it really gets down to is
21	whether consideration was being given to something that
22	Pitney Bowes was proposing to do today or something that
23	Pitney Bowes was proposing to do in the future.
24	Q So that Pitney Bowes would have to come to you and
25	say okay, I have only got one print site now because I am

1	like the Postal Service, but when my system gets mature I am
2	going to have 10.
3	Do you have a view of how you would come out on
4	that?
5	A How I would come out in what regard?
6	Q Would you advocate I know you don't have the
7	power to grant it, but would you advocate to the Postal
8	Service that Pitney Bowes be entitled to the same regime of
9	discounts that the Postal Service is giving to itself?
10	A I would go further than that to say that if Pitney
11	Bowes were proposing to have 100 sites that were printing
12	mail that were going to come into the Postal Service that I
13	would advocate consideration of Pitney Bowes' proposal.
14	Q Okay, so you are good to go on 100. How about 10?
15	A Ten would be fine.
16	Q You go on to say geographic batching we have
17	now got a handle on that a little bit and distribution of
18	mail pieces prior to printing, has that, those words really
19	added anything to the concept that we have just discussed of

21 A Well, if one does batching but doesn't distribute 22 the batches, it doesn't do you any good in terms of 23 geographic --

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geographic batching?

Q No, no, but we have a functional now definition of geographic batching which is a requirement that you deliver

- the mail for printing to the print site nearest to its
- 2 ultimate point of distribution. Right? We agreed on that,
- 3 didn't we?
- A No, I think if you will refer to back to my
- 5 answer, what I said that what geographic batching was
- 6 defined as was batching the mail based upon the zip codes on
- 7 the mail pieces in the system level.
- 8 Q Okay. Does that mean that you have to have a
- 9 printing facility located physically within every zip code
- in the country?
- 11 A Not at all. It simply means if you geographic
- batching you have to route the batches which have been
- 13 geographically formed out to some remote location where they
- 14 are destined.
- 15 Q Well -- they are destined to a zip code, is that
- 16 correct? All mail is destined to a zip code. This much I
- 17 know. Correct?
- 18 A Well said. Yes.
- 19 Q Thank you, and you just told me that I have to
- 20 batch it to its destination. I ask you the immediately
- 21 preceding question -- does that mean I need to have a
- 22 printing facility in every zip code? And you said no.
- 23 So say to me again what the heck you mean by
- 24 batching.
- 25 A Let me use the example that you gave of 10 print

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locations.

- 2 Q Perfect.
- 3 A If you have 10 print locations around the country,
- 4 you must determine what zip codes are around that print
- 5 location.
- 6 Q Right.
- 7 A And you must batch the mail at the system level so
- 8 that mail for those zip codes goes to the print site that is
- 9 contiguous to those zip codes.
- 10 Q Well, not just contiquous, right, because if I
- 11 have only got 10 printing locations, I am not going to have
- 12 every zip code in the country contiguous with my print
- 13 sites, right?
- 14 A That's correct. Contiguous is the wrong word
- 15 there.
- 16 Q Exactly.
- 17 A Around that print site.
- 18 Q Yes, exactly -- around is a good, good word.
- 19 Suppose that I locate my print site on a map,
- 20 right? I know where it is. It is in Oxnard, California,
- 21 and I take out my protractor and draw a circle around
- 22 Oxnard, and that is going to constitute the delivery area
- for that print site, okay? That is what you have in mind,
- 24 isn't it?
- 25 A Not exactly. That would be a simplistic example

- 1 of such --
- 2 Q I am a lawyer.
- 3 A That's a joke.
- 4 Q Go ahead.
- 5 A That's a simplistic example. A more appropriate
- one would be to define a service area as being the zip codes
- 7 which receive the best service by the plant or processing
- 8 facility where that mail was being deposited.
- 9 Q Okay, that's fair enough, and is that entirely in
- 10 the discretion of Pitney Bowes? Pitney Bowes can make that
- judgment and come into you and say, Mr. Garvey, I can
- 12 honestly -- I would look you right in the eye and I can say,
- 13 because I want to provide good service to my customers, that
- 14 I have selected for my 10 printing locations the service
- area as to each of those printing locations that will best
- 16 be served by that printing location, and in the course of it
- I have covered up the whole United States, because that is
- 18 what I need to do.
- 19 Would that qualify? Was that good enough?
- 20 A Any answer I could give to that would be sheer
- 21 conjecture.
- Q Well, that is what we are here for.
- MR. HOLLIES: I would object if that is where
- counsel is going. We are not here to speculate.
- 25 COMMISSIONER LeBLANC: Mr. Garvey, you can answer

1	that to the best of your ability but
2	MR. WIGGINS: I withdraw that question, Mr.
3	Presiding Officer.
4	COMMISSIONER LeBLANC: Thank you.
5	BY MR. WIGGINS:
6	Q So to be clear that we are together on this,
7	geographic batching and distribution doesn't have any
8	hard-edged requirements? I mean it doesn't mean that I have
9	got to have 25 printing places or I have got to have a
10	printing place once every 500 miles or anything mechanical
11	of that sort. It's a thing that would be evaluated.
12	What I am thinking about here, Mr. Garvey, is
13	Pitney Bowes is going to come to you and say qualify this
14	operation for discounts, and I want to help them and I want
15	you to help them to know what to say in order to make that a
16	smooth process, so as to geographic distribution I say to
17	them, go to Garvey and say, okay, this is what I can show
18	you that establishes the best possible service given the
19	print sites that I have. Is that right?
20	A I would say, and the reason I said this would be
21	conjecture, is such parameters haven't been established and
22	if, for instance, Pitney Bowes or some other provider were
23	to come to us and say we only have five sites but we have
24	proven that through having those five sites we can get next
25	day delivery in 95 percent of the country, I would say good

- for you -- that's great.
- If, on the other hand, they said we have 100 but
- 3 we are only getting overnight delivery in five percent of
- 4 the country, I would say 100 doesn't sound like enough to
- 5 me.
- 6 Q Is the standard to be able to do overnight
- 7 delivery to 95 percent of the country? Is that your
- 8 standard?
- 9 A The Postal Service's standard is to provide the
- 10 best possible service from wherever we provide that service.
- 11 Q But, see, but that is so open-textured, Mr.
- 12 Garvey. That commits -- if that were the standard that
- 13 commits the decision as to whether a Pitney Bowes is or is
- not eligible to your whimsy. You wouldn't want that, would
- 15 you, Mr. Garvey?
- 16 A Is the question would I want whimsy to be part of
- 17 the decision?
- 18 Q That is absolutely the question I seriously
- 19 intended.
- 20 A No, I wouldn't but --
- 21 Q No. You have to have -- I'm sorry.
- 22 A -- but I'd respond that we are engaging in a test,
- 23 a market test and an experiment for the exact reason that we
- don't know the answers to these questions and we, ourselves,
- 25 need to find them out.

1	Q Does Pitney Bowes need to sit on the sidelines
2	during the interval when you are finding stuff out, or can
3	they experiment along beside you?
4	MR. HOLLIES: Objection. It calls for a legal
5	conclusion.
6	If Pitney Bowes is suggesting that they are going
7	to file a case here at the Rate Commission and seek
8	authorization to conduct an experiment, that's fine, but I
9	don't think that is a fair question to ask the witness to
10	answer.
11	MR. WIGGINS: I probably didn't ask it very well,
12	Mr. Presiding Officer.
13	COMMISSIONER LeBLANC: I would agree with that.
14	If you could reword it
15	MR. WIGGINS: Sure, absolutely.
16	BY MR. WIGGINS:
17	Q As a matter of Postal policy, Mr. Garvey, do you
18	think it appropriate that would-be competitors with the
19	Mailing Online service be constrained to compete with the
20	Postal Service until after the conclusion of the experiment?
21	That is all I am asking.
22	A Not on absolute terms, no.
23	Q I see. You would take it under consideration, is
24	that right?
25	A That's correct.

Τ.	Q Let's fook down at your reacure 5, Mr. Garvey:
2	Secure and completely automated electronic submission of
3	jobs. Let's stop at that point.
4	Why on earth do you care about that? Isn't that
5	an issue between Pitney Bowes and its customers?
6	A In what regard?
7	Q In the regard as to which we've taken up this
8	entire discourse, Mr. Garvey. We're thinking about what
9	characteristics Pitney Bowes' competitive hybrid mail
10	service has to have in order to qualify itself for the same
11	discounts that the Postal Service is giving itself. That's
12	what we're looking at here.
13	And I say to you, what the heck does the Postal
14	Service care whether Pitney Bowes has secure and completely
15	automated electronic submission? That's between Pitney
16	Bowes and its customers, isn't it?
17	A Whether Pitney Bowes takes mail from their
18	customers as hard copy or electronic and in what format and
19	by what method is not the subject of my concern.
20	Equivalency to Mailing Online, however, would include these
21	characteristics.
22	Q Well, but why is that equivalence important to
23	know whether I qualify for a discount?
24	These other things let's go back. These other
25	things have to do with how hard a job the Postal Service is

- going to have to do when it ultimately gets my mail and
- delivers it, right? Automation compatible, for example.
- 3 That's how Postal-friendly my mail is, correct?
- 4 A Yes.
- 5 Q Okay. I can understand why you care about that.
- 6 Commingling and batching. Well, that's another version, as
- 7 we've discussed it, of making the mail easier for the Postal
- 8 Service to handle, correct?
- 9 A Correct.
- 10 Q I can understand why you care about that.
- 11 Sortation to the finest level -- same thing, right? And I
- 12 can understand why you care about that.
- The record should note that the --
- 14 A Correct.
- 15 Q -- witness nodded.
- 16 A Thank you.
- 17 Q Geographic batching. Is that a thing that's
- 18 related to how efficiently the Postal Service is going to be
- 19 able to handle my mail?
- 20 A Yes, it is.
- 21 Q Absolutely. We've got a theme going here, Mr.
- 22 Garvey, right? All of these first four points can be
- thought at some level to relate to how convenient my mail is
- 24 to the Postal Service, right?
- 25 A Convenient would be one word for it, yes.

1	Q Efficient is another word.
2	A That's another word, yes.
3	Q Accurately describes how the the effect on the
4	Postal Service?
5	A Yes.
6	Q Is that correct? Yes.
7	Now we get to secure and completely automated
8	electronic submission of jobs. Submission to whom, let me
9	ask first. Submission of jobs to whom is the submission
10	to be made?
11	A To the service provider.
12	Q To the printer; is that correct?
13	A Not necessarily to the printer no. To the party
14	who is running the service.
15	Q To Pitney Bowes, in my hypothetical.
16	A If Pitney Bowes is the printer, then
17	Q No, no, no.
18	A yes, that's correct.
19	Q No. Pitney Bowes is the Postal Service. It's
20	going to be a competitor with the Postal Service. It's
21	going to have I chose Oxnard because it's kind of close
22	to San Mateo, I think. It's going to have an Oxnard
23	facility, right?
24	A Okay.
2-	O New when were gave groups and gample toler automated

Now, when you say secure and completely automated

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electronic submission, do you mean when the mail gets to 1 2 Oxnard, it is secure and complete -- it is done in a secure and completely automated electronic way? Is that what you 3 mean by this standard? 4 I'm just trying to figure out what this means. 5 This means that the customer, the person who is 6 Α 7 producing -- the person or party who is producing the mail 8 9 Right. 0 10 Α -- submits that mail to the service provider, whether that be the printer or some intermediary --11 12 Q Okay. -- third party, by electronic means. 13 Α Okay. Just electronic. Secure and completely 14 automated are excess verbiage here; is that correct? 15 Α That is not correct. 16 Why do you care? Why does the Postal Service 17 0 18 care? This has nothing to do with the quality of the mail when it gets to you guys. 19 20 I never said that the quality of the mail is all Α 21 that we care about. Well, why do you care about this? I mean, you're 22 23 poking your little federal nose into a purely commercial

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transaction that is none of your darn business, thank you.

MR. HOLLIES: Objection. Counsel is now badgering

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1	the witness.
2	MR. WIGGINS: I think the witness has been
3	badgering me.
4	MR. HOLLIES: I renew my objection.
5	COMMISSIONER LeBLANC: Mr. Wiggins
6	MR. WIGGINS: Let me reframe the question.
7	COMMISSIONER LeBLANC: Mr. Wiggins, reframe
8	MR. WIGGINS: I shall. I'm sorry.
9	COMMISSIONER LeBLANC: Calm down and reframe,
10	please.
11	MR. WIGGINS: I'm calm as can be, Mr. Presiding
12	Officer.
13	COMMISSIONER LeBLANC: Thank you.
14	BY MR. WIGGINS:
15	Q Why does the Postal Service, in determining
16	whether Pitney Bowes ought to be eligible for the same
17	discounts that the Postal Service is offering itself, why
18	does the Postal Service care whether the Pitney Bowes
19	competing online hybrid mail has secure and completely
20	automated submissions?
21	COMMISSIONER LeBLANC: Thank you, Mr. Wiggins.
22	MR. WIGGINS: Sure.
23	THE WITNESS: From a perspective of functional and
24	costing equivalency, it would be important to specify that
25	these are fundamental characteristics of Mailing Online.

