

ORIGINAL

Official Transcript of Proceedings

Before the

UNITED STATES POSTAL RATE COMMISSION

In the Matter of: MAILING ONLINE SERVICE

Docket No. MC98-1

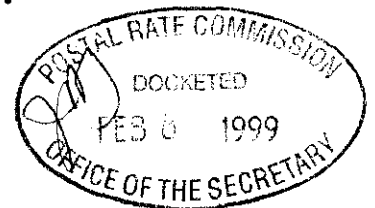
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DATE: Friday, February 5, 1999

PLACE: Washington, D.C.

PAGES: 1744 - 2036

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BEFORE THE

POSTAL RATE COMMISSION

- - - - - X

In the Matter of: : Docket No. MC98-1

MAILING ONLINE SERVICE :
- - - - - X

Third Floor Hearing Room
Postal Rate Commission
1333 H Street, N.W.
Washington, D.C. 20268

Friday, February 5, 1999

The above matter came on for hearing, pursuant to
notice, at 9:28 a.m.

BEFORE: EDWARD J. GLEIMAN, Chairman
W. H. "TREY" LeBLANC, III, Commissioner
DANA COVINGTON, Commissioner
GEORGE OMAS, Commissioner
RUTH GOLDMAN, Commissioner

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C O N T E N T S					
	WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
3	MICHAEL K. PLUNKETT				
4	BY MS. DREIFUSS		1793/1831		
5	BY MR. WIGGINS		1802		
6	PAUL SECKAR				
7	BY MR. WIGGINS		1884/1891		
8	BY MS. DREIFUSS		1889		
9	CHONG BUM LIM				
10	BY MR. HOLLIES	1898		2028/2033	
11	BY MS. DREIFUSS		1932		
12	BY MR. WIGGINS		1989		2030
13					
14					
15	DOCUMENTS TRANSCRIBED INTO THE RECORD:				PAGE
16	Exhibit USPS-T5, Designated Written				
17	Cross-Examination of Michael K. Plunkett				1761
18	Exhibit USPS-T2, Designated Written				
19	Cross-Examination of Paul G. Seckar				1859
20	Exhibit PB/USPS-T2-5, Additional Designated				
21	Written Cross-Examination of Paul G. Seckar				1887
22	Designation of Written Cross-Examination				
23	of Chong Bum Lim, USPS-ST-9				1901
24	Cross Examination Exhibit PB-Lim-XE-1				2023
25					

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E X H I B I T S

EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
Exhibit USPS-T5, Designated Written Cross-Examination of Michael K. Plunkett	1761	1761
Exhibit USPS-T2, Designated Written Cross-Examination of Paul G. Seckar	1859	1859
Exhibit PB/USPS-T2-5, Additional Designated Written Cross-Examination of Paul G. Seckar	1887	1887
Exhibit USPS-ST-9, Direct Testimony and exhibits of Chong Bum Lim Designation of Written Cross-Examination of Chong Bum Lim, USPS-ST-9	1899	1899
Cross Examination Exhibit PB-Lim-XE-1 Exhibits for the Direct Testimony of Chong Bum Lim	1901	1901
	2023	2023
	2035	2035

1 P R O C E E D I N G S

2 [9:28 a.m.]

3 COMMISSIONER LeBLANC: Good morning. Ladies and
4 gentlemen, I believe we'll get started. Mr. Reporter, we'll
5 go on the record.

6 As I said, good morning. The hearing will come to
7 order, and today we will resume hearings in Docket Number
8 MC98-1, considering the Postal Service request to initiate
9 Mailing Online service. Postal Service Witnesses Plunkett,
10 Seckar, and Lim -- I hope I'm pronouncing his name properly
11 -- are scheduled to appear.

12 Before we begin hearings today, I have a few
13 procedural matters to resolve, nothing unusual, as we say,
14 but participants have designated discovery responses
15 provided by witnesses who have been scheduled to appear and
16 testify today.

17 Other discovery requests have been answered by
18 witnesses who will not testify this morning and by the
19 Postal Service as an institution -- I want to make that
20 clear.

21 Additionally there may be additional responses
22 submitted after the close of today's hearings. I will allow
23 designations of Postal Service discovery responses on or
24 before March 1. We can enter that material into the record
25 before or during the March 10 hearings to receive Intervenor

1 evidence.

2 This week two motions were filed requesting the
3 opportunity to conduct oral cross-examination on specific
4 topics. First, I will address the Mail Advertising Service
5 Association International motion to conduct
6 cross-examination concerning the weekly and biweekly reports
7 of market test activity. No written responses to this
8 motion were filed.

