

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
TO QUESTION POSED BY PITNEY BOWES
AT THE HEARING ON NOVEMBER 18, 1998

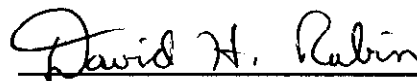
The United States Postal Service hereby provides the response of witness Plunkett to a question posed by Pitney Bowes at the hearing on November 18, 1998. The question is paraphrased and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

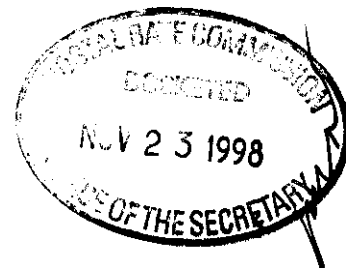
By its attorneys:

Daniel J. Foucheaux, Jr.
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November 23, 1998



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
TO QUESTION POSED BY PITNEY BOWES AT THE HEARING ON
NOVEMBER 18, 1998

Question (Tr. 5/1169-70):

Counsel for Pitney Bowes requested a correction to witness Plunkett's attachment to the response to OCA/USPS-T5-37.

Response:

Attached is a corrected attachment to OCA/USPS-T5-37. The original attachment inadvertently contained an extraneous digit in one of the volume numbers (11X17 volumes for 1999) that resulted in an overstatement of volumes and revenues. I would also point out that while my attachment refers to volume estimates contained in the testimony of witness Seckar (Ex. USPS-2A, Table 4), I do not employ witness Seckar's assumption that customers who would have preferred to print 11X17 spot color documents will instead print 8.5X14 color documents.(See Tr. 5/1058-1059.)