1	BY MR. WIGGINS:
2	Q How does the costing part of that run? That
3	doesn't make sense to me. I understand if you want me to be
4	a clone of Mailing Online, I've got to do this because you
5	guys are doing this, but I'm asking a different kind of
6	question. I'm asking you know, from the perspective of
7	economic equivalence, I can understand why you want mail
8	that's efficient for you to handle. You're entitled to that
9	if I'm entitled to a discount, okay? But why do you care
10	about this front-end stuff that has nothing to do with what
11	the mail is going to look like when you finally put your
12	paws on it?
13	A You're referring to the Postal Service when you
14	say you?
15	Q Yes. You're their witness.
16	A Okay. I think that the issue of providing
17	equivalency of service in terms of security and convenience
18	is of concern to the Postal Service because that's
19	fundamental to the service that we're proposing here, that
20	that's a basic part of it.
21	Q Sure. I can understand why the Postal Service
22	cares about that, because you've got your image and stuff
23	like that, but isn't that an issue that ought to be resolved
24	between Pitney Bowes and its customers that's really none of

25 the Postal Service's business?

1	A Which issue are you referring to one of these
2	three or all three?
3	Q Whether Pitney Bowes ought to be obliged to supply
4	to its customers secure and completely automated electronic
5	submission. Suppose Pitney Bowes' customers don't care and
6	say we'll do with a little bit less security, we'll do with
7	a little bit less automation and we'll buy our service from
8	you, Pitney Bowes. It's part of what competition is about,
9	Mr. Garvey. Why shouldn't I be entitled to do that?
10	A I can't say that you shouldn't.
11	Q And doesn't the sixth one of your standards,
12	Web-and browser-based access, fall into the same sort of
13	category? Why shouldn't Pitney Bowes be able to get the
14	same discounts that the Postal Service gets if though it
15	does have some of its service Web- and browser-based, it
16	also has a dial-in service. Why doesn't that qualify?
17	A If Pitney Bowes chose to propose such a change in
18	the requirements, that would be entirely up to Pitney Bowes
19	Q But it would be okay with the Postal Service. It
20	wouldn't disqualify from eligibility for the same rate
21	treatment; is that right?
22	A Once again, I can't comment on rate treatment. I
23	can comment on what the Postal Service would consider in
24	terms of proposals for equivalent services to Mailing

25 Online.

1 0 Okay. And it would not require that it be Web and 2 browser based; is that right? 3 Α Not necessarily. 4 0 So your sixth factor really doesn't belong 5 here; is that right? 6 Α In terms of absolute equivalency, yes, it does 7 belong there. 8 0 No, no, in terms of what standards the Postal 9 Service ought to apply when it's evaluating Pitney Bowes' 10 proposal for an equivalent rate treatment. 11 I'll say again, I can't comment on the rate part, 12 but to establish full functional equivalence, which is what 13 I've addressed in these points, it still belongs on the 14 list. 15 Well, do you think that the Commission had 16 something in mind when it asked the question about functional equivalence? Do you think they were saying, who 17 18 ought to be entitled to the same kind of discount that 19 you're getting? Or did you not read the question that way? 20 MR. HOLLIES: Objection. Calls for speculation. 21 MR. WIGGINS: I'm calling for the witness to tell me how he read the question, Mr. Presiding Officer, and I 22 23 think that's pretty fair.

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COMMISSIONER LeBLANC: Objection overruled.

Answer the question, Mr. Garvey, to the best of

24

25

1 your ability.

- THE WITNESS: All right.
- 3 COMMISSIONER LeBLANC: If you don't understand,
- 4 he'll explain it again, but try one more time.
- 5 THE WITNESS: I am sure that the Commission in its
- 6 question had a broad spectrum of concerns, one of which was
- 7 considering alternative proposals to Mailing Online.
- I don't believe that I've laid out in my answer as
- 9 fully read to this question any barriers to what you have
- 10 proposed or what Pitney Bowes proposes. These points,
- 11 however, establish a firm baseline for what would be
- 12 functional equivalence to Mailing Online. Alternatives to
- that or other proposals are not eliminated by what I've said
- in this answer.
- 15 BY MR. WIGGINS:
- 16 Q That's perfectly fair and terribly helpful, Mr.
- 17 Garvey. Thank you. Could -- and I take it, subsumed within
- 18 that more generous approach to the question, Pitney Bowes,
- if it wanted to, though the Postal Service isn't right now
- 20 doing postcards, for example, Pitney Bowes could do that and
- 21 that wouldn't make Pitney Bowes ineligible, in your view?
- 22 A As stated in the case, the Postal Service proposes
- 23 to do postcards in the experiment, so --
- Q Well, but you are not doing them now, right?
- 25 A Not for the market test, no.

1	Q Okay. And the same thing with nonprofit, you are
2	thinking about doing it someplace down the line but you
3	haven't done it yet? Pitney Bowes could do that and it
4	would be okay?
5	A Pitney Bowes could propose that and it would be
6	okay, yes.
7	Q I am just trying to get a view of what
8	disqualifying characteristics might be, in your mind,
9	because that is important to my client. Are there any other
10	disqualifying characteristics that you can think of that
11	Pitney Bowes should be alert to?
12	MR. HOLLIES: I would like to object to that on
13	two grounds. It has been asked and answered in one sense.
14	It is speculation because we don't know what the form of a
15	service the Postal Service would be offering, that Pitney
16	Bowes was proposing to offer a similitude to.
17	COMMISSIONER LeBLANC: And?
18	MR. HOLLIES: Well, I think I really ought to go
19	back to asked and answered. We don't know what the proposal
20	is that Pitney Bowes is offering, and the witness has
21	answered questions previously to the effect that he would be
22	unable to evaluate it without seeing it, which includes all
23	of its various factors and variables and the totality of the
24	plan.

25

MR. WIGGINS: It is a broad question, Mr.

- 1 Presiding Officer, I realize that, but it is intentionally
- 2 broad. I have proposed that Pitney Bowes is considering a
- 3 service competitive with Mailing Online, and I have asked
- 4 the witness whether there are any disqualifying
- 5 characteristics that that service might -- any things that
- 6 Pitney Bowes could say that would be absolute
- 7 disqualifications, in his mind. I am trying to get the
- 8 rules of the road set out, which is, I think, what the
- 9 Commission was trying to do in this question.
- 10 COMMISSIONER LeBLANC: I understand, but if you
- 11 could maybe narrow the scope of that question a little bit,
- it may fit in more to what he can answer right at this
- 13 particular point. Try a hypothetical again.
- MR. WIGGINS: I think I will just let the witness'
- earlier generous statement stand, Mr. Presiding Officer.
- 16 COMMISSIONER LeBLANC: Thank you.
- 17 MR. WIGGINS: And I apologize, this is the longest
- 18 half hour of cross-examination I have ever done.
- 19 COMMISSIONER LeBLANC: You are getting close to
- 20 Tim Mays now.
- MR. WIGGINS: Yeah, I appreciate that.
- 22 COMMISSIONER LeBLANC: Yeah, I bet you do.
- 23 MR. WIGGINS: But I am also very close to finish,
- 24 you will be pleased to hear.
- BY MR. WIGGINS:

1	Q You said, in response to one of our
2	interrogatories, Mr. Garvey, interrogatory 1, conveniently
3	enough, that there were actually two interrogatories
4	in answer to number 4, you say that the only implicitly,
5	you say that the only form of payment that will be accepted
6	by Mailing Online, at least initially, is credit cards, is
7	that right?
8	A This is Pitney Bowes' question number 4?
9	Q Well, you can just answer that question for me, if
10	you can. It is answered in number 4, yes.
11	A Yes, that is correct.
12	Q Just credit cards?
13	A Yes.
14	Q And we ask you in question 1, whether, to your
15	knowledge, there was any cost to the Postal Service entailed
16	by the use of credit cards. Is it going to cost the Postal
17	Service any money to accept payment in that fashion, do you
18	know?
19	A I think the question is answered here.
20	Q It is. It says this information is commercially
21	sensitive and its release and I am talking with your
22	lawyers about that, because I wanted actually a number. I
23	am asking you not for a number, but I am asking you whether
24	you recognize whether you know whether there is any cost
25	associated, to the Postal Service?



I think that question is answered here as well in 1 Α 2 the second sentence. So the answer is ves? 3 4 Α Yes. 5 MR. WIGGINS: Mr. Presiding Officer, I have no 6 further questions. I appreciate the bench's indulgence, 7 that really took me a lot longer than I anticipated. 8 COMMISSIONER LeBLANC: Thank you, Mr. Wiggins. 9 Mr. Costich, you asked for your -- before you 10 start, Mr. Costich, new kid on the block, as we said earlier, Commissioner Covington has got a follow-up. 11 12 COMMISSIONER COVINGTON: One follow-up, Mr. 13 Garvey. One follow-up question that I had for you while it 14 was still fresh on my middle-aged mind. As I understood your answer to my earlier question, when we were talking in 15 16 regard to the Exhibit PRC-X-1, if I understand correctly, 17 the Postal Service does not intend to batch customer jobs 18 that are not merged because it is more convenient to 19 transmit a limited number of files to the printer than to 20 transmit separate files for each address. THE WITNESS: During the operations test, and 21 22 during the market test, which is really an expanded version of the operations test, in a technical sense, that method 23 24 was chosen, yes, for those reasons. COMMISSIONER COVINGTON: Okay. Do we know, is 25

1	there a limitation on the number of files that you can send
2	to the printer you are using now in the initial stages? And
3	I think, ultimately, you have thrown out there may be 25
4	printers over the course of the next 24 to 36 months.
5	THE WITNESS: Is the question is there a limit?
6	COMMISSIONER COVINGTON: Yes. Is there a
7	limitation to the number of files that can be transmitted to
8	the printer?
9	THE WITNESS: From a tech perspective, I don't
10	know the exact answer to that question. Certainly, there is
11	a limit. We have put in what we think is going to be
12	sufficient network capacity to handle what we are going to
13	see during the market test. One of the things we are going
14	to be doing during the market test, and the experiment, is
15	evaluating the file sizes that we see and the size of
16	mailings that we see, and all of the numbers which we have
17	to wrap around the technical evaluation of what kind of
18	network capacity is necessary.
19	COMMISSIONER COVINGTON: Okay. Well, put another
20	way, currently, is the cost of transmitting separate files,
21	you know, for each address, is that greater than the cost of
22	sorting the non-batched files?
23	THE WITNESS: Is the cost of transmitting
24	COMMISSIONER COVINGTON: A single file, a separate
25	file.

1	THE WITNESS: Yes.
2	COMMISSIONER COVINGTON: Is the cost greater than
3	sending non-batched files?
4	THE WITNESS: I'm sorry. Using this diagram, is
5	the cost for sending which one of these greater than for
6	another?
7	COMMISSIONER COVINGTON: Right. Is
8	THE WITNESS: Well, the cost for sending the one
9	on the left is greater, indeed.
10	COMMISSIONER COVINGTON: Right, because of the
11	individualization, I would imagine.
12	THE WITNESS: That's correct. You are sending a
13	file for each document, and when you have a mail merge, for
14	instance, of 401 separate files, you are ending up with 401
15	separate documents.
16	COMMISSIONER COVINGTON: Which means that if we
17	are writing to Tom, Dick, Harry, Mary, Sue, Jane, it's
18	different, as opposed to Tom, Dick, Harry, Mary, Sue, Jane
19	just getting one document?
20	THE WITNESS: That's correct.
21	COMMISSIONER COVINGTON: Okay. Now, you mentioned
22	your experiment on the way and everything. Do you expect
23	those circumstances to change once the experiment is
24	completed, or should we expect this to pretty much be the
25	gospel for the time being and in the foreseeable future?