9 Mr. Bush, your motion does not provide any
10 explanation of the type of information you were seeking.
11 Would you please elaborate on the subjects that you wish to
12 explore in cross-examination, please.

13 MR. BUSH: Good morning, Mr. Presiding Officer.

14 I think perhaps we can resolve this if I report
15 some conversations I've had with Mr. Reiter on this subject.
16 What we were interested in is there appeared to be some
17 discrepancies between certain of the data on certain of the
18 forms and other forms both internally to the biweekly report
19 and between the biweekly reports and the weekly reports.

20 Mr. Reiter has indicated that he has no objection
21 if we continue to explore that subject through written
22 cross-examination by interrogatories, and that is acceptable
23 to me. So I actually am willing to withdraw my motion at
24 this point. I think we have a resolution of it by agreement
25 with the Postal Service.

1 COMMISSIONER LeBLANC: Am I to understand also to
2 clarify the record here that there will be no
3 cross-examination this morning, or are you going to do it
4 all written?

5 MR. BUSH: There will be no cross-examination by
6 me this morning on the subject of the data reports.

7 COMMISSIONER LeBLANC: Okay. Thank you very much.

8 Mr. Hollies, that is acceptable to the Postal
9 Service then; is that right?

10 MR. HOLLIES: That's correct.

11 COMMISSIONER LeBLANC: Good.

12 Clearly it's important that the information
13 collected in the Postal Service periodic reports on Mailing
14 Online activity be understood and be part of the record for
15 our decision. Therefore, I want to make clear that I will
16 allow questions or discussions today concerning those
17 reports that we just talked about, and I direct that those
18 reports are part of the evidentiary record in this case,
19 assuming again that you want to clarify it or any particular
20 way that you want to do that. But I want to make that clear
21 today.

22 I will allow questions to clarify information
23 provided by the Postal Service in its weekly and biweekly
24 reports so long as the information does not concern the
25 identity of mailers or the content of the messages sent

1 through Mailing Online. While questions on these subjects
2 are proper, I must comment that I see no reason why these
3 questions could not have been the subject of written
4 discovery prior to these hearings, which goes to what you
5 said, Mr. Bush, a minute ago, if you'll make sure that the
6 written is taken care of.

7 Now, Mr. Bush, you may have some questions of
8 today's witnesses on these subjects. If these witnesses
9 cannot provide satisfactory answers, I will allow you to
10 submit focused -- I want to make this clear -- focused
11 discovery questions designed to clarify the information
12 provided in those reports, and I believe that's what you and
13 counsel for Postal Service have agreed upon.

14 MR. BUSH: I believe that is correct, Mr.
15 Presiding Officer.

16 COMMISSIONER LeBLANC: Okay. I want to make
17 clear, though, that I will not extend the date for
18 submitting your direct testimony. If necessary, you may
19 revise your testimony to incorporate any subsequent written
20 responses that you receive.

21 MR. BUSH: Mr. Presiding Officer, as I indicated
22 to Mr. Reiter in my conversations with him, this information
23 was not necessary for the preparation of our direct
24 testimony, and we were not intending to delay or ask for a
25 delay.

1 COMMISSIONER LeBLANC: I appreciate that. I just
2 wanted to make sure that if something came out today that
3 you understood as well my feelings on that.

4 MR. BUSH: Thank you.

5 COMMISSIONER LeBLANC: The second motion was filed
6 by the Office of the Consumer Advocate. It requested that
7 Witness Lim be instructed to appear to provide additional
8 details concerning his preparation of a response to
9 Interrogatory OCA/USPS-ST9-3.

10 Yesterday I issued Ruling Number 22, which is over
11 on the table behind the Postal Service counsel, granting
12 that motion in part and denying that motion in part. My
13 ruling was issued without benefit of responses from the
14 Postal Service or other participants in order to allow
15 Witness Lim to be prepared for questions at today's
16 hearings. Intervenors and the Office of the Consumer
17 Advocate are schedule to file the direct cases on Monday,
18 February 8, and the more loose ends we can tie up today, the
19 better it's going to be.

20 Having said that, though, the Postal Service or
21 any participant that wishes to contest that ruling, I'm
22 ready to hear your arguments at this point. So before we
23 move on, does anybody have any objections to that or any
24 comments that they want to make at this time?