Mailing Online Volumes 1999-2003

			1999	2000	2001	2002	2003	1999-2000
Paper			<i>Note:</i>					
(1)	8½ x 11 Sheets	Source: Ex. USPS-2A, Table 4	974,425,778	1,700,634,620	2,651,498,717	3,716,985,760	4,341,778,237	2,675,060,398
(2)	8½ x 14 Sheets	Source: Ex. USPS-2A, Table 4	108,818,496	189,917,493	296,104,750	415,092,464	484,865,842	298,735,989
(3)	11 x 17 Sheets	Source: Ex. USPS-2A, Table 4	<u>152,049,453</u>	<u>265,367,121</u>	<u>413,740,007</u>	<u>579,998,665</u>	<u>677,491,318</u>	<u>417,416,574</u>
(4)	Total Sheets	[(1)+(2)+(3)]	1,235,293,727	2,155,919,234	3,361,343,474	4,712,076,889	5,504,135,397	3,391,212,961
Impressions								
(5)	Black & White Impressions	Source: Ex. USPS-2A, Table 4	1,170,399,332	2,042,661,091	3,184,760,088	4,464,534,649	5,214,983,493	3,213,060,424
(6)	Color Impressions	Source: Ex. USPS-2A, Table 4	<u>834,902,418</u>	<u>1,457,128,894</u>	<u>2,271,843,315</u>	<u>3,184,768,371</u>	<u>3,720,099,806</u>	<u>2,292,031,313</u>
(7)	Total Impressions	[(5)+(6)]	2,005,301,751	3,499,789,986	5,456,603,403	7,649,303,019	8,935,083,299	5,505,091,736
Envelopes								
(8)	8.5/11<6 Sheets	Source: Ex. USPS-2A, Table 3	194,122,428	338,795,759	528,224,294	740,487,695	864,957,137	532,918,187
(9)	8.5/14<5 Sheets	Source: Ex. USPS-2A, Table 3	20,442,540	35,677,721	55,625,960	77,978,879	91,086,440	56,120,261
(10)	11/17<3 Sheets	Source: Ex. USPS-2A, Table 3	<u>24,680,375</u>	<u>43,073,881</u>	<u>67,157,483</u>	<u>94,144,268</u>	<u>109,969,088</u>	<u>67,754,256</u>
(11)	Total No. 10 Envelopes	[(8)+(9)+(10)]	239,245,343	417,547,361	651,007,737	912,610,842	1,066,012,665	656,792,704
(12)	8.5/11>5 Sheets	Source: Ex. USPS-2A, Table 3	39,104,387	68,247,653	106,406,493	149,165,229	174,238,587	107,352,040
(13)	8.5/14>4 Sheets	Source: Ex. USPS-2A, Table 3	5,602,943	9,778,642	15,246,106	21,372,650	24,965,205	15,381,585
(14)	11/17>2 Sheets	Source: Ex. USPS-2A, Table 3	<u>11,712,350</u>	<u>20,441,194</u>	<u>31,870,340</u>	<u>44,677,226</u>	<u>52,187,070</u>	<u>32,153,544</u>
(15)	Total Flat Envelopes	[(12)+(13)+(14)]	56,419,680	98,467,489	153,522,939	215,215,105	251,390,862	154,887,169
Folding								
(16)	8.5/11 Letters	=2*(8)	388,244,856	677,591,517	1,056,448,587	1,480,975,390	1,729,914,273	1,065,836,373
(17)	8.5/14 Letters	=2*(9)	40,885,080	71,355,442	111,251,920	155,957,758	182,172,880	112,240,522
(18)	11/17 Letters	=3*(10)	<u>74,041,125</u>	<u>129,221,643</u>	<u>201,472,449</u>	<u>282,432,804</u>	<u>329,907,264</u>	<u>203,262,768</u>
(19)	Subtotal - Letter Folds	[(16)+(17)+(18)]	503,171,061	878,168,602	1,369,172,956	1,919,365,952	2,241,994,417	1,381,339,663
(20)	8.5/11 Flats	=0*(12)	-	-	-	-	-	0
(21)	8.5/14 Flats	=1*(13)	5,602,943	9,778,642	15,246,106	21,372,650	24,965,205	15,381,585
(22)	11/17 Flats	=1*(14)	<u>11,712,350</u>	<u>20,441,194</u>	<u>31,870,340</u>	<u>44,677,226</u>	<u>52,187,070</u>	<u>32,153,544</u>
(23)	Subtotal - Flat Folds	[(20)+(21)+(22)]	<u>17,315,293</u>	<u>30,219,836</u>	<u>47,116,446</u>	<u>66,049,876</u>	<u>77,152,275</u>	<u>47,535,129</u>
(24)	Total Folds	[(19)+(23)]	520,486,354	908,388,438	1,416,289,402	1,985,415,828	2,319,146,692	1,428,874,792
Finishing Options								
Staples								
(25)	8.5/11 (2-15 Pages)	Assumes that 50% of documents between 2-15 pages are stapled	68,849,610	120,161,055	187,345,877	262,629,565	306,775,275	189,010,665
(26)	8.5/11 (More than 15 pages)	Assumes that 75% of documents longer than 15 pages are stapled	12,333,101	21,524,573	33,559,459	47,045,103	54,952,970	33,857,674
(27)	8.5/14 (2-48 Pages)	documents longer than 15 pages are stapled	9,525,134	16,623,918	25,918,735	36,334,004	42,441,429	26,149,052
(28)	8.5/17	No stapling of 11/17 documents	0	0	0	0	0	0
(29)	Total	[(25)+(26)+(27)+(28)]	90,707,846	158,309,546	246,824,070	346,008,671	404,169,674	249,017,391
Saddle Stitching								
(30)	8½ x 11	No saddle stitching	0	0	0	0	0	0
(31)	8½ x 14	No saddle stitching	0	0	0	0	0	0
(32)	11 x 17	Assumes 75% of documents longer than 15 pages are saddle stitched	<u>1,924,457</u>	<u>3,358,695</u>	<u>5,236,620</u>	<u>7,340,921</u>	<u>8,574,864</u>	<u>5,283,152</u>
(33)	Total	[(30)+(31)+(32)]	1,924,457	3,358,695	5,236,620	7,340,921	8,574,864	26,435,557
Tape Binding								
(34)	8½ x 11	25 % of documents longer than 15 pages	4,111,034	7,174,858	11,186,486	15,681,701	18,317,657	11,285,891
(35)	8½ x 14	No tape binding	0	0	0	0	0	0
(36)	11 x 17	No tape binding	0	0	0	0	0	0
(37)	Total	[(34)+(35)+(36)]	4,111,034	7,174,858	11,186,486	15,681,701	18,317,657	11,285,891