1	THE WITNESS: well, as I said, I hope we are going
2	to be able to change early on. Right now we are leaving it
3	in the hands of the system designers to try and figure out
4	which is the best way. There are some proposals on the
5	table that some of this document creation prior to the
6	presort merge be done at different places, so that we can
7	optimize the network capacity and reduced the amount of
8	files that we are transferring. We are not sure exactly
9	where all of that has to occur.
10	The ultimate requirement, though, as I have
11	stated, is to try and get all those files so that the mail
12	stream that is presented to the Postal Service, the physical
13	mail pieces, are all presorted in ZIP order.
14	COMMISSIONER COVINGTON: Okay. Thank you, Mr.
15	Garvey. Thank you, Mr. Presiding Officer.
16	COMMISSIONER LeBLANC: Mr. Costich, you have been
17	very patient. Thank you very much. You may begin.
18	MR. COSTICH: Thank you, Mr. Vice Chairman.
19	CROSS EXAMINATION
20	BY MR. COSTICH:
21	Q Good evening, Mr. Garvey, and welcome back.
22	A Good evening.
23	Q You've characterized yourself as the policy
24	witness here; is that correct?
25	A I think I was given that title, and, yes, that

- seems to be my role.
- 2 Q I guess the title you were given was policy guy.
- 3 Was that the formal title you got?
- 4 Would you also consider yourself an operations
- 5 witness for this case?
- 6 A Such as it is, yes, I guess I would consider
- 7 myself that.
- 8 Q Well, let's see if we can clear up a few
- 9 operational details. Yesterday counsel for the OCA asked
- 10 Witness Stirewalt whether Postal Service computers at the
- print sites perform a file format conversion from PDF to
- 12 Postscript, and your counsel indicated that you might be
- able to shed some light on that question. Were you here for
- 14 that exchange?
- 15 A Yes, I was.
- 16 Q Do you have any knowledge of what file format an
- 17 MOL job file may assume as the file moves from the customer
- 18 to San Mateo to a print site to a digital printer?
- 19 A Yes, I do.
- 20 Q Is it correct that the San Mateo computer converts
- 21 customer files to PDF format?
- 22 A That is correct; yes.
- 23 Q That's the way it is now?
- A That's the way it is now; yes.
- Q And that's how it's going to be during the

1	experiment?
2	A Yes.
3	Q Do you know the format these files travel in from
4	San Mateo to the print sites?
5	A They travel as PDF files.
6	Q That's how they're going now?
7	A That is correct.
8	Q And that's how they'll go during the experiment?
9	A That is correct.
10	Q Do you know whether the Postal Service's computers
11	at the print sites perform a file conversion?
12	A I do know that, and they do not.
13	Q Currently they do not?
14	A That is correct.
15	Q How about during the experiment?
16	A They will not to my knowledge during the
17	experiment either. They are an FTP server, and they receive
18	the files and deliver them as they're received to the
19	printer.
20	Q So the file goes all the way from San Mateo to the
21	actual digital printer as a PDF file.
22	A That is correct.
23	Q Yesterday counsel for Pitney Bowes raised the
24	question of a new analysis of information technology costs,
25	and your counsel indicated that discussions were taking

2	Were you present for that exchange?
3	A I was; yes.
4	Q Can you tell the Commission what prompted the
5	discussions in San Mateo?
6	A The discussions in San Mateo were a culmination of
7	discussions that have been ongoing for quite some time about
8	the system design of Post Office Online and Mailing Online.
9	It was the purpose of the meeting in San Mateo to get all of
10	the concerned parties together and reach a consensus.
11	Q When you say concerned parties, you mean Postal
12	Service representatives and contractor representatives?
13	A There were both contractor representatives and
14	various representatives of different parts of the Postal
15	Service IT group. There are many parts to the Postal
16	Service, IS group, network operations, software design, and
17	they were all gathered there to come to a consensus
18	decision.
19	Q But the outsiders were all representatives of the
20	system developer?
21	A No, there were other consultants there as well.
22	Q What was their function?
23	A Well, I don't actually know all of the
24	participants, but I know that the Postal Service engages a
25	variety of consultants for security issues and measurement

place in San Mateo concerning an update of the IT costs.

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issues, and I think that some of those were involved in the 1 2 meetings there. 3 Q Could you look at your response to Interrogatory 4 OCA/USPS-T1-47? 5 I have it. 6 And look at -- in particular at parts (c) and (d), your response. Do you see the reference there to the next major version of MOL software? 8 9 Α That's correct; yes. 10 Is that the version 3 that you mentioned earlier 11 today? 12 Α It is; yes. 13 And could you look at your response to 0 interrogatory OCA/USPS-T3-78 that was a redirect from 14 15 Witness Stirewalt? 16 Α I have it; yes. And that also refers to the next major release of 17 0 18 MOL software? That is correct. 19 Α 20 0 And it mentions mid-1999 as a release date; is that correct? 21 Α 22 Yes. 23 Do you mean calendar 1999? 0

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So that would be July '99?

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Q

Yes.

1	A That would be mid-'99; yes.
2	Q Now is this version 3 part of the discussion in
3	San Mateo yesterday?
4	A I think it was a large part of the discussion;
5	yes.
6	Q So the version 3 is going to be a real upgrade of
7	the current software that runs the MOL system.
8	A That's the intent; yes.
9	Q Is it also going to provide for better data
10	collection?
11	A Yes, in a word.
12	Q Is the version 3 going to be necessary in order
13	for the Postal Service to provide depth-of-sort data to the
14	Commission?
15	A I don't have an absolute answer to that. We are
16	working on other ways to gather data which will inform the
17	Commission's decisions. They may not involve system they
18	may involve analysis external to the system itself.
19	Q Could you elaborate on how that would work?
20	A If for instance we're able to extract enough data
21	that is not currently being analyzed or processed by the
22	system to do some secondary analysis which will be more
23	informing to the Commission, that would be one of our goals.
24	Q When we talk about analyzing depth-of-sort data or
25	extracting data for that purpose, we're talking about the

1	address lists for each batch?
2	COMMISSIONER LeBLANC: Mr. Costich, could you
3	speak up just a tad, please?
4	THE WITNESS: I'm sorry, I don't really understand
5	your question.
6	BY MR. COSTICH:
7	Q If you're going to do external analysis of depth
8	of sort that's being achieved by the MOL system, one of the
9	elements of data you're going to have to have is the
10	addresses that are in the batches. Isn't that correct?
11	A I think that we could do sufficient analysis based
12	upon the ZIP code. At least five-digit and perhaps the
13	nine-digit ZIP code would provide entirely sufficient
14	information for that.
15	Q And where in the system would you get that from?
16	How would you extract it?
17	A One of the characteristics of the presorting
18	software may be an ability to extract that data at the time
19	of creating the presortation reports.
20	Q This is the Postal Soft software that you're
21	using?
22	A That's correct; yes.
23	Q Is this also the MAIL.DAT data that you've
24	referred to in interrogatory responses?
25	A It could be a subset of the MAIL.DAT data; yes.

1	Q Do you have any idea how long it will be before
2	the extraction of this data and analysis of this data could
3	be concluded?
4	A The Mail.Dat upgrade or change to the software I
5	am told will occur in early December and at that time we'll
6	know better what the data that will be provided by that can
7	allow us to do.
8	Q So you'll have a better idea of what you can do
9	but the Commission won't have any data as of December, is
LO	that correct?
L1	A That's not what I said, but
L2	Q Is that a fair inference from what you said?
L3	A No. We will be providing data to the Commission.
L 4	I think your question referred to a more robust analysis of
L 5	the data than we have committed to providing up until now.
L6	Q The Commission did request depth of sort data be
L7	provided during the market test, correct?
L8	A Yes, and we will be providing that as the
L9	qualification reports coming out of the Postal Soft Presort
20	software.
21	Q There will be one of those qualification reports
22	for each batch?
23	A Yes, there is a qualification report attached to
24	each, currently attached to each mailing statement.
25	Q Is there any way currently to tell which of those

1	batches are the same job type, page length?
2	A Using a manual batch-matching process, it would be
3	possible to do that, yes. It is a very tedious and
4	hand-intensive process at the moment.
5	Q So that is what you are going to provide the
6	Commission, the opportunity to engage in tedious
7	hand-process?
8	A No. We are going to provide the Commission with
9	the depth of sort information that they have requested.
10	Q Perhaps I misunderstood your earlier response. I
11	thought you said that you were going to do that by providing
12	the reports for each batch.
13	A That's correct, yes.
14	Q In hard copy?
15	A Yes.
16	Q And then it will be up to the Commission to try to
17	match up each of those reports and figure out how many
18	batches are the same, is that correct?
19	A If the Commission decides or chooses to make that
20	matching, yes.
21	Q Could you refer to your response to Interrogatory
22	OCA/USPS-T1-61?
23	I had hoped that this question would eliminate an
24	ambiguity concerning the market for MOL, but I seem to just

have made things worse.

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1	A I have it.
2	Q First, can we agree that MOL is aimed at mailers
3	with short-run or low volume print jobs?
4	A Yes.
5	Q So the question becomes how to define short-run or
6	low-volume, right?
7	A That is one question, yes.
8	Q Well, that pretty much determines the market for
9	MOL, right?
10	A That is what we think at the moment. One of the
11	reasons we are conducting a market test is to verify that.
12	Q In your direct testimony, did you define short-run
13	as fewer than 5,000 impressions?
14	A Without specifically going to my testimony, I
1 5	couldn't cite whether I used the word "impressions" I
16	wouldn't dispute it.
17	Q Well, I think there is a quote from your testimony
18	in the Interrogatory with a citation to your testimony
19	Note 7, page 9 contains the words "5,000 printed
20	impressions."
21	You don't disagree with that, do you?

assuming in excess of 12,000 impressions per mailing, is

But Witness Stirewalt's direct testimony was

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Q

that correct?

I do not.

1	A Yes.
2	Q And then the last time you were here you talked in
3	terms of 5,000 documents instead of 5,000 impressions, is
4	that right?
5	A I don't specifically remember that but I wouldn't
6	argue with it.
7	Q There is a transcript cite in the question but the
8	discussion I think is ambiguous since it refers to mailings
9	of 5,000 as opposed to 5,000 documents, but is that what you
10	think you meant back then, 5,000 documents?
11	A The issue of 5,000 documents or 5,000 impressions
12	or some variants thereof has been some great subject of
13	discussion as we go through this. One of the reasons I
14	included the attachment that I did to the interrogatory was
15	to give a sense of the fact that such absolutes are hard to
16	draw, and it is convenient to use 5,000 as a proxy number
17	but it is used differently in different contexts, and in
18	looking back at my testimony here, I note that it says we
19	have defined short-run as less than 5,000 printed
20	impressions. Defining short-run doesn't necessary mean the
21	mailing size that we are talking about, so I would emphasize
22	that there is ambiguity between the impressions and
23	documents and pieces throughout this discussion.
24	Q I guess the ultimate concern is exactly which
25	market MOL is going after, mailings of less than 5,000

1	pieces, mailings of less than 10,000 pieces? How high up
2	are you aiming?
3	A Well, I think that the 5,000 pieces is a good
4	proxy for the upper limit that we're aiming for. I think it
5	also represents, given the economic nature of digital
6	printing, a pretty substantial upper limit, although not an
7	absolute limit. It depends upon the user's requirement for
8	convenience versus cost. But I think that in general we'll
9	see mailings smaller than 5,000 pieces.
10	Q You've seen quite a few of those during the
11	operations test, haven't you?
12	A Yes, that is correct; we have.
13	Q Could you refer to your response to Interrogatory
14	OCA/USPS-T1-70.
15	In your response to part A you say the goal of
16	maximizing efficiencies of batching will continue to drive
17	MOL development efforts and a full combination will remain
18	possible at least in concept.
19	Did I quote you correctly?
20	A Yes.
21	Q When you say a full combination, do you mean
22	merging every possible job type into one big batch before
23	distributing to print sites and then presorting?
24	A Yes, except that the presorting occurs prior to
25	the distribution to the print sites.

1	Q You create separate batches for each print site
2	before you presort them, don't you?
3	A Correct. I don't think we're meaning to say
4	anything different I don't think we'er magning to say anything different "before well,
5	Q Well, let's see if we can't agree that there are
6	at least a few practicalities that preclude batching
7	everything. I believe earlier you mentioned that you don't
8	intend to batch flats and letters, do you?
9	A Given the current processing capabilities of
10	postal plants, no, I wouldn't imagine that we could. I
11	however don't know what lies in the future of postal
12	processing, and it may very well be possible someday that we
1 3	would accept mailings of combined letters, flats. I'm not
14	precluding that, and that's why I indicated in this response
15	at least in concept.
16	Q We'd be talking about some pretty different
17	mail-processing equipment.
18	A I would agree with that; yes.
19	Q And would it make sense to combine First Class and
20	Standard A letters?
21	A That's an interesting question, and on one level
22	it would make a lot of sense to combine them. However,
23	given the current differences between the handling of those
24	two classes, I would say that it would be unlikely.
25	Q During the market research you offered a next-day

1	service and a two- to five-day service; correct?
2	A Yes, that's what we were proposing.
3	Q And it wouldn't make much sense to batch those two
4	together, would it?
5	A You mean given those two choices of service
6	offerings
7	Q Yes.
8	A It wouldn't make much sense to batch those two
9	together. No, it would not.
10	Q So there are some limits at least to the
11	desirability of batching; correct?
12	A I would not disagree with that.
13	Q And there's technical limits to what you can
14	accomplish in terms of batching as well, aren't there?
15	A Technical from what perspective?
16	Q Well, look at your response to part B of
17	interrogatory 70. You confirm that the non-mail-merge jobs
18	are currently not combined; correct?
19	A That's correct; yes.
20	Q And that's a technical problem with the software;
21	is that correct?
22	A Well, it's a design factor of the software which
23	was intentional, as I mentioned, to facilitate the rapid

operations test and are using for the market test. It,

introduction of the system that we've used for the

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1	however, is technically possible to design today such a
2	system that would do the combining. It just requires
3	resources and network capacity which exceed that we were
4	willing to fashion for a test that we didn't know was going
5	to be expanded into a permanent offering.
6	Q Have you been shepherding Mailing Online ever
7	since its inception?
8	A Yes.
9	Q Would it be fair to say that you at least expected
10	it to become a permanent service?
11	A I would say absolutely yes, but I'm also a
12	business person and I would say that in the perspective of
13	business one never says yes until the business case is made.
14	Q The question of batching the non-mail-merge jobs
15	came up during cross-examination from counsel from Pitney
16	Bowes. It's correct that the Postal Service is no longer
17	reporting the proportions of mail merge and non-mail-merge
18	jobs; correct?
19	A It's correct on the reports that were part of that
20	library reference. I understand that that's going to be
21	corrected shortly.
22	Q Are you going to be able to go back and provide
23	the data for the reports that currently say N/A?
24	A I am informed that there is a strong possibility
25	we'll be able to go back to the beginning of the market test