25 MR. HOLLIES: I do have a comment I'd like to

1 make. We can appreciate that the Commission acted quickly
2 in light of the fact that hearings were scheduled so soon
3 after the motion. I have discussed the ruling briefly with
4 counsel for the OCA, and in substance that ruling is very
5 close to what we were going to urge orally here today. The
6 numbers the OCA apparently believed were missing are those
7 which are simply not available. That study has not been
8 done. And we believe that questioning as to how and why the
9 witness chose to quantify some things rather than others is
10 something appropriate for cross-examination today, and I
11 believe the witness will be prepared to respond to those
12 questions.

13 COMMISSIONER LeBLANC: Ms. Dreifuss, is that okay
14 with you then under the circumstances?

15 MS. DREIFUSS: I'd be of course very pleased to
16 get whatever information from Witness Lim I can today. I'm
17 concerned that the Postal Service hasn't been keeping
18 detailed records of its POL expenditures. My interpretation
19 of the Commission's opinion on the market test was that the
20 Postal Service was supposed to be keeping these records and
21 reporting them to the Commission in the event that the
22 Commission decided to give Mailing Online perhaps even a
23 share of what the Postal Service is characterizing as
24 strictly Postoffice Online costs. Now I guess at some point
25 the Commission will have to resolve OCA's understanding of

1 the opinion, but that was our understanding.

2 COMMISSIONER LeBLANC: Well, we will at a later
3 date do just that, but for the time being, unless there is a
4 major objection, Ruling Number 22 will stand as issued.

5 Now does any participant have any procedural
6 matters to raise before we begin?

7 Mr. Wiggins, did you have a --

8 MR. WIGGINS: I suppose this qualifies as
9 procedural, Mr. Presiding Officer. We had propounded in
10 Interrogatory PB/USPS-T1-1 to the Postal Service, to their
11 witness, in which --

12 COMMISSIONER LeBLANC: Which witness? Make the
13 record clear.

14 MR. WIGGINS: T1.

15 COMMISSIONER LeBLANC: Oh, T1. I'm sorry. I
16 didn't hear.

17 MR. HOLLIES: That would be Witness Garvey.

18 COMMISSIONER LeBLANC: I didn't hear that. I
19 apologize. I missed that. Go ahead.

20 MR. WIGGINS: Subpart (c) of that interrogatory
21 asked: What will be the cost to the Postal Service per
22 dollar of MOL payments received by credit card? And the
23 Postal Service, Mr. Garvey, objected on the ground of
24 confidentiality and sensitive business nature of their
25 answer.

1 Subsequently Mr. Hollies and I had conversations
2 in the course of which the Postal Service offered the
3 following stipulation in response to that question to avoid
4 the difficulty of having information submitted under seal.
5 And the stipulation is that the answer to that question is
6 not more than 3 percent. And I'd like that entered into the
7 record as though it were the interrogatory answer.

8 COMMISSIONER LeBLANC: Any objections to that, Mr.
9 Hollies?

10 MR. HOLLIES: No, that's a correct description.
11 We have agreed to stipulate that the amount paid for the
12 subject of that question is not more than 3 percent.

13 COMMISSIONER LeBLANC: Mr. Wiggins, do you want to
14 make that part of the record now, or do you want to do it --

15 MR. WIGGINS: I think the articulation that we've
16 just made --

17 COMMISSIONER LeBLANC: You don't want to make it
18 written, and this is okay as far as the articulation is
19 concerned.

20 MR. WIGGINS: It'll be in the transcript, and
21 that's good enough for me.

22 COMMISSIONER LeBLANC: That's fine. I just want
23 to make sure that that was okay with you then.

24 Are there any other procedural matters that we
25 need to cover at this time?

1 MR. HOLLIES: Perhaps an informational one. The
2 Postal Service in an attempt to simplify proceedings this
3 morning did file conforming pages of testimony and other
4 forms of mop-up yesterday. In the event that anybody has
5 not had an opportunity to see those pleadings, we have
6 placed copies on the table behind me.

7 COMMISSIONER LeBLANC: Thank you, Mr. Hollies.
8 Anyone else?

9 Okay. Moving right along, as we say then, Mr.
10 Hollies, I believe you're going to be the lead role this
11 morning; is that correct?

12 MR. HOLLIES: That is correct.

13 COMMISSIONER LeBLANC: If you will introduce your
14 first witness, please.

15 MR. HOLLIES: The Postal Service recalls Mr.
16 Michael Plunkett to the stand.
17 Whereupon,

18 MICHAEL K. PLUNKETT,
19 a witness, having been previously duly sworn, was further
20 examined and testified as follows:

21 COMMISSIONER LeBLANC: Well, Mr. Plunkett, as you
22 said earlier, you're now moving around to first in the lead
23 here, but since you're already under oath in this case, and
24 your direct testimony is already in evidence, you look like
25 you're ready to go a little bit here.

