

ORIGINAL

PRESIDING OFFICER'S
RULING NO. MC98-1/22

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Mailing Online Service

Docket No. MC98-1

PRESIDING OFFICER'S RULING GRANTING
IN PART OCA MOTION TO COMPEL RESPONSE
TO OCA/USPS-ST-9

(February 4, 1999)

On January 25, 1999, the OCA served interrogatory OCA/USPS-ST9-3 on Postal Service witness Lim. Witness Lim responded on February 1, 1999. On February 3, 1999, the OCA filed its Motion of the Office of the Consumer Advocate to Compel Witness Lim to be Prepared to Answer Interrogatory OCA/USPS-ST9-3 at the February 5, 1999, Hearing (Motion).

PostOffice Online (POL) is a web-based special service that has two basic components. One allows customers to price and track Priority Mail and Express Mail online. This component is called Shipping Online (SOL). The other is intended to allow customers to purchase and send First-Class and Standard A mail online through the POL website. This component is called Mailing Online (MOL). In his testimony (USPS-ST-9), witness Lim describes the five-stage method that he used to estimate the information technology costs of Mailing Online (MOL). OCA/USPS-ST9-3 asks witness Lim to comprehensively allocate all POL costs to POL, MOL, and SOL by that five-step method. Part "g." of the interrogatory appears to ask him to make an allocation of the costs of each of these services to the subclasses that benefit from them. Witness Lim responded that his methodology



does not require analysis of POL or SOL costs. I only examine costs affected by the existence of the MOL program. Throughout my testimony, detailed information and costs are provided only for areas affected by the existence of MOL.

The OCA complains that witness Lim must have calculated all POL costs in detail in the course of calculating the information technology costs of MOL. It asserts that not providing these calculations amounts to “withholding information on key portions of the cost estimation process,” because it forecloses any examination of the first two stages of witness Lim’s method for estimating the information technology costs of Mailing Online (MOL). The OCA assumes that in the first stage of witness Lim’s procedures, “the various costs of POL [PostOffice Online] have been identified and aggregated to produce the total costs of POL” and that in the next stage of his procedure “total POL costs are separated into MOL-affected and non-MOL-affected.” Motion at 2.

The OCA appears to read more into witness Lim’s description of his method than is actually there. As described by witness Lim,

the first step is to look at the complete POL system (Step 1) and ask the question “What areas are affected by the existence of the MOL program (Step 2)?” This resulted in the identification of two major areas, the areas that are specific to MOL and those that are shared. The functional components specific to MOL were identified . . . and all those costs were included in the MOL system cost (Step 3).”

Read carefully, witness Lim’s testimony describes a process in which he examined the complete POL system to determine which of its *functions* were affected by MOL. He then projected what the costs of those functional components would be in the experiment phase in detail, without projecting the costs of non-MOL related functional components. His method appears to estimate unit costs for each cost component that contributes to an MOL-related function, multiply it by projected volumes, and aggregate the results to obtain total MOL costs. The OCA’s interrogatory assumes that after witness Lim analyzed all POL functions to determine which were relevant to MOL, he

"must have" identified and projected all POL costs elements in detail, whether or not they were related to MOL. Motion at 1-2.

Having assumed that witness Lim performed a comprehensive analysis of POL costs, including those not functionally related to MOL, and having assumed that witness Lim is withholding the details of that analysis, the OCA compares witness Lim's response to the Postal Service's refusal in recent omnibus rate cases to provide the detail underlying its cost estimates for international mail. Motion at 2-3. The issues in these two discovery disputes, however, are not comparable. In the international mail dispute, the Postal Service did not assert that it had not made comprehensive and detailed estimates of the costs of its various international mail services, it alleged that such detail need not be provided to the Commission on jurisdictional grounds. Here, witness Lim is not taking the position that the detailed calculations underlying his MOL cost estimate may be withheld because they are irrelevant for jurisdictional or other reasons, he is asserting that he did not estimate the costs of functional components of POL that he concluded were not related to MOL.

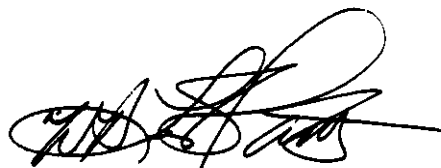
If there were a comprehensive set of historical accounting costs for POL, it might be plausible for the OCA to argue that witness Lim must have started with them, and allocated them as far as possible to POL and each of its constituent services, as the Postal Service customarily attributes traditional cost components to established subclasses. But POL is a new program that is not yet fully implemented. It is therefore reasonable to take witness Lim's representations at face value — that he estimated unit costs only of POL's functional components that are relevant to MOL. Under these circumstances, witness Lim will not be required to provide calculations of non-MOL related costs that were not part of his method, and that he did not make. Insofar as interrogatory OCA/USPS-ST9-3 asks for such calculations, the OCA's motion to compel is denied.

Witness Lim's response to OCA/USPS-ST9-3, however, does not appear to fully describe the method that he did apply. He describes Stages 1 and 2 as an examination

of the complete POL system to distinguish between those functional components that are affected by the existence of MOL and those that are not. His testimony provides a list of detailed functional components that he concludes are related to MOL (USPS-ST9 at 4). Yet his testimony generally does not discuss which specific functional components of POL were determined not to relate to MOL, and why.¹ To the extent that witness Lim's responses to OCA/USPS-T9-3 parts "a." and "b." fail to comprehensively describe the functional components of POL that were determined not to relate to MOL and why they were determined not to relate to MOL, the OCA's motion to compel is granted. Witness Lim is directed to be prepared to comprehensively describe all functional components of POL that he concludes are not related to MOL and the reasons for those conclusions at the hearings on February 5, 1999.

RULING

1. The Motion of the Office of the Consumer Advocate to Compel Witness Lim to be Prepared to Answer Interrogatory OCA/USPS-ST9-3 at the February 5, 1999, Hearing, filed February 3, 1999, is granted with respect to OCA/USPS-ST9-3 parts "a." and "b." to the extent described in the body of this ruling. Otherwise, the motion is denied.



W.H. "Trey" LeBlanc III
Presiding Officer

¹ It appears that his testimony mentions only two of POL's functional components that appear not to be related to MOL. At page 5 he concludes that "two of the four web servers were incorporated into the design strictly due to the requirements of POL." At page 11, he concludes that one of four distinct "system environments" (Greenbelt, Maryland) is being used specifically for development of POL, and its costs should be excluded from his MOL cost estimates.