- data and provide that information; yes.
- 2 COMMISSIONER LeBLANC: Mr. Costich, excuse me a
- 3 moment. We've been at it a while. I just want to make sure
- 4 Mr. Garvey is okay. Do you need to --
- 5 THE WITNESS: I'm fine. Thank you.
- 6 COMMISSIONER LeBLANC: Where do we stand as far as
- 7 your timing is concerned?
- 8 MR. COSTICH: Probably a quarter of the way
- 9 through.
- 10 COMMISSIONER LeBLANC: Okay. Why don't we do
- 11 this, if it's all right with you. Let's take about a
- ten-minute break here if you're at a spot that you can stop
- 13 at. If not, we'll wait for you to tell us so. But I think
- 14 my intent is if you're going to -- you've got maybe what,
- about another hour and a half then? Is there a place we
- 16 could stop around six o'clock possibly?
- 17 MR. COSTICH: I'm sure there would be.
- 18 COMMISSIONER LeBLANC: Okay. Why don't we try to
- 19 go on to about six, get about half of you in, and then we'll
- 20 pick up tomorrow with your other half, MASA, because I know
- 21 there are a number of questions from the bench. So if
- 22 anybody needs to make any telephone calls or whatever, feel
- 23 free to do so in the next ten minutes, and we'll go for
- 24 about another half-hour more and call it quits tonight
- 25 around six.

1	MR. WIGGINS: Mr. Presiding Officer, I committed
2	to Mr. Bush to seek to advise him as to what the world
3	looked like tomorrow.
4	COMMISSIONER LeBLANC: Okay.
5	MR. WIGGINS: What time do you plan to start
6	tomorrow?
7	COMMISSIONER LeBLANC: 9:30 a.m.
8	MR. WIGGINS: Perfect. Thank you.
9	COMMISSIONER LeBLANC: And I would imagine like I
10	said what we'll do is we'll let Mr. Costich finish, then
11	we'll go on with Mr. Bush, and I know there are a number of
12	questions from the bench. So then we'll pick it up at
13	that is that about what you'd expected, or any problems?
14	MR. WIGGINS: No, no, there's no problem at all.
15	COMMISSIONER LeBLANC: Okay.
16	MR. WIGGINS: I just wanted to confirm that.
17	COMMISSIONER LeBLANC: Gotcha.
18	MR. WIGGINS: So that when I report to Graeme I've
19	got it straight.
20	COMMISSIONER LeBLANC: You've got it.
21	MR. WIGGINS: Thanks.
22	COMMISSIONER LeBLANC: We'll take a ten-minute
23	break now and be back around 5:30, go about another quick

half-hour, and call it quits around six then.

[Recess.]

24

25

1	

- 1 COMMISSIONER LeBLANC: Ladies and gentlemen, let's 2 go back on the record now. Mr. Costich. 3 4 MR. COSTICH: Thank you, Mr. Vice Chairman. have just distributed two documents and I have given two 5 6 copies of each to the Reporter. One document is entitled, "Excerpts from Library 8 Reference 23" and the other is entitled, "Excerpts from 9 Library Reference 24." 10 I am going to be asking Mr. Garvey several 11 questions about these documents. They are already in 12 evidence as a result of the designations of his 13 interrogatory responses, but I would like to have them 14 transcribed in the record at this point. 15 COMMISSIONER LeBLANC: Any objections? 16 Hollies? 17 MR. HOLLIES: No objection. 18 COMMISSIONER LeBLANC: So moved. Now are you 19 going to want to just transcribe them or are you going to 20 want to submit them? MR. COSTICH: They are already in evidence.
- 21 22 want done is --
- COMMISSIONER LeBLANC: I'm sorry, you're right. 23
- 24 They are already in evidence. Excuse me.
- 25 MR. COSTICH: All I want done is I just want them

1	transcrib	ed.								
2		COMMISSIONER	LeBL	ANC:	Tł	nank y	you.			
3			[E:	xcerp	ots	from	Library	Refe	erence	es
4			23	and	24	were	transcr	ibed	into	the
5			re	cord	.]					
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EXCERPTS FROM LIBRARY REFERENCE

USPS-LR-23/MC98-1

OCA/USPS-T1-10-f: Tabulation of MOL Pieces & Transmissions By Day For Period 3/10/1998 -9/30/1998

Date	MOL Jobs	Total Pieces
10-Mar-98	-	-
11-Mar-98	-	
12-Mar-98	-	-
13-Mar-98	-	-
14-Mar-98	-	-
15-Mar-98	-	•
16-Mar-98	•	-
17-Mar-98	-	•
18-Mar-98	-	-
19-Mar-98	1	9
20-Mar-98	1	1,660
21-Mar-98	-	-
22-Mar-98	-	-
23-Mar-98	-	-
24-Mar-98	1	10
25-Mar-98	-	-
26-Mar-98	-	2
27-Mar-98	1	2
28-Mar-98	•	-
29-Mar-98	-	-
30-Mar-98	-	-
31-Mar-98	-	-
01-Apr-98	-	-
02-Apr-98	-	-
03-Apr-98	-	-
04-Apr-98	1	110
05-Apr-98	1	119
06-Apr-98	-	•
07-Apr-98	-	-
08-Apr-98 09-Apr-98	_	-
10-Apr-98	1	535
11-Apr-98	'	-
12-Apr-98	_	_
13-Apr-98	1	1,831
14-Apr-98		1,001
15-Арг-98	_	
16-Apr-98	-	-
17-Apr-98	1	1,302
18-Apr-98	1	999
19-Apr-98		-
20-Apr-98	1	3,600
21-Apr-98	1	89
22-Apr-98	1	531
23-Apr-98	-	-
24-Apr-98		
25-Apr-98	-	•

OCA/USPS-T1-10-f: Tabulation of MOL Pieces & Transmissions By Day For Period 3/10/1998 -9/30/1998

	9/30/1998	
	MOL Jobs	Total Pieces
26-Apr-98	-	-
27-Apr-98	-	•
28-Apr-98	-	•
29-Apr-98	1	509
30-Apr-98	-	
01-May-98	1	94
02-May-98	-	
03-May-98	1	65
04-May-98	-	
05-May-98	2	5
06-May-98	2	58
07-May-98	-	-
08-May-98	_	_
09-May-98	-	_
10-May-98	_	_
11-May-98		_
12-May-98	_	
13-May-98	-	_
14-May-98	_	_
15-May-98	_	_
16-May-98		_
17-May-98		_
18-May-98	_	
19-May-98	2	2,487
20-May-98	4	
	2	1,577 14
21-May-98	3	515
22-May-98	2	
23-May-98	2	1,308
24-May-98	-	-
25-May-98	-	-
26-May-98	-	-
27-May-98	-	-
28-May-98	2	158
29-May-98	1	68
30-May-98	•	-
31-May-98	-	
01-Jun-98	1	1,272
02-Jun-98	-	
03-Jun-98	•	-
04-Jun-98	3	9
05-Jun-98	-	-
06-Jun-98	-	•
07-Jนก-98	2 2	431
08-Jun-98	2	152
09-Jun -98	3	9
10-Jun-98	1	696
11-Jun-98	3	189

OCA/USPS-T1-10-f: Tabulation of MOL Pieces & Transmissions By Day For Period 3/10/1998 -9/30/1998

	9/30/1998	
	IOL Jobs	Total Pieces
12-Jun-98	•	-
13-Jun-98	-	-
14-Jun-98	-	-
15-Jun-98	•	-
16-Jun-98	3	178
17-Jun-98	3	300
18-Jun-98	•	•
19-Jun-98	-	•
20-Jun-98	-	· -
21-Jun-98	٠ ـ	-
22-Jun-98	1	3
23-Jun-98	-	-
24-Jun-98	-	-
25-Jun-98	-	-
26-Jun-98	2	1,512
27-Jun-98	1	1,293
28-Jun-98	-	-
29-Jun-98	-	
30-Jun-98	1	937
01-Jul-98	_	-
02-Jul-98	1	1,142
03-Jul-98	_	1,172
04-Jul-98	_	_
05-Jul-98	_	_
06-Jul-98	_	-
07-Jul-98	5	2,951
08-Jul-98	3	4,760
09-Jul-98	1	2,178
10-Jul-98		2,170
11-Jul-98		-
12-Jul-98	_	-
	-	-
13-Jul-98	2	4 700
14-Jul-98	2	1,702
15-Jul-98	-	-
16-Jul-98	•	-
17-Jul-98	-	-
18-Jul-98	-	-
19-Jul-98	•	-
20-Jul-98	-	-
21-Jul-98	3	106
22-Jul-98	•	-
23-Jul-98	2	357
24-Jul-98	=	-
25-Jul-98	1	1,324
26-Jul-98	-	-
27-Jul-98	-	-
28-Jul-98	-	-

OCA/USPS-T1-10-f: Tabulation of MOL Pieces & Transmissions By Day For Period 3/10/1998 -9/30/1998

	9/30/1998	
Date	MOL Jobs	Total Pieces
29-Jul-98	2	4,990
30-Jul-98	2	1,169
31-Jul-98		
01-Aug-98		
02-Aug-98	_	_
03-Aug-98	_	·
04-Aug-98	1	1
	1	•
05-Aug-98	· ·	303
06-Aug-98	1	3
07-Aug-98	•	-
08-Aug-98	•	-
09-Aug-98	-	•
10-Aug-98	3	15,257
11-Aug-98	1	. 571
12-Aug-98	3	1,265
13-Aug-98	1	3
14-Aug-98	3	18,492
15-Aug-98	_	_
16-Aug-98	-	_
17-Aug-98	_	_
18-Aug-98	. 1	3,000
_		5,000
19-Aug-98	-	-
20-Aug-98	-	-
21-Aug-98	-	-
22-Aug-98	-	-
23-Aug-98	-	-
24-Aug-98	-	-
25-Aug-98	1	8
26-Aug-98	1	1,230
27-Aug-98	-	-
28-Aug-98	-	-
29-Aug-98	-	-
30-Aug-98	-	
31-Aug-98	_	-
01-Sep-98	1	7,118
02-Sep-98		.,
03-Sep-98	-	_
03-Sep-98 04-Sep-98	_	_
	•	-
05-Sep-98	-	•
06-Sep-98	-	-
07-Sep-98	-	-
08-Sep-98	-	•
09-Sep-98	-	-
10-Sep-98	-	•
11-Sep-98	-	-
12-Sep-98	-	•
13-Sep-98	-	-
•		

OCA/USPS-T1-10-f: Tabulation of MOL Pieces & Transmissions By Day For Period 3/10/1998 -9/30/1998

Date	MOL Jobs Total Pieces
14-Sep-98	
15-Sep-98	
16-Sep-98	1 1,370
17-Sep-98	-
18-Sep-98	-
19-Sep-98	
20-Sep-98	- ·-
21-Sep-98	-
22-Sep-98	-
23-Sep-98	1 1,846
24-Sep-98	2 2,258
25-Sep-98	1 1,898
26-Sep-98	
27-Sep-98	-
28-Sep-98	
29-Sep-98	
30-Sep-98	2 4,070