1 THE WITNESS: I think I am.

2 COMMISSIONER LeBLANC: Have you had an opportunity
3 to examine the packet of designated written cross that was
4 available in the hearing room to you this morning?

5 THE WITNESS: Yes, I have.

6 COMMISSIONER LeBLANC: If these questions were
7 asked of you today, would your answers be the same as those
8 previously provided in writing?

9 THE WITNESS: I have a couple of minor
10 corrections.

11 COMMISSIONER LeBLANC: Please make them.

12 THE WITNESS: In the response to Interrogatory
13 OCA/USPS-T5-52, on the seventh page of seven, the
14 interrogatory itself is broken down into a number of parts
15 and subparts. Looking about two-thirds down the ^{Page}~~pages~~
16 there's a paragraph that begins: "If these costs are
17 somehow included." That paragraph should be offset and
18 should be given the heading "V."

19 A little bit further down there is a short
20 response that reads: No. See my response to subpart "V."
21 The heading that precedes that response should be "VI"
22 instead of "I."

23 Also, this package includes interrogatory and
24 response from Pitney-Bowes, PB/USPS-T5-5. There is an
25 attachment to that response that includes portions of an

1 Excel worksheet. The one that was in the package was
2 correct the day it was filed, but yesterday we filed a
3 corrected version which was part of what Mr. Hollies
4 referred to earlier when he said we had filed some mop-up
5 material. I've put a corrected version into this package,
6 and it's ready to go.

7 COMMISSIONER LeBLANC: Anything else, sir?

8 THE WITNESS: That's it.

9 COMMISSIONER LeBLANC: Any objections?

10 Mr. Hollies, have these corrections been made to
11 the copies and do you have two corrected copies that we can
12 present to the reporter?

13 MR. HOLLIES: The witness has them; yes.

14 COMMISSIONER LeBLANC: Would one of you all care
15 to --

16 MR. HOLLIES: We'll convey those to the reporter
17 at this time.

18 COMMISSIONER LeBLANC: Thank you. So what you
19 will be getting, Mr. Reporter, will be two corrected copies
20 of designated written cross-examination of Witness Plunkett,
21 and I direct that they be accepted into evidence and
22 transcribed into the record at this point.

23 [Exhibit USPS-T5, Designated
24 Written Cross-Examination of
25 Michael K. Plunkett, as corrected,



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was received into evidence 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 MICHAEL K. PLUNKETT
(USPS-T5)

Party

Office of the Consumer Advocate

Interrogatories

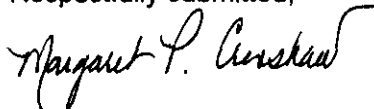
OCA/USPS-T5-10(revised), 47-53
PB/USPS-T5-5-6
POIR No. 2, question 2 (revised)

Response of USPS Witness Plunkett to Question
Posed at Hearing on November 18, 1998
(Tr.5/1169-70)

Pitney Bowes Inc.

PB/USPS-T5-5-6

Respectfully submitted,



Margaret P. Crenshaw
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS MICHAEL K. PLUNKETT (T5)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory:</u>	<u>Designating Parties:</u>
OCA/USPS-T5-10 (revised)	OCA
OCA/USPS-T5-47	OCA
OCA/USPS-T5-48	OCA
OCA/USPS-T5-49	OCA
OCA/USPS-T5-50	OCA
OCA/USPS-T5-51	OCA
OCA/USPS-T5-52	OCA
OCA/USPS-T5-53	OCA
PB/USPS-T5-5	OCA, Pitney Bowes
PB/USPS-T5-6	OCA, Pitney Bowes
Response of Witness Plunkett to Question Posed at Hearing on November 18, 1998 (Tr.5/1169-70)	OCA
POIR No. 2, Question 2 (revised)	OCA

REVISED RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

Revised January 14, 1999

OCA/USPS-T5-10. Please refer to USPS-T-5, Exhibit B, page 1, Note (1).

- a. Please confirm that fixed information systems costs are \$2,285,697. See USPS-T-2, Exhibit A, at 26. If you do not confirm, please explain.
- b. Please confirm that the fixed information system costs referred to in part (a) above were incurred in the development of Mailing Online service. If you do not confirm, please explain.
- c. Please explain how the fixed information systems costs referred to in part (a) above are to be recovered through premailing fees from Mailing Online service customers.
- d. Please confirm that the fixed information systems costs referred to in part (a) above will become institutional, rather than attributable, costs of the Postal Service. If you do not confirm, please explain.