MAILING ONLINE MARKET TEST UNIT COSTS

Feature		Contract		
Paper (per sheet)		Cost	IS Cost	Total Cost
(a)	8½ x 11	\$ 0.0047	\$ -	\$ 0.0047
(b)	8½ x 14	0.0068	0	0.0068
(c)	11 x 17	0.0108	0	0.0108
Printing (per impression)				
(d)	Simplex (8½ x 11)	0.0207	0.001	0.0217
(e)	Simplex (8½ x 14)	0.0207	0.001	0.0217
(f)	Duplex (8½ x 11)	0.0207	0.001	0.0217
(g)	Duplex (8½ x 14)	0.0207	0.001	0.0217
(h)	Spot Color (per impression)	0.0100	0	0.0100
Finishing				
(i)	Folding (per fold)	0.0100	0	0.0100
(j)	Stapling (per staple)	0.0080	0	0.0080
(k)	Saddle Stitch (per finished piece)	0.2000	0	0.2000
(l)	Tape Binding (8½ x 11) (per finished piece)	0.4500	0	0.4500
(m)	Tape Binding (8½ x 14) (per finished piece)	0.5500	0	0.5500
(n)	Applying Tabs to Self Mailer	0.0700	0	0.0700
Envelopes				
(o)	#10 envelope	0.0150	0	0.0150
(p)	Flat envelope	0.0540	0	0.0540
Inserting (per envelope)				
(q)	#10 envelope	0.0136	0	0.0136
(r)	Flat envelope	0.1550	0	0.1550

**Mailing Online Costs & Non-Postage Revenues
1999-2003**

	1999	2000	2001	2002	2003	1999-2000
Paper Costs						
(1) 8 1/2 x 11 Sheets	4,579,801	7,992,983	12,462,044	17,469,833	20,406,358	12,572,784
(2) 8 1/2 x 14 Sheets	739,966	1,291,439	2,013,512	2,822,629	3,297,088	2,031,405
(3) 11 x 17 Sheets	1,642,134	2,865,965	4,468,392	6,263,986	7,316,906	4,508,099
(4) Total Paper Costs	\$ 6,961,901	\$ 12,150,387	\$ 18,943,948	\$ 26,556,447	\$ 31,020,352	\$ 19,112,288
Impression Costs						
(5) Black & White Impressions	25,397,666	44,325,746	69,109,294	96,880,402	113,165,142	69,723,411
(6) Color Impressions	26,466,407	46,190,986	72,017,433	100,957,157	117,927,164	72,657,393
(7) Total Impression Costs	\$ 51,864,072	\$ 90,516,732	\$ 141,126,727	\$ 197,837,559	\$ 231,092,306	\$ 142,380,804
Envelope Costs						
(8) Letters 8.5/11-6 Sheets	2,911,836	5,081,936	7,923,364	11,107,315	12,974,357	7,993,773
(9) 8.5/14-5 Sheets	306,638	535,166	834,389	1,169,663	1,366,297	841,804
(10) 11/17-3 Sheets	370,206	646,108	1,007,362	1,412,164	1,649,536	1,016,314
(11) Total Letters	\$ 3,588,680	\$ 6,263,210	\$ 9,765,116	\$ 13,689,163	\$ 15,990,190	\$ 9,851,891
(12) Letter Insertion Costs	3,253,737	5,678,644	8,853,705	12,411,507	14,497,772	8,932,381
(13) Flats 8.5/11-5 Sheets	6,061,180	10,578,386	16,493,006	23,120,610	27,006,981	16,639,566
(14) 8.5/14-4 Sheets	868,456	1,515,690	2,363,146	3,312,761	3,869,607	2,384,146
(15) 11/17-2 Sheets	1,815,414	3,168,385	4,939,903	6,924,970	8,088,996	4,983,799
(16) Total Flats	\$ 8,745,050	\$ 15,262,461	\$ 23,796,055	\$ 33,358,341	\$ 38,965,584	\$ 24,007,511
(17) Flat Insertion Costs	3,046,663	5,317,244	8,290,239	11,621,616	13,575,107	8,363,907
(18) Total Envelope & Insertion Costs	\$ 18,634,130	\$ 32,521,560	\$ 50,705,115	\$ 71,080,627	\$ 83,028,652	\$ 51,155,690
Folding Costs						
(19) 8.5/11 Letters	3,882,449	6,775,915	10,564,486	14,809,754	17,299,143	10,658,364
(20) 8.5/14 Letters	408,851	713,554	1,112,519	1,559,578	1,821,729	1,122,405
(21) 11/17 Letters	740,411	1,292,216	2,014,724	2,824,328	3,299,073	2,032,628
(22) 8.5/11 Flats						0
(23) 8.5/14 Flats	56,029	97,786	152,461	213,727	249,652	153,816
(24) 11/17 Flats	117,124	204,412	318,703	446,772	521,871	321,535
(25) Total Folding Costs	\$ 5,204,864	\$ 9,083,884	\$ 14,162,894	\$ 19,854,158	\$ 23,191,467	\$ 14,288,748
Finishing Options						
(26) Stapling	725,663	1,266,476	1,974,593	2,768,069	3,233,357	1,992,139
(27) Saddle Stitching	384,891	671,739	1,047,324	1,468,184	1,714,973	1,056,630
(28) Tape Binding	1,849,965	3,228,686	5,033,919	7,056,765	8,242,945	5,078,651
(29) Total Finishing Costs	\$ 2,960,519	\$ 5,166,901	\$ 8,055,835	\$ 11,293,019	\$ 13,191,276	\$ 8,127,421
(30) Total Costs	\$ 85,625,486	\$ 149,439,463	\$ 232,994,520	\$ 326,621,811	\$ 381,524,052	\$ 235,064,949
(31) Revenues	\$ 107,031,858	\$ 186,799,329	\$ 291,243,150	\$ 408,277,264	\$ 476,905,065	\$ 293,831,187
(32) Net Contribution	\$ 21,406,372	\$ 37,359,866	\$ 58,248,630	\$ 81,655,453	\$ 95,381,013	\$ 58,766,237