	Date_Tran	Month Tran	Company I	DIMOL Tran	MOL Pages	MOL Pieces
	19-Mar-98		336131223	1	9	9
	20-Mar-98		336053810	1	3320	
	20-Mar-98 24-Mar-98		336241207	1	10	
	24-Mar-96 27-Mar-98		336062533	4	2	2
				1	238	119
	05-Apr-98	•	336053810	1		
	10-Apr-98	•	336035201	1	1070	
	13-Apr-98		336241207	1	3662	1831
	17-Apr-98		336053810	1	2604	1302
	18-Apr-98	•	336154416	1	999	999
	20-Apr-98		797380046	1	3600	3600
	21-Apr-98	Apr	336035201	1	356	89
	22-Apr-98	Арг	336035201	1	1593	
	29-Apr-98	Apr	336035201	1	1527	509
	01-May-98	May	336035201	1	282	
	03-May-98		860002607	1	130	65
	05-May-98	=	860007899	1	2	2
	05-May-98	•	336062533	1	9	3
	06-May-98	-	860007115	1	27	27
	06-May-98	-	336062533	1	93	
	19-May-98	•	860007899	2		
	20-May-98	-	336035201	4	6721	1577
	21-May-98	=	860001431	2		
	22-May-98		336035201	1	2036	
	22-May-98	-	336062533	2		
	23-May-98	-	860002555	1	1304	1304
-		•	336345128	1	4	4
	23-May-98	•	860007899	2		
	28-May-98	-		1	272	
	29-May-98	•	336035201			
	01-Jun-98		336154416	1		
	04-Jun-98		860012603	2		
	04-Jun-98		813008304	1		
	07-Jun-98		860012603	1	432	
	07-Jun-98		813008304	1	-4	
	08-Jun-98		860002607	1		
	08-Jun-98		336035201	1		
	09-Jun-98		813007863	3		
	10-Jun-98		860012603	1		
	11-Jun-98		813006099	1		
	11-Jun-98	Jun	813007863	1		
	11-Jun-98		813008304	1		
	16-Jun-98		813006099	2	244	172
	16-Jun-98		813007863	1		•
	17-Jun-98		860018091	1	30	15
	17-Jun-98		192753531	1	280	
	17-Jun-98		813008304	1	20	
	22-Jun-98		860018483	1		
	26-Jun-98		860018091	1	4527	
	26-Jun-98		813002130	1		
	26-Jun-96 27-Jun-98		336053810	1		
			813002130	1		
	30-Jun-98			1		
	02-Jul-98	Jul	813008304	'	4000	1 142
		•				

07-Jul-98	Jul 860011427	1	272	272
07-Jul-98	Jul 797380046	1	5336	2668
07-Jul-98	Jul 813007863	3	11	11
08-Jul-98	Jul 860011427	1	744	744
08-Jul-98	Jul 797380046	1	3676	1838
08-Jul-98	Jul 813004188	1	2178	2178
09-Jul-98	Jul 813004188	1	2178	2178
14-Jul-98	Jul 860012603	1	566	566
14-Jul-98	Jul 813008304	1	4544	1136
21-Jul-98	Jul 860012995	1	33	33
21-Jul-98	Jul 860018091	1	15	15
21-Jul-98	Jul 336035201	1	58	58
23-Jul-98	Jul 336035201	1	188	47
23-Jul-98	Jul 813006099	1	1240	310
25-Jul-98	Jul 336053810	1	3972	1324
29-Jul-98	Jul 336193602	2	9980	4990
30-Jul-98	Jul 860018483	1	6	3
30-Jul-98	Jul 813008304	1	4664	1166
04-Aug-98	Aug 860011623	1	1	1
05-Aug-98	Aug 813006099	1	606	303
06-Aug-98	Aug 860001040	1	3	3
10-Aug-98	Aug 860007899	1	290	290
10-Aug-98	Aug 336193602	2	14967	14967
11-Aug-98	Aug 860017503	1	571	571
12-Aug-98	Aug 336035201	2	4810	962
12-Aug-98	Aug 813006099	1	606	303
13-Aug-98	Aug 860001040	1	3	3
14-Aug-98	Aug 336193602	1	19956	9978
14-Aug-98	Aug 813008157	2	25542	8514
18-Aug-98	Aug 860018091	1	12000	3000
25-Aug-98	Aug 860005155	1	8	8
26-Aug-98	Aug 336053810	1	7380	1230
01-Sep-98	Sep 813002130	1	7118	7118
16-Sep-98	Sep 860017307	1	1370	1370
23-Sep-98	Sep 813008304	1	7384	1846
24-Sep-98	Sep 336035201	1	348	116
24-Sep-98	Sep 813008304	1	8568	2142
25-Sep-98	Sep 813008304	1	7592	1898
30-Sep-98	Sep 860017307	1	9744	3248
30-Sep-98	Sep 336035201	1	2466	822

EXCERPTS FROM LIBRARY REFERENCE
USPS-LR-24/MC98-1

Program Total For AP 12 Week 1, 07/18/98 to 07/24/98

			•			
		AP 12 to Date		Year to Date Total	Year To Date	
Re	venue (\$)	Jobs		Revenue (\$)	Johs.	Avg. Pages/
\$	148.16	5	306.80	\$ 11,361.60	77	905.39
				3000	100 m	
\$	48.96	4	73.50	\$ 8,550.40	60	899.43
\$	99.20	1	1,240.00	\$ 2,811.20	17	926.41
\$	148.16	5	306.80	\$ 11,361.60	77	905.39
\$	109.76	2	636.50	\$ 5,694.40	28	1,104.61
\$	38.40	3	87.00	\$ 5,667.20	49	791.55
\$	148.16	5	306.80	\$ 11,361.60	77	905.39
s	148.16	5	306.80	\$ 11,361.60	77	905.39
Š	-			s -		-
\$	•			s -	<u> </u>	
\$	148.16	5	306.80	\$ 11,361.60	77	905.39
		AP 12 to Date		Year to Date	Year To I	Date
Re	Ventie (\$)	Jobs	Avg Pieces/	1	Jobs	Avg. Pieces/
		, , , , , , , , , , , , , , , , , , , ,				Job
\$				ું ક	<u> </u>	•
\$		•	-	S -		•
\$	148.16	5	92.60	\$ 11,361.60	77	489.84
	•	•	-	[€-]		-
	-	•	•	18		•
	148 16		92.50		77	489.84
•	1-0.10	J	22.00			
	270/	•	310.00	e 034.72	14%	313.12
				18	180	477.61
	100%	5	92.60	\$ 11,361.60	100%	454.70
2	1,122.88	5	92.60	\$ 11,361.60	77	489.84
<u> </u>		•	•		<u>. </u>	_
\$	1,122.88	5	92.60	\$ 11,361.60	77	489.84
	rxemie.(\$)	% of Jobs		Revenue (\$)	% of Jobs	
		_		1		
	n/a			.	183	
	n/a	rva			2C-C	
	n/a	n/a		lf: e =	(i n/a	
	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	\$ 48.96 \$ 99.20 \$ 148.16 \$ 109.76 \$ 38.40 \$ 148.16 \$ 148.16 \$ \$ 148.16 \$ \$ 148.16 \$ \$ 148.16 \$ \$ 148.16 \$ \$ 1.122.88 \$ 1.122.88 \$ 1.122.88	Revenue (\$) Jobs \$ 148.16	Revenue (\$)	Revenue (\$) Jobs Avg. Pages Revenue (\$)	Revenue (\$) Jobs Avg. Pages Revenue (\$) Jobs Revenue (\$) Revenue (\$) Jobs Revenue (\$) Jobs Revenue (\$) Revenue (\$) Jobs Revenue (\$) R





Program Total For AP 12 Week 2, 07/25/98 to 07/31/98

			AP 12 to Date		Yea	er to Da te Total	Year To Date			
	R	evenue (\$)	sdol:	Avg. Pages/	Re	verrue (\$)	Johs	Avg. Pages/ Job		
Total	\$	2,542.72	10	2,015.60	3	13,756.16	82	1,077.28		
Printing										
Simplex	s	845 76	6	1,488,33	s	9,347.20	62	1,009.71		
Duplex	5	1,695.96	4	2,806.50	s	4,408.96	20	1,286.75		
Total	5	2,542.72	10	2,015.60	(t	13,756 16	82	1,077.28		
B&W	s	110.72	3	426.33	s	5,695.36	29	1,066.72		
Spot	\$	2.432.00	7	2,696.71	Š	8,060.80	53	1,083.06		
Total	\$	2,542.72	10	2,015.60	\$	13,756.16	82	1,077.28		
8.5x11	s	2,541.76	9	2,238.89	s	13,755.20	81	1,090.51		
8.5x14	s	4,041.70		2,250.00	s			1,000.01		
11x17	S	0.96	1	6.00		0.96	1	6.00		
Total	S	2,542.72	10	2,015.60	1	13,756.16	82	1,077.28		
					E Yea	r to Date				
			AP 12 to Date	Àvg. Piéces/		Total	Year To			
	R	wenue (\$)	Jobs	Job	Re	venue (\$)	Jobs	Avg. Pieces/ Job		
Envelope						i				
Letter					1					
Single window	S	•	•	-	\$.5	-	-	-		
Double window	\$	•	•	•	\$ 5	٠		•		
Closed face	\$	2,542.72	10	794.60	\$	13,756.16	82	551.23		
Flat	_									
Single window	\$	•	•	-	S	-	-	•		
Double window	\$	-	-	-	S	-	•	-		
Closed face Total	<u>\$</u> s	2.542.72	10	794.60	1	13,756.16	82	551.23		
_	•	_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,						•		
Merge Features										
Mail merge		2%	1	310.00	\$	934.72	13%	314.83		
Non-mail merge		98%	9	848 44	17.	12,821.44	87%	519.85		
Total '		100%	10	7 94 .60	S	13,756.16	100%	492.90		
Mailing							die Safe			
First-Class Standard Class	\$ \$	2,542.72	10 	794,60	i S	13,756.16	82 •	551.23 		
Total	\$	2,542.72	10	794.60	s	13,756.16	82	551.23		
	R	evenue (\$)	% of Jobs		Re	venue (S)	% of Jobs	· . • . • . • . • . • . • . • . • . • .		
Proof										
On-line		n/a	n/a			ŀ	r/a			
Faxed		n/a	n/a		3	-	n/a			
Maited		n/a	n/a		S		n/a			
Total	\$		0%		3	.	0%			





Mailing OnLine Report PROGRAM TOTAL For AP 12 Week 3, 08/01/98 to 08/07/98

			AP 12 to Date		Υŧ	ar to Date Total	Year To	Date .	
'	R	evenue (\$)	Jobs	Avg. Pages/	R	venue (\$)	Jobs	Avg. Pages/	
tal	\$	2,644.16	11	Job 1,887.45	\$	13,858 88	84	Job 1,058.89	
nting							•		
Simplex	s	850.24	6	1,488.33	s	9,352.96	63	993.75	
Duplex	Š	1,793.92	5	2,366.40	5	4,505.92	21	1,254,33	
Total	\$	2.644.16	11	1.887.45	s	13,858.88	84	1,058.89	
B&W	\$	207.68	4	471.25	s	5,792.32	30	1.051.37	
Spot	Š	2,435.48	7	2,696.71	5	8,066,56	54	1,063.07	
					Ť		84		
Total	\$	2,644.16	11	1,887.45	\$	13,856,88	54	1,058.89	
8.5x11	\$	2.643.20	10	2,075.60	s	13,857,92	83	1,071.58	
8.5x14	\$	-			s				
11x17	\$_	0.96	1	6.00	\$	0.96	1	6.00	
Total	\$	2.644 16	11	1,887 45	\$	13,656 88	84	1,058.89	
]	AP 12 to Date					Year to Date Year To Date			
	D.	venue (\$)	Jobs	Avg. Pieces/	D	Total evenue (\$)	Jobs	Avg. Pieces/	
velope	^	LARNING [4]	3004	det	, N	(3)	, 5005	dot	
Letter						1			
Single window	\$	_	-	_	s				
Double window	\$	_		_	s				
Closed face	Š	2,639.36	11	749.91	5	13,858.88	84	541.76	
Flat	•	•		İ		ì			
Single window	\$	-	-	-	\$	- 1	-	-	
Double window	\$	-	-	-	\$	- 1	-	•	
Closed face	\$	-	-	·_	\$		-	-	
Total	\$	2,639.36	11	749.91	\$	13,858.88	84	541.76	
rge Features							l		
Mail merge		n/a	n/a	n/a		n/a	n/a	n/a	
Non-mail merge		n/a	n/a	n/a	<u> </u>	n/a	n/a	n/a	
Total		n/a	n/a	n/a		n/a	n/a	n/a	
iling								•	
First-Class	\$	2,639.36	11	749.91	\$	13,858.88	84	541.76	
Standard Class	- \$	<u> </u>			\$.		<u> </u>	
Total	\$	2,639.36	11	749.91	s	13,858.88	84	541.76	
	R	PYBRUE (\$)	% af Jobs		R	evenue (\$)	% of Jobs		
oof									
		n/a	n/a		1		n/a		
On-line				E		E	i .		
On-line Faxed Mailed		n/a n/a	n/a n/a		\$	-	n/a n/a		