OCA/USPS-T5-10 Response.

- a. As indicated in witness Lim's testimony (USPS-ST-9), the "one-time" information systems costs are now \$11.1 Million.
- b. Confirmed that the one-time costs presented by witness Lim were, or will be, incurred in the development of Mailing Online and Post Office Online. In the absence of empirical data that would allow a more definitive distribution of fixed costs, the one-time costs that are shared between Mailing Online and the rest of Post Office Online have been allocated using conservative planning assumptions. As a consequence, witness Seckar's estimates of unit information systems costs may contain costs that could more appropriately be described as having been caused by the development of PostOffice Online.
- c. The one-time costs are much smaller than the excess of revenues over costs projected for the Mailing Online experiment. Please see the attached.
- d. Not confirmed. See my responses to parts (b) and (c). Moreover, the implication of the question, that one-time information systems costs will be treated as ongoing

**REVISED RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

Revised January 14, 1999

**institutional costs of the Postal Service, conflicts with the cost estimates presented
by witness Seckar. Witness Seckar spreads all of these costs over the experimental
period only. These costs are more akin to startup costs than institutional costs.**

Revised February 4, 1999

Page 1

Revenues Including Variable Information Systems Costs

	Note	1999	2000	Total 1999-2000
Impression Costs				
Total Impression Costs	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 25			
Fixed Info Systems Costs (BW, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 7	\$ 1,845,942	\$ 3,221,664	\$ 5,067,605
Fixed Info Systems Costs (BW, 11x17)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 15	\$ 518,211	\$ 904,417	\$ 1,422,628
Fixed Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 23	\$ 1,686,464	\$ 2,943,333	\$ 4,629,797
Total Impression Costs excl. fixed info systems costs	=(a) - (b) - (c) - (d)			
Paper Costs				
8.5x11 B&W pages	USPS T-2A page 9 line 45	541,001,192	944,192,341	1,485,193,533
8.5x11 Spot Color pages	USPS T-2A page 10 line 71	433,424,586	756,442,279	1,189,866,865
Pages printed on 8.5x11 paper	=(f) + (g)	974,425,778	1,700,634,620	2,675,060,398
8.5x11 paper - Price per piece	USPS T-2A page 28	\$ 0.0049	\$ 0.0050	
8.5x11 paper - Total cost	=(h) * (i)	\$ 4,762,993	\$ 8,578,708	\$ 13,341,702
8.5x14 B&W pages	USPS T-2A page 9 line 49	60,416,029	105,442,192	165,858,221
8.5x14 Spot Color pages	USPS T-2A page 10 line 75	48,402,467	84,475,301	132,877,768
Pages printed on 8.5x14 paper	=(k) + (l)	108,818,496	189,917,493	298,735,989
8.5x14 paper - Price per piece	USPS T-2A page 28	\$ 0.0053	\$ 0.0055	
8.5x14 paper - Total cost	=(m) * (n)	\$ 580,568	\$ 1,045,672	\$ 1,626,240
11x17 B&W pages	USPS T-2A page 9 line 53	84,417,856	147,331,826	231,749,682
11x17 Spot Color pages	USPS T-2A page 10 line 79	67,831,597	118,035,295	185,866,892
Pages printed on 11x17 paper	=(p) + (q)	152,049,453	265,367,121	417,416,574
11x17 paper - Price per piece	USPS T-2A page 28	\$ 0.0102	\$ 0.0105	
11x17 paper - Total cost	=(r) * (s)	\$ 1,552,851	\$ 2,796,866	\$ 4,349,717
Total Pages	=(h) + (m) + (r)	1,235,293,727	2,155,919,234	3,391,212,961
Total Paper Cost	=(j) + (o) + (t)	\$ 6,896,412	\$ 12,421,246	\$ 19,317,658
Envelope Costs				
First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	213,230,888
Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	473,945,677
Total letter size pieces	=(w) + (x)	250,313,062	436,863,503	687,176,565
# 10 Envelope no window and logo - Price per piece	USPS T-2A page 28	\$ 0.0272	\$ 0.0281	
Envelope Costs - letter size pieces	=(y) * (z)	\$ 6,820,530	\$ 12,284,574	\$ 19,105,104
First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,633,376
Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,869,932
Total flat size pieces	=(bb) + (cc)	45,351,960	79,151,348	124,503,308
Flat sized envelope no window and no logo - Price per piece	USPS T-2A page 28	\$ 0.0468	\$ 0.0483	
Envelope Costs - flat size pieces	=(dd) * (ee)	\$ 2,122,000	\$ 3,821,971	\$ 5,943,971
Total Envelopes	=(y) + (dd)	295,665,022	516,014,851	811,679,873
Total Envelope Cost	=(aa) + (ff)	\$ 8,942,530	\$ 16,106,544	\$ 25,049,075
Transportation Costs				
First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	213,230,888
First-Class Letters - Transportation cost per piece	USPS T-2A page 7 line 140	\$ 0.00055	\$ 0.00054	
Total First-Class letter transportation costs	=(ii) * (jj)	\$ 42,594	\$ 73,423	\$ 116,017
First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,633,376
First-Class flats - Transportation cost per piece	USPS T-2A page 7 line 141	\$ 0.00083	\$ 0.00082	
Total First-Class flats letter transportation costs	=(ll) * (mm)	\$ 11,717	\$ 20,198	\$ 31,915
Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	473,945,677
Standard Mail (A) Letters - Transportation cost per piece	USPS T-2A page 7 line 142	\$ 0.00120	\$ 0.00119	
Total Standard Mail (A) letter transportation costs	=(oo) * (pp)	\$ 207,925	\$ 358,421	\$ 566,347
Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,869,932
Standard Mail (A) flats - Transportation cost per piece	USPS T-2A page 7 line 143	\$ 0.01586	\$ 0.01567	
Total Standard Mail (A) flat transportation costs	=(rr) * (ss)	\$ 496,104	\$ 855,185	\$ 1,351,289
Total Transportation Costs	=(kk) + (nn) + (qq) + (tt)	\$ 758,340	\$ 1,307,227	\$ 2,065,567
Inserter Costs	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 3	\$ 8,593,250	\$ 14,882,676	\$ 23,475,926
Total Printing, Transportation, and Inserter Costs	=(e) + (v) + (hh) + (uu) + (vv)	\$ 72,038,046	\$ 122,655,073	\$ 194,693,119
25% Markup on printing and transportation costs	=(ww) * 25%	\$ 18,009,512	\$ 30,663,768	\$ 48,673,280
Total Revenue including Markup	=(ww) + (xx)	\$ 90,047,558	\$ 153,318,841	\$ 243,366,399
Net Contribution	=(yy)-(ww)	\$ 18,009,512	\$ 30,663,768	\$ 48,673,280