Note:

Unit Cost (Line a) * Volumes (Line 1)
Unit Cost (Line b) * Volumes (Line 2)
Unit Cost (Line c) * Volumes (Line 3)
[(1)+(2)+(3)]

Unit Cost (Line d) * Volumes (Line 5)
Unit Cost (Line d * Line h) * Volumes (Line 6)
[(5)+(6)]

Unit Cost (Line o) * Volumes (Line 8)
Unit Cost (Line o) * Volumes (Line 9)
Unit Cost (Line o) * Volumes (Line 10)
[(8)+(9)+(10)]

Unit Cost (Line q) * Volumes (Line 11)
Unit Cost (Line p) * Volumes (Line 12)
Unit Cost (Line p) * Volumes (Line 13)
Unit Cost (Line p) * Volumes (Line 14)
[(8)+(9)+(10)]

Unit Cost (Line r) * Volumes (Line 15)
[(11)+(12)+(13)+(14)+(15)]

Unit Cost (Line i) * Volumes (Line 16)
Unit Cost (Line i) * Volumes (Line 17)
Unit Cost (Line i) * Volumes (Line 18)

Unit Cost (Line i) * Volumes (Line 20)
Unit Cost (Line i) * Volumes (Line 21)
Unit Cost (Line i) * Volumes (Line 22)
[(19)+(20)+(21)+(22)+(23)+(24)]

Unit Cost (Line j) * Volumes (Line 29)
Unit Cost (Line k) * Volumes (Line 33)
Unit Cost (Line l) * Volumes (Line 37)
[(26)+(27)+(28)]

[(4)+(7)+(18)+(25)+(29)]
=(30)*1.25
=(31)-(30)

DECLARATION

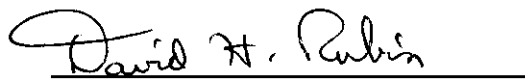
I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Michael K. Plunkett

Dated: 11/23/98

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script that reads "David H. Rubin". The signature is written in black ink and is positioned above a solid horizontal line.

David H. Rubin

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