Mailing OnLine Report PROGRAM TOTAL For AP 12 Week 4, 08/08/98 to 08/14/98

				•				
			AP 12		Y	ear to Date Total	Year 1	To Date
	R	evenue (\$)	Jabs	Avg. Pages/	R	evenue (\$)	Jobs	Avg. Pages/
Total	\$	7,633.28	20	Јов 3 103 00	н .	18,848.00	93	3ob 1,400.48
Printing				;				
Simplex	s	4,145.60	12	2,887.92	s	12,648.32	69	1,280.15
Duplex	\$	3,487.68	8	3,425.53	\$	6,199.68	24	1,746.42
Total	\$	7,633.28	20	3,103.00	\$	18.848.00	93	1,400.48
B&W	\$	1,666.88	7	2,180.29	u	7,251.52	33	1,361.15
Spot	\$	5,966 40	13	3,599.85	\$	11,596.48	60	1,422 12
Total	\$	7.633.28	20	3,103.00	s	18,848.00	93	1,400 48
8.5x11	\$	7,632.32	19	3,266.00	8	18,847.04	92	1 415 64
8.5x14	\$	-	_	-	\$	-	-	•
11x17	\$	0.96	1	6.00	13	0.96	1	6.00
Total	\$	7,633.28	20	3,103.00	\$	18,848.00	93	1,400.48
	AP 12				Year to Date Total Year To Date			
	京	evenue (\$)	Jobs	Avg. Pieces/ Job	R	evenue (S)	Jobs	Avg. Pieces/
invelope				300		į		
Letter						ff.	•	
Single window	S	•	_	•	5	- II	-	
Double window	\$	-	•		5	-	-	
Closed face	S	7,633.28	20	. 1,441.40	\$	18,848.00	93	710.61
Flat						į.		
Single window	\$	•	-	-	S	-	-	•
Double window	\$	-	-	•	\$	-]]	•	-
Closed face	\$		<u> </u>		5	 -∦		
Total	\$	7.633.28	20	1,441.40	\$	18,848.00	93	710.61
lerge Features						1		
Mail merge		n/a	n/a	n/a		n/a	n/a	n/a
Non-mail merge		n/a	n/a	n/a	╟	n/a	n/a	n/a
Total ,		n/a	n/a	n/a		n/a	n/a	n/a
falling								
First-Class	\$	7,633.28	20	1,441.40	\$	18,848.00	93	710.61
Standard Class	\$	<u> </u>		<u> </u>	\$		-	<u>-</u>
Total	\$	7,633.28	20	1,441.40	\$	18,848.00	93	710.61
	R	evenue (\$)	% of Jobs		R	evenue (\$)	edot to %	
Proof					Ħ			
On-line		n/a	n/a		1.		n/a	
Faxed		n/a	n/e		1 5	- 1	n/a	
Mailed		<u>n/a</u>	<u> </u>		∦⁵			
Faxed Mailed Total	\$	n/a n/a	n/s n/s 		\$		n/a 0%	





PROGRAM TOTAL

For AP 13 Week 1, 08/15/98 to 08/21/98

			AP 13 to Dat	e		Ye	ear to Date Total	Year To	Date
	Re	venue (\$)	Jobs	i Protes	Avg. Pages/	R	evenue (\$)	Jobs	Avg. Pages/
Total	\$	480.00	tan in a and the analysis	1	3 ab 6,000.00	1	19.328.00	94	Job 1,449.41
Printing									
Simplex Duplex	\$ \$	480.00		1	6,000.00	\$ \$	13,128.32 6,199.68	70 24	1,347.59 1,746.42
Total	\$	480.00		1	6,000.00	\$	19,328.00	94	1,449.41
B&W Spot	\$ \$	480.00	•	1	6,000 00 1	\$ \$	7,251.52 1 <u>2,076</u> 48	33 61	1,361.15 1,497.16
Total	\$	480.00		1	6,000.00	s	19,328.00	94	1,449.41
8.5x11 8.5x14	\$ \$	480.00		1	6,000.00	\$ \$	19,327.04	93	1,464.94
11x17	\$	-	:		-	\$	0.96	1	6.00
Total	\$	480.00		1	6,000.00	\$	19,328.00	94	1,449.41
			AP 13 to Date		Year to Date Total		Year T	o Date	
	Re	venue (\$)	adol.		Avg. Pieces/ Job	R	evenue (\$)	Jobs	Avg. Pieces. Job
nvelope									
Letter Single window	\$				-	5	-	•	-
Double window Closed face	\$ \$	480.00	-	1	1,500.00	\$	19.327 40	94	719.0
Flat Single window	\$		-		-	s	-		
Double window Closed face	\$ \$	<u>.</u>	- 		<u>.</u>	\$ 5			<u> </u>
Total	\$	480.00		1	1,500.00	s	19,327.40	94	719.0
Aerge Features									
Mail merge		n/a n/a	n/a n/a		n/a n/a		n/a n/a	n/a n/a	n/a n/a
Non-mail merge Total		n/a	n/a		n/a		n/a	n/a	n/a
tailing ·							ĺ		
First-Class Standard Class	\$ \$_	480.00	<u> </u>	1	1,500.00	\$ \$	19,327 40	94	719.0
Total	\$	480.00		1	1,500.00	•	19,327.40	94	719.0
	Re	evenue (\$)	% of Job	******************		R	tevenue (\$)	% of Jobs	
Proof		. ,					j	•	
On-line		n/a	n/a			١.	1	n/a	
Faxed		n/a	n/a			5	.	n/a	
Mailed		n/a	n/a			╟╸		n/a	
Totaí	\$		0%			8	- 1	0%	





Mailing OnLine Report PROGRAM TOTAL

For AP 13 Week 2, 08/22/98 to 08/28/98

		,	AP 13 to Date	·	Υe	ear to Date	Year	To Date
	P	venue (\$)	Jobs	Avg. Pages/	5.	Total evenue (S)	Jobs	Avg. Pages/
otal	S	483,11	3 - 3 - 3 - 3 - 3 - 3 - 3 - 3 - 3 - 3 -	Job 6,462.87	11	19,426.15	100	Job 1,750.84
0141	•	403.11	3	6,402.07	•	18,420.13	100	1,750.04
rinting								
Simplex	5	483.11	3	6,462.67	\$	13,133.67	75	1,771.73
Duplex	\$	<u> </u>			<u> s</u> _	6,292.48	25	1,688.16
Total	\$	483.11	3	6,462.67	\$	19,426.15	100	1,750.84
B&W	\$	2.56	1	8.00	s	7,254.40	35	1,648.51
Spot	\$	480.55	2_	9,690.00	\$	12,171.75	65	1,805.94
Total	\$	483.11	. 3	6,462.67	\$	19,426.15	100	1,750.84
8.5×11	\$	483.11	3	6,462.67	s	19,425.19	99	1,768 46
8.5x14	\$			0,402.07	5	19,723.18		1,700 40
11x17	\$	•			s	0.96	1	6.00
Total	5	483.11	3	6,462.67	\$	19,426.15	100	1,750.84
	AP 13 to Date				Y	Year to Date Year To Date		
	Re	venue (\$)	್ರೆobs	Avg. Pieces/	R	Total evenue (\$)	Jobs	Avg. Pieces/
nvelope			. 7,7,77	Job				Job
Letter								
Single window	5	_		_	ll s	_	_	_
Double window	\$ \$						•	•
Closed face	Š	482.56	2	1,504 00	s	19,425.60	94	894 77
Flat	•		_	.,,	ľ	1		
Single window	\$	-	•	-	3	- #	•	•
Double window	\$	-	-		\$			
Closed face	_ \$	0.55	1	1,230.00	<u> s</u>	0.55	1	1,230.00
Total	\$	483 11	3	1,412.67	s	19,426.15	95	898.29
erge Features								
Mail merge		n/a	n/a	n/a	l	n/a	n/a	n/a
Non-mail merge		n/a	n/a	n/a	Щ_]	n/a	h/a
Total		n/a	n/a	n/a		n/a	n/a	h/a
ailing '								
First-Class Standard Class	\$ \$	483.11	3	1,412.67	5	19,426.15 -	95 	898.29
Total	\$	483.11	3	1,412.67	\$	19,426.15	95	898.29
	Re	venus (\$)	% of Jubs		R.	evenue (\$)	% of Jobs	- x 88 48 12 12 12
roof					1	ı		
On-line		n/a	n/a		1	Ĭ	n/a	
Faxed		n/a	n/a		\$. [n/a	
Mailed		n/a	n/a		₽	<u>-</u>	n/a	
Total	\$		0%		8		0%	





Mailing OnLine Report PROGRAM TOTAL For AP 13 Week 3, 08/29/98 to 09/04/98

			AP 13 to Date		Ye	ear to Date Total	Year To	Date	
	R	evenue (\$)	Jobs	Avg. Pages/	:R	evenue (\$)	Jobs	Avg Pages/ Job	
Total	\$	1,621.99	4	6,626.50	s	20.565.03	101	1,803.98	
Printing									
Simplex	\$	1,621.99	4	6,626.50	\$	14,272.55	76	1,842.08	
Duplex	<u> </u>	•	-	<u> </u>	5	6,292.48	25	1,688.16	
Total	\$	1,621.99	4	6,626.50	\$	20,565.03	101	1,803.98	
B&W	\$	2.56	1	8.00	s	7,254.40	35	1,648.51	
Spot	\$	1,619 43	3	8,832.67	1	13,310.63	66	1,886.42	
Total	\$	1,621.99	4	6,626.50	\$	20,565.03	101	1,803.98	
8.5x11	s	1,621.99	4	6,626.50	5	20,554.07	100	1,821 96	
8.5x14	\$	•	•		5	.	•	•	
11x17	\$	·		<u>-</u>	\$	0.96	.1	6.00	
Total	\$	1,621.99	4	6,626.50	s	20,565.03	101	1,803.98	
	AP 13 to Date					Year to Date Year To Date			
	L		Ar 13 to Date	Avg, Pieces/		Total	1027	Avg. Pieces/	
	R	evenue (\$)	Jobs	Job	R	evenue (\$)	Jobs	Job	
nvelope						į			
Letter						ľ			
Single window	\$	-	-	-	\$	•	-	-	
Double window	\$	-	•	-	\$	- [-	•	
Closed face	\$	1,621.44	3	3,375.33	\$	20,564.48	95	960.27	
Flat						·			
Single window	\$	•		-	S	-	•	•	
Double window	\$	•	-		\$	[•		
Closed face	\$	0.55	_1_	1,230 00	\$	0.55	1	1,230.00	
Total	\$	1,621.99	4	2,839.00	\$	20,565.03	96	963.08	
lerge Features									
Mail merge		ก/a	n/a	n/a	li	n/a	n/a	n/a	
Non-mail merge		n/a	n/a	n/a	₩—	n/a	n/a	n/a	
Total .		n/a	n/a	n/a		n/a	n/a	n/a	
falling									
First-Class Standard Class	\$ \$	1,621.99	4	2,839.00	\$	20,565.03	96	963.08	
Total	<u> </u>	1,621.99	4	2,839.00	\$	20,565.03	96	963.08	
	5. (5.52)	rana a sana a	nnastaansk e tea				ia/eza viikileit.	1. 130. 1130	
Proof	R	evenus (\$)	Not Jobs		1 "	evenue (\$)	% of Jobs	W 1601 1 1600	
On-line		n/a	n/a		H		n/a		
On⊣ine Faxed		1V8	n/a				n/a		
Mailed		n/a	n/a		Š	.	n/a		
(FIGIRGU		11/0			1) ·				





Mailing OnLine Report PROGRAM TOTAL For AP 13 Week 4, 09/04/98 to 09/11/98

			AP 13 to Date		Υ	ear to Date	Year To	D-4-
		-		Avg. Pages		Total		Avg. Pagasi.
	R	evenue (\$)	Jobs	Job	R	evense (\$)	Jobs	Job
Total	\$	1,621.99	4	6,626.50	\$	20,565.03	101	1,803.98
Printing								
Simplex	\$	1,621.99	4	6,626.50	s s	14,272.55	76	1,842.08
Duplex		<u> </u>			15	8,292.48	25	1,688 <u>.16</u>
Total	\$	1,621.99	4	6,626.50	\$	20,565.03	101	1,803.98
B&W	\$	2.56	1	8.00	\$	7,254.40	35	1,648.51
Spot	\$	1,619.43	3	8,832.67	\$	13,310.63	66	1,886.42
Total	\$	1,621.99	4	6,626.50	s	20,565.03	101	1,803.98
8.5x11	\$	1.621.99	4	6,626.50	, s	20,564.07	100	1,821.96
8 5x14	\$				5			
11x17	\$				1 5	0.96	1	6.00
Total	\$	1,621.99	4	6,626.50	s	20,565.03	101	1,803.98
			AP 13 to Date		Y	ear to Date	Year To	Date
	R	evenue (\$)	Jobs	Avg. Places	/ R	Total levenue (\$)	Johs	Avg. Pieces/
invelope		(4)		Job				Job
•								
Letter Single window	\$				s]	
Double window	\$		-	-	5]	
Closed face	Š	1,621,44	3	3,375.33	\$	20,564.48	100	912.26
Flat								
Single window	\$	-		-	\$	-		-
Double window	\$	•	-	•	\$	-	}} .	-
Closed face	\$_	0.55	1	1,230.00	\$	0.55		1,230.00
Total	\$	1,621.99	4	2,839.00	\$	20,565.03	101	915.41
lerge Features								
Mail merge		n/a	n/a	n/a		n/a	n/a	n/a
Non-mail merge		n/a	n/a	n/a	╢	n/a	n/a	n/a
Total		n/a	n/a	n/a		n/a	n/a	n/a
Railing								
First-Class	\$	1,621.99	4	2,839.00) \$	20,565.03	101	915.41
Standard Class			- _		- 3	<u>.</u>		<u>-</u>
Total	\$	1,621.99	4	2,839.00	\$	20,565.03	101	915 41
	R	evenue (\$)	zeal to %			levenue (\$)	% of Jobs	
roof								
On-line		n/a	n/a		1		n/a	
Faxed		n/a	n/a		1 5	•	n/a	
Mailed		n/a	n/a		-∄-\$		n/a	
Total	\$	-	0%		\$	•	0%	