Revenues Including Variable Information Systems Costs

Page 1

	Note	1999	2000	Total 1999-2000
Video Costs				
Operation Costs				
One-time Info Systems Costs (BW, 8.5x11 & 8.5x14)	Attachment to witness Sector's updated response to hearing question Tr. 771733-34, Worksheet 1 line 25	\$ 80,891,909	\$ 84,974,708	\$ 165,866,618
One-time Info Systems Costs (BW, 11x17)	Attachment to witness Sector's updated response to hearing question Tr. 771733-34, Worksheet 1 line 7	\$ 1,848,942	\$ 3,221,894	\$ 5,067,806
One-time Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Sector's updated response to hearing question Tr. 771733-34, Worksheet 1 line 15	\$ 818,211	\$ 904,417	\$ 1,422,628
One-time Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Sector's updated response to hearing question Tr. 771733-34, Worksheet 1 line 20	\$ 1,888,484	\$ 2,843,333	\$ 4,629,787
Total Information Costs incl. one-time info systems costs	=(a) - (b) - (c) - (d)	\$ 48,831,282	\$ 77,986,298	\$ 124,736,588
Paper Costs				
8.5x11 B&W pages	USPS T-2A page 9 line 45	\$41,001,182	\$44,182,341	1,486,183,833
8.5x11 Spot Color pages	USPS T-2A page 10 line 71	433,424,588	788,442,279	1,189,866,866
Pages printed on 8.5x11 paper	=(f) + (g)	\$74,425,770	\$1,700,634,620	2,675,080,398
8.5x11 paper - Price per piece	USPS T-2A page 28	\$ 0.9949	\$ 0.0050	
8.5x11 paper - Total cost	=(h) * (i)	\$ 4,782,983	\$ 8,578,708	\$ 13,341,702
8.5x14 B&W pages	USPS T-2A page 9 line 49	\$9,416,029	\$10,442,182	185,888,221
8.5x14 Spot Color pages	USPS T-2A page 10 line 75	48,402,467	84,478,301	132,877,768
Pages printed on 8.5x14 paper	=(k) + (l)	\$108,818,496	\$188,917,483	\$298,735,989
8.5x14 paper - Price per piece	USPS T-2A page 28	\$ 0.0063	\$ 0.0065	
8.5x14 paper - Total cost	=(m) * (n)	\$ 580,588	\$ 1,045,672	\$ 1,826,240
11x17 B&W pages	USPS T-2A page 9 line 53	\$4,417,856	\$17,331,826	231,748,682
11x17 Spot Color pages	USPS T-2A page 10 line 79	67,631,587	118,035,295	185,866,892
Pages printed on 11x17 paper	=(p) + (q)	\$152,049,453	\$285,367,121	\$417,416,574
11x17 paper - Price per piece	USPS T-2A page 28	\$ 0.0102	\$ 0.0105	
11x17 paper - Total cost	=(r) * (s)	\$ 1,662,651	\$ 2,786,886	\$ 4,349,717
Total Pages	=(h) + (m) + (r)	1,235,283,727	2,156,918,234	3,391,212,961
Total Paper Cost	=(j) + (o) + (t)	\$ 6,886,412	\$ 12,421,246	\$ 19,317,658
Envelope Costs				
First-Class Letters				
1st class (A) Letters	USPS T-2A page 6 line 82	77,672,143	136,568,745	213,230,888
1st class pieces	USPS T-2A page 6 line 94	172,840,919	301,304,758	473,945,677
Envelope no window and logo - Price per piece	=(w) + (x)	\$280,313,062	\$438,863,503	\$667,176,565
Envelope Costs - letter size pieces	USPS T-2A page 28	\$ 0.0272	\$ 0.0281	
	=(y) * (z)	\$ 8,820,530	\$ 12,284,574	\$ 19,105,104
First-Class flats				
Standard Mail (A) flats	USPS T-2A page 6 line 93	14,072,713	24,580,883	38,633,378
Total flat size pieces	USPS T-2A page 6 line 95	31,279,247	54,580,885	85,860,832
Flat sized envelope no window and no logo - Price per piece	=(bb) + (cc)	46,351,880	79,151,348	124,503,306
Envelope Costs - flat size pieces	USPS T-2A page 28	\$ 0.0488	\$ 0.0483	
	=(dd) * (ee)	\$ 2,122,000	\$ 3,821,971	\$ 5,943,971
Total Envelopes	=(y) + (dd)	296,885,022	518,014,851	811,679,873
Total Envelope Cost	=(aa) + (ff)	\$ 8,942,530	\$ 16,106,544	\$ 25,049,075
Transportation Costs				
First-Class Letters				
First-Class Letters - Transportation cost per piece	USPS T-2A page 6 line 82	77,672,143	136,568,745	213,230,888
Total First-Class letter transportation costs	USPS T-2A page 7 line 140	\$ 0.00056	\$ 0.00054	
	=(g) * (ii)	\$ 42,894	\$ 73,423	\$ 118,017
First-Class flats				
First-Class flats - Transportation cost per piece	USPS T-2A page 6 line 93	14,072,713	24,580,883	38,633,378
Total First-Class flats letter transportation costs	USPS T-2A page 7 line 141	\$ 0.00083	\$ 0.00082	
	=(j) * (iii)	\$ 11,717	\$ 20,188	\$ 31,915
Standard Mail (A) Letters				
Standard Mail (A) Letters - Transportation cost per piece	USPS T-2A page 6 line 94	172,840,919	301,304,758	473,945,677
Total Standard Mail (A) letter transportation costs	USPS T-2A page 7 line 142	\$ 0.00130	\$ 0.00119	
	=(kk) * (pp)	\$ 207,825	\$ 358,421	\$ 566,347
Standard Mail (A) flats				
Standard Mail (A) flats - Transportation cost per piece	USPS T-2A page 6 line 95	31,279,247	54,580,885	85,860,832
Total Standard Mail (A) flat transportation costs	USPS T-2A page 7 line 143	\$ 0.01588	\$ 0.01567	
	=(r) * (qq)	\$ 498,104	\$ 856,185	\$ 1,351,289
Total Transportation Costs	=(kk) + (nn) + (qq) + (tt)	\$ 758,340	\$ 1,307,227	\$ 2,065,567
Total Printing and Transportation Costs	=(e) + (v) + (th) + (uu)	\$ 63,428,575	\$ 107,740,313	\$ 171,188,888
*** Markup on printing and transportation costs	=(vv) * 28%	\$ 15,857,144	\$ 28,935,078	\$ 42,792,222
Revenues Including Markup	=(vv) + (xx)	\$ 79,285,719	\$ 134,675,391	\$ 213,961,110
Net Contribution	=(yy)-(vv)	\$ 15,857,144	\$ 28,935,078	\$ 42,792,222