PROGRAM TOTAL

For AP 1 Week 1, 09/12/98 to 09/18/98

otal	Rever	nue (\$)	th. wh we	A		tal		
	\$		Jobs .	Avg. Pages/	Rever	me (\$)	Jobs	Avg. Pagas/ Job
rinting	-	-	-		s	- 1	•	-
Simplex	\$	-	-	-	\$	-	-	•
<u>Duplex</u>	\$		-	<u>-</u>	\$		_ - _	
Total	\$	•	•	•	\$	- [•	•
B&W	\$	-	-		\$		•	
Spot	\$		<u></u>		5		<u> </u>	
Total	\$	-	-	•	s	-		•
8.5x11	\$				\$			
8.5x14	\$	-	•	. !	5	. [•	-
11x17	\$		<u> </u>		\$			·
Total	\$	•	•	-	s		-	-
1			AP 1 to Date			o Date	Year	o Date
		101		Avg. Pieces/		olal nue (S)	Jobs	Avg. Pieces
nvelope	Keve	nue (\$)	Jobs	Job	Vesc	106 (9)	3000	Job
•						ŀ		
Letter					\$	_ j		
Single window	\$ \$	-	•	•	s	[[_	
Double window Closed face	Š	•	_	_ '	s	. 1		
Flat	•	•	-		*			
Single window	s	_	_		s			•
Double window	\$	-	-		s			-
Closed face	\$				Š	.		
Total	_ 	-	•	-	5		-	
lerge Features								
Mail merge		n/a	n/a	n/a	I ,	1/a	n/a	n/a
Non-mail merge		n/a	n/a	n/a	ti.	1/a	n/a	n/a
Total		n/a	n/a	n/a	,	1/8	n/a	n/a
failing '								
First-Class	\$	•	•	•	\$	-		•
Standard Class				<u>.</u>	<u> </u>		<u> </u>	
Total	\$	•	-	-	\$	-		•
	Reve	nue (\$)	% of Jobs		Reve	nue (\$)	% of Jobs	e, e pe ejel jeje (1974)
roof						ŀ		
On-line		n/a	n/a				n/a	
Faxed		n/a	n/a		\$	-	n/a	
Mailed		n/a	n/a		₩,	_ - -	n/a 	





PROGRAM TOTAL

For AP 1 Week 2, 09/19/98 to 09/25/98

					-				_	
			AP 1 to Date	e		Y	ear to Date Total	Yea	r To Da	ite
	R	evenue (\$)	Jobs		Avg. Pages/	R	evenue (\$)	Jobs		lvg. Pages/
Total	\$	1,398.72		5	5,052.40	\$	1,398.72		[.]	Job 5,052.40
Printing										
Simplex	S	1,398.72		5	5,052.40	s	1,398.72	5	i .	5,052,40
Duplex	\$	-				\$	- 1	•		-
Total	\$	1,398.72		5	5,052.40	5	1,398.72	5	j	5,052.40
B&W	\$	-	-		•	s	. #			
Spot	\$	1,398.72		5	5,052.40	\$	1,398.72	5	į	5,052.40
Total	\$	1,398.72		5	5,052.40	\$	1,398.72	5	i	5,052.40
8 5x11	\$	1,398.72		5	5,052,20	\$	1,398,72	5	•	5,052.40
8.5x14	\$	-			•	\$		_		-,
11x17	<u> </u>					s				
Total	\$	1,398.72		5	5,052.20	\$	1,398.72	5	i	5,052.40
			AP 1 to Date			Υє	ar Io Date	Yea	r To Da	ite
	Re	evenue (\$)	Jobs		Avg. Pieces/	R	Total evenue (\$)	Jobs	A	vg. Pieces/
Envelope		• • •	* **** .		Job			**		Job
Letter	S	1,398.72		5	1,474,40	s	1,398 72	5		1,474 40
Flat	\$		-		•	\$				
Total	\$	1,398.72	:	5	1,474.40	5	1,398 72	5	1	1,474.40
ferge Features										
Mail merge		n/a	n/a		n/a		n/a	n/a		n/a
Non-mail merge		n/a	n/a		n/a		n/a	n/a		n/a
Total		n/a	n/a		n/a		n/a	n/a		n/a
Aailing										
First-Class Standard Class	\$ \$	1,398.72		5	1,474.40	\$ \$	1,398.72	5		1,474 40
Total	\$	1,398.72		5	1,474.40	\$	1,398.72	5		1,474.40
•	Re	yenue (S)	% of Jobs		edial commo	Re	venue (\$)	% of Jobs	ada, Mad	. Nakalija:
Proof									-	
On-line		n/a	n/a				1	n/a		
Faxed		n/a	n/a			\$.	n/a		
Mailed		n/a	n/a			\$		n/a		·
Total	\$	•	0%			\$. [0%		





PROGRAM TOTAL

For AP 1 Week 3, 09/26/98 to 10/2/98

			AP 1 to Date			r to Date Total	Year	To Date
	R	venue (\$)	Jobs	Avg. Pages/		rense (5)	Jobs	Avg. Pages/
lotal .	\$	2,049.92	7	Job 5,353.14	\$	2,049.92	7	Jab 5,353,14
Printing								
Simplex Duplex	\$ \$	2,049.92		5,353.14	s s	2,049.92	7	5,353.14
Total	\$	2,049.92	7	5,353.14	s	2,049.92	7	5,353.14
B&W	\$		٠.		S S		. 7	5,353.2
Spot		2.049.92		5,353.14	 -	2,049.92		0,353.2
Total	\$	2.049.92	7	5,353.14	S	2,049.92	7	5,353.29
8 5×11	\$	2,049.92	7	5,353 14	s	2,049.92	7	5.353 1
8 5x14	\$	-	•	•	\$		•	•
11x17	. \$			·	\$			
Total	\$	2,049.92	7	5,353.14	S	2,049.92	7	5,353.1
			AP 1 to Date		Ye	ar to Date Total	Year	To Date
	Re	venue (\$)	adob	Avg. Pieces/ Job	Re	venue (\$)	Jobs	Avg. Pieces Jab
Envelope						}	1	
Letter	\$	2,049.92	7	1,634.57	\$	2,049.92	7	1,634.5
Flat	<u> 5</u>				\$			
Total	\$	2,049.92	7	1,634.57	\$	2,049.92	7	1,634.5
Merge Features								
Mail merge		n/e	n/a	n/a		n/a	n/ə	n/a
Non-mail merge		n/a	n/a	n/a	 	n/a	n/a	n/a
Total		n/a	n/a	n/a		n/a	n/a	n/a
Mailing								
First-Class	\$	2,049.92	7	1,634.57	\$	2,049.92	7	1,634.5
Standard Class Total		2.049.92	7	1,634,57	5	2,049.92	7	1,634.5
(Qta)	•	2,040.82						
	R	evenue (\$)	% of Jobs		Re	venue (\$)	% of Jobs	
Proof On-line		n/a	n/a		3		n/a	
On-line Faxed		n/a	n/a] s		n/a	
Mailed		n/a	n/a		\$		n/a	
					1		1	





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BY MR. COSTICH:
Q Mr. Garvey, when you submitted Library Reference
24, you indicated that there were some anomalies in the
data, is that correct?
A That is correct.
Q And you gave an example of a 1230 piece mailing
that only generated 55 cents in total revenue, is that
correct?
A Correct, yes.
Q Are you aware of any other anomalies in the data
that is in Library Reference 24?
A Not precisely at this moment, no.
Q Okay. Could you take a look at Accounting Period
13, Week 1.
A I have it.
Q You are ahead of me. There was only one job that
week, is that correct?
A That is what it indicates, yes.
Q It doesn't give you much opportunity for batching
does it?
A No, it does not.
Q That one job was 1,500 pieces though, is that
correct?
A Yes, it is.

25

Q So you could do some significant presorting on

1	that, right?
2	A Yes.
3	Q AP-13, Week 1 covered the period from August 15th
4	through the 21st, is that correct?
5	A Yes, it is correct.
6	Q Could you look at the last page of Library
7	Reference 23.
8	MR. HOLLIES: Excuse me, are we referring to the
9	Library Reference or to your extract thereof?
10	MR. COSTICH: I apologize, Mr. Presiding Officer.
11	I am referring to the excerpts, the document that I passed
12	out, although in this case I think it is the same page.
13	BY MR. COSTICH:
14	Q In the first column there, do you see the date 18
15	Aug.?
16	A Yes, I do.
17	Q That is the only date within the range of AP-13,
18	Week 1, right?
19	A That's correct, yes.
20	Q One mailer submitted one job on August 18th,
21	correct?
22	A That is what is indicated, yes.
23	Q And that job contained how many pieces?
24	A It indicates 1,200 pieces.
25	Q I believe that column is actually pages.

1	A I'm sorry. Two different yes, it does. It's
2	3,000. Pardon me.
3	Q 3,000 pieces, and this is the mailing that is
4	reported in the other Library Reference as being 1,500
5	pieces, is that correct?
6	A The date indicated on this mailing would indicate
7	that it should be in that range and therefore reported on
8	that report. I can't verify that this mailing is the
9	mailing that appears on this AP report though.
10	Q Well, it would be quite a coincidence that it is
11	exactly double, wouldn't you say?
12	A Yes.
13	Q And would you consider this an anomaly?
14	A I would consider this an anomaly, yes.
15	Q Do you know what caused it?
16	A I do not.
17	Q Is there any way to find out?
18	A If we go to the source data, I think that we can
19	make a try at it, yes.
20	Q Well, earlier when I was talking about the mail
21	merge, non-mail merge proportions, you seemed to indicate
22	that you had some knowledge of what could be done to correct
23	that. Did I misunderstand you?
24	A Mail merge proportions? You mean the reporting on
25	this report?

1	Q Yes, the LR-24 reports.
2	A Yes, that is correct.
3	Q Did you acquire that after Mr. Wiggins
4	cross-examined you?
5	A No, I didn't.
6	Q Perhaps I misunderstood when you were being
7	cross-examined by Mr. Wiggins, but it seemed at that point
8	that you didn't know why that data had stopped being
9	reported and didn't know when it would be reported. Was
10	that correct?
11	A No. It is correct that I didn't know why it
12	wasn't being reported, but I wasn't asked when it would be
13	reported by Mr. Wiggins.
14	Q So you haven't acquired any new information about
15	these reports since Mr. Wiggins cross-examined you.
16	A That is correct.
17	Q Could you look back at the AP13 week 1 page in
18	LR-24?
19	A Yes, I have it.
20	Q And under the area for AP13 to date, the left-hand
21	columns, do you see the column entitled "Jobs"?
22	A Yes.
23	Q And it shows one job.
24	A Yes.
25	Q And if you would look on the next page, which is

- 1 week 2 of AP13, do you see that there's a number 3 in that 2 jobs column? Yes, I see that. 3 Α Can we infer that there were two jobs in week 2? 4 0 5 Was the question can we infer that there were two 6 jobs in week 2? 7 0 Yes. 8 I think we could infer from the number 3 that there were three jobs in week 2. 9 10 Well, that's AP13 to date; is that correct? would include both weeks 1 and 2? 11 12 Α I'm sorry. Yes, you're absolutely correct. 13 So we'd need to subtract 1 from 3 and get 2? 14 Α Yes. Now could you look over in the area for year to 15 16 date in week 2, and under jobs do you see the number 100? 17 Α I do; yes. And now if you'd look back to week 1 in year to 18 Q date, do you see the number 94 under jobs? 19 Α Yes, I do.
- 20
- 21 Q Does that tell us there were six jobs in week 2?
- 22 It tells us that the system evidently thinks that
- when it generates this report, or the keyer made some 23
- 24 mistake. Yes, there's an anomaly there.
- Do you know what might have caused that other than 25

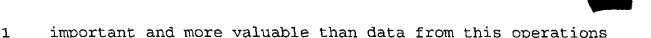
1 a	keying	mistake?
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- 2 A I'm sorry, I can't conjecture on that.
- 3 Q When you were here before, we had a discussion
- 4 about these reports, and I think you tried to explain how
- 5 they're generated. Is it correct that a lot of data is sent
- 6 to Price Waterhouse and they somehow boil it down into these
- 7 reports?
- 8 A That is correct; yes.
- 9 Q Does it actually involve manual rekeying of data?
- 10 A In some instances it does; yes. Much of the data
- arrives as data sets, which some of them can be manipulated,
- 12 but others have to be rekeyed.
- 13 O AP13, week 2. That was also the week that
- 14 generated the 55-cent mailing; is that correct?
- 15 A Yes.
- 16 Q How long have you been aware of that 55-cent
- 17 mailing?
- 18 A It was reported by Price Waterhouse as soon as
- 19 they discovered it. However, we think, and this is part of
- 20 what we're doing to correct the problems that we know are
- inherent in these reports, we think that what's happened
- here is that the volume of a submitted mailing, actually a
- 23 nonsubmitted mailing, I would say, has been reported as
- 24 being mailed volume when in fact what the customer requested
- 25 and received was a mailed-back proof.

1	In going through the system the customer is given
2	the option of requesting a faxed-back or a mailed-back proof
3	prior to actually authorizing their mailing. That step that
4	they take, authorizing that proof copy to come back,
5	actually truncates the mailing process. They do not
6	actually mail out anything at that point except the one
7	proof copy, which is mailed back to them. It would appear
8	that the system here picked it up as a live mailing, even
9	though it wasn't completed at that time.
10	Q So you've got 1,230 pieces showing up here that
11	you think show up later as well?
12	A It's possible that the customer came back and
13	completed the mailing after receiving the proof; yes.
14	Q In a different week.
15	A Yes.
16	Q I don't think I got an exact answer to my question
17	as to how long you have know about this particular problem.
18	A I can't say precisely but some number of weeks
19	anyway.
20	Q Would it be fair to say that Price Waterhouse has
21	been going over this report with a fine tooth comb?
22	A I would say, no, it is not fair to say that. I
23	would say that Price Waterhouse, as well as the system
24	developer, have been focusing on getting prepared to report

25

data from the market test, which we feel substantially more



- 2 test.
- 3 Q Would you say that the quality of these reports is
- 4 indicative of the quality of the reports that the Commission
- is going to be getting from the market test?
- 6 A I would say absolutely not.
- 7 Q And why is that?
- 8 A Two reasons. We have learned a bit about
- 9 reporting and about what the anomalies in the system are,
- and we will watch for those. We expect the system to be a
- lot more stable and to not have not periods when it doesn't
- 12 produce the data that it should. And, lastly, we are going
- 13 to be looking at it a lot more closely. This data was,
- 14 frankly, given the number of users and the number of
- mailings and that sort of thing, was not all that useful to
- 16 us.
- 17 Q The data that you have provided in these two
- 18 Library References goes through October 2nd, is that
- 19 correct?
- 20 A Yes.
- 21 Q That was seven weeks ago?
- 22 A Yes.
- 23 Q Is there any more data from the operations test
- that you could be providing?
- 25 A No, the operations test was ended on September

1	30th.			
2	Q So we have got a gap of a month where no tests			
3	were going on?			
4	A That is correct.			
5	Q No mailings were accepted?			
6	A No mailings were accepted.			
7	Q And things started up again on October 30th?			
8	A That is correct.			
9	Q So you have got at least several weeks' worth of			
10	data from the market test now, is that correct?			
11	A Yes.			
12	Q And where in the process of reporting that data			
13	are you?			
14	A We are in the process of refining that data, and I			
15	expect we will be able to report it, the first week of it			
16	anyway, by the end of next week.			
17	Q So it is about a four-week gap?			
18	A For this first week of the reporting, yes.			
19	Q You are hoping to speed that up, I take it?			
20	A Not only hoping, I am expecting.			
21	Q Yesterday, your counsel indicated that depth of			
22	sort data might be generated starting the first week in			
23	December. Do you recall that statement?			
24	A I am sorry, I don't remember the context of that			
25	at a transmit			

25 statement.

Tou have a citation to transcript page 900, line 1 2 13. 3 MR. HOLLIES: Excuse me. Could you ask counsel to 4 check that site? I don't think we have a Volume 13. 5 COMMISSIONER GOLDWAY: Line 13. 6 MR. COSTICH: Line 13 is what I should have said. 7 I apologize. 8 COMMISSIONER LeBLANC: If you could, Mr. Costich, 9 it would probably help matters if you could give the -- is 10 there a need to give the witness a copy of that so he can 11 follow along, or would it help? MR. COSTICH: Well, I guess what I am really 12 13 interested in is the witness' own understanding of when 14 depth of sort data will become available. 15 THE WITNESS: Well, as I have indicated, the 16 reports that come along with the mailing statements, the 17 qualification reports, have depth of sort information on 18 What we are expecting on December 6th is that the them. current system modification to allow the Mail.Dat report and 19 20 to modify the Postal Soft report templates, which will correct some problems we have got now, will allow the proper 21 reporting of depth of sort information, to the extent that 22 we can provide it and, as I have also indicated, we will be 23 24 looking at the Mail.Dat file to see if we can do anything 25 else with that.

2 Is that data going to go to a contractor? Q The Mail.Dat data? 3 Α Yes. It's getting late. 5 Yes. Α 6 So on December 6th, you are going to make the 7 change, is that correct? 8 Α December -- I won't go into the whole subsequent 9 of events, but any change to this production level system 10 that we are running, by our internal requirements, has to go through a process with a set of testing steps and 11 12 verification steps to make sure it is not adversely impacting the operation of the rest of the system. I think 13 December 6th is the date on which we hope to have those 14 tests completed and the actual implementation of the changes 15 take effect. 16 17 0 So data would start to flow at that point? Yes, and that would be the time at which we would 18 Α hope to have retrospective data from the beginning of the 19 market test available as well. 20 So once you revise the software, you are going to 21 be able go back and get depth of sort data for the whole 22 market test? 23 24 Α We hope so.

BY MR. COSTICH:

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If the data do start to flow on December 6th, you

1	will get a week's worth around the 13th, is that correct?
2	A I don't know what you mean by that.
3	Q Let's think only about prospective data, not data
4	from earlier in the market test. If you start collecting
5	data on the 6th, on the 13th, you will have a week's worth
6	of new data, is that correct?
7	A Oh, we will have collected, yes. The data comes
8	in dribs and drabs, shall we say, from different sources,
9	and we are collecting it, and we would have at that point a
LO	week's worth of collected data, yes.
11	Q And would you be giving it to your contractor at
12	that point?
L3	A Some of it, and the Mail.Dat is an example of
14	this. We hope it will be able to be electronically
15	transferred to the contractor on a daily basis. But they
16	will have collected at the end of that week, a week's worth
L7	of those files, yes.
18	Q How long after the contractor gets ahold of it
19	could it be reported to the Commission?
20	A I am hoping that the contractor has done enough
21	advance work that they will be able to give us the data, as
22	required, on a weekly basis with a week turnaround. That i

my expectation and I am not sure that in the first week we

So sometime around Christmas the Commission might

will have that, but that would be my goal.

23

24

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Q

1	600	that	data?
		1 1101	ualar

- 2 A Well, as I said, I would hope that on December
- 3 13th we would have that first week collected and reported,
- 4 if everything is working correctly.
- 5 Q Would your experience suggest that it might take a
- 6 little longer to get this data flowing?
- 7 A Experience would suggest that things are not
- 8 always as they are expected to be, yes.
- 9 Q Could you turn to your response to Interrogatory
- 10 OCA/USPS-T1-63, Part (c).
- 11 A Okay. —W
- 12 Q W= are at T1-63 --
- 13 A Yes.
- 14 Q Part (c). Here you say that an MOL customer is
- shown both a printing charge for his job and a postage
- charge for the job and then a total charge, is that correct?
- 17 A That is correct.
- 18 Q Is this so the customer can see what a great deal
- 19 the Postal Service is giving on the postage?
- 20 A No. It was intended to fully inform the customer
- 21 about the charges that were being charged to them.
- Q Well, why would the customer care how much was
- 23 printing and how much was postage?
- 24 A Well, given that they are able to select different
- 25 finishing options, they are able to go through a menuing

- process of selecting and deselecting different options so 1 that if for instance highlight color is more expensive than 2 3 they are willing to pay, they can deselect that and see a 4 different price for the printing. 5 If they choose some finishing option like binding 6 that they discover is more expensive than they wanted, they can lower the printing price but it doesn't affect the 7 8 postage price. 9 So they would see the same change in the total 0 charge that they see in the printing charge, right? 10 11 Α If they were given a total price, yes, they would see the same absolute change. 12 13 0 I am still a little puzzled. Well, I think the issue is fully informing the 14 15 customer about what they are paying for and it -- I can say 16 that this was a matter of some discussion in the system 17 design, and the consensus was -- it wasn't just my 18 decision -- the consensus was that the customer should be 19 fully informed about what they are doing, and that is the 20 route we chose.
- Q It wasn't just to let the customer know what a great deal he was getting?
- 23 A No, it was not.
- Q Could you look at your response to Interrogatory
 MASA/USPS-T1-20.

1	A Yes, I have it.			
2	Q Could you look at Part B of your response?			
3	A Yes.			
4	Q You say that a pre-certification process has begun			
5	for the next three printer contracts, is that correct?			
6	A Yes.			
7	Q Could you describe that process in a little more			
8	detail?			
9	A Certainly. It's a standard process that the			
10	Postal Service Purchasing Group goes through and it involves			
11	notifying the universe, as it were, of providers of the			
12	services that we are looking for that we are in fact			
13	searching for qualified providers and giving a set of basic			
14	qualifications of what those service providers will be			
15	expected to either do or be to qualify to submit a proposal.			
16	Those prequalification submittals are then			
17	evaluated on the merits of what they submit and a list			
18	emerges of suppliers who have proved that they can in fact			
19	provide the services that we need.			
20	It simplifies and makes more efficient the			
21	purchasing process.			
22	Q Now has that process been completed, the			
23	pre-certification process?			
24	A It has not.			
25	Q In the last sentence of your response here, you			



- say that proposals will be solicited in the near future, is
- 2 that correct?
- 3 A Yes.
- 4 Q But the proposals aren't going to be solicited
- 5 until the pre-certification process is completed?
- 6 A That is correct, yes.
- 7 Q Do you have any sense of how long it is going to
- 8 be before the pre-certification process is complete?
- 9 A Well, it begins -- the actual processing begins on
- Monday and I expect it to be completed within a week or week
- 11 and a half.
- 12 Q And once that process is complete, how long before
- 13 solicitation goes out?
- 14 A Well, it could go out almost immediately. I don't
- know that it will because of the Christmas holidays but the
- 16 template that we have, which was used for the acquisition of
- 17 the print services currently being used in the Boston area
- is what we intend to use for this one, so it is all ready to
- 19 go.
- 20 Q And once the solicitation goes out, how long do
- 21 the contractors have to respond?
- 22 A I'm sorry, I don't know the answer to that
- 23 question.
- 24 Q More than a day?
- 25 A Yes. Absolutely more than a day.

1	

1	Q More than a week?
2	A Yes, more than a week.
3	COMMISSIONER LeBLANC: Excuse me, Mr. Costich.
4	We're right about that six o'clock bewitching hour, as they
5	say.
6	Where are you as far as being able to find a
7	position that it might be advantageous for waiting 'til
8	tomorrow?
9	MR. COSTICH: Could I just finish this line of
10	questions?
11	COMMISSIONER LeBLANC: By all means.
12	MR. COSTICH: It should take about two minutes.
13	COMMISSIONER LeBLANC: Thank you.
14	MR. COSTICH: I hope.
15	Q We have gotten up to the point where the
16	contractors make their submissions to the Postal Service.
17	Do you have any sense of how long it would take the Postal
18	Service to evaluate the submissions and award contracts?
19	A I do have a sense, having been involved in a
20	couple of those, and it can take anywhere from two weeks to
21	several months, depending upon how focused and expedited the
22	effort is.
23	Q You're going to be focusing and expediting this
24	effort, aren't you?
25	A Indeed we are; yes.



But we're talking about sometime next year before 1 0 2 these contracts are awarded, aren't we? Α 3 Yes. The second print site is supposed to go on line 4 0 December 7; is that correct? 5 6 According to the original schedule that we had, 7 yes, that was the expected date of acquisition for the 8 second print site. 9 So that schedule has slipped a little? Quite a bit, I'd say. 10 Α 11 Can you quantify "quite a bit"? 12 Well, as you mentioned, it will be next year 13 before we can have even a second or even all three 14 operational. I think the realization that came to us was that during the market test, it's unlikely that we would 15 16 need the additional capacity, and therefore the expedited 17 nature of what we were trying to do relaxed a bit. 18 MR. COSTICH: This is a good place to stop, Mr. Presiding Officer. 19 20 COMMISSIONER LeBLANC: Thank you, Mr. Costich. 21 Thank you, Mr. Garvey. This looks like as Mr. Costich says a good place 22 to stop for this evening. We will resume tomorrow at 9:30 23 a.m. with further cross-examination for you, Mr. Garvey. 24

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Until then, this hearing is in recess. Thank you very much.

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Т	[whereupon, at 6:03 p.m., the hearing was					
2	recessed,	to reconve	ne at 9:30 a.m	., Friday,	November	20,
3	1998.]					
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