Revenues Excluding Variable Information Systems Costs

	Note	1999	2000	Total 1999-2000
Impression Costs				
(a) Total Impression Costs	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 25			
(b) Fixed Info Systems Costs (BW, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 7 Rev 1/14/99	\$ 1,845,942	\$ 3,221,664	\$ 5,067,605
(c) Fixed Info Systems Costs (BW, 11x17)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 15 Rev 1/14/99	\$ 518,211	\$ 904,417	\$ 1,422,628
(d) Fixed Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 23 Rev 1/14/99	\$ 1,686,464	\$ 2,943,333	\$ 4,629,797
(e) Variable Info Systems Costs (BW, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 6 Rev 1/14/99			
(f) Variable Info Systems Costs (BW, 11x17)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 14 Rev 1/14/99			
(g) Variable Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 22 Rev 1/14/99			
(h) Total Impression Costs excl. info systems costs	=(a) - (b) - (c) - (d) - (e) - (f) - (g)			
Paper Costs				
(i) 8.5x11 B&W pages	USPS T-2A page 9 line 45	541,001,192	944,192,341	1,485,193,533
(j) 8.5x11 Spot Color pages	USPS T-2A page 10 line 71	433,424,586	756,442,279	1,189,866,865
(k) Pages printed on 8.5x11 paper	=(i) + (j)	974,425,778	1,700,634,620	2,675,060,398
(l) 8.5x11 paper - Price per piece	USPS T-2A page 28	\$ 0.0049	\$ 0.0050	\$ 0.0099
(m) 8.5x11 paper - Total cost	=(k) * (l)	\$ 4,762,993	\$ 8,578,708	\$ 13,341,702
(n) 8.5x14 B&W pages	USPS T-2A page 9 line 49	60,416,029	105,442,192	165,858,221
(o) 8.5x14 Spot Color pages	USPS T-2A page 10 line 75	48,402,467	84,475,301	132,877,768
(p) Pages printed on 8.5x14 paper	=(n) + (o)	108,818,496	189,917,493	298,735,989
(q) 8.5x14 paper - Price per piece	USPS T-2A page 28	\$ 0.0053	\$ 0.0055	\$ 0.0108
(r) 8.5x14 paper - Total cost	=(p) * (q)	\$ 580,568	\$ 1,045,672	\$ 1,626,240
(s) 11x17 B&W pages	USPS T-2A page 9 line 53	84,417,856	147,331,826	231,749,682
(t) 11x17 Spot Color pages	USPS T-2A page 10 line 79	67,631,597	118,035,295	185,666,892
(u) Pages printed on 11x17 paper	=(s) + (t)	152,049,453	265,367,121	417,416,574
(v) 11x17 paper - Price per piece	USPS T-2A page 28	\$ 0.0102	\$ 0.0105	\$ 0.0208
(w) 11x17 paper - Total cost	=(u) * (v)	\$ 1,552,851	\$ 2,796,866	\$ 4,349,717
(x) Total Pages	=(k) + (p) + (u)	1,235,293,727	2,155,919,234	3,391,212,961
(y) Total Paper Cost	=(m) + (r) + (w)	\$ 6,896,412	\$ 12,421,246	\$ 19,317,658
Envelope Costs				
(z) First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	213,230,888
(aa) Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	473,945,677
(bb) Total letter size pieces	=(z) + (aa)	250,313,062	436,863,503	687,176,565
(cc) # 10 Envelope no window and logo - Price per piece	USPS T-2A page 28	\$ 0.0272	\$ 0.0281	\$ 0.0554
(dd) Envelope Costs - letter size pieces	=(bb) * (cc)	\$ 6,820,530	\$ 12,284,574	\$ 19,105,104
(ee) First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,633,376
(ff) Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,869,932
(gg) Total flat size pieces	=(ee) + (ff)	45,351,960	79,151,348	124,503,308
(hh) Flat sized envelope no window and no logo - Price per piece	USPS T-2A page 28	\$ 0.0468	\$ 0.0483	\$ 0.0951
(ii) Envelope Costs - flat size pieces	=(gg) * (hh)	\$ 2,122,000	\$ 3,821,971	\$ 5,943,971
(jj) Total Envelopes	=(dd) + (ii)	295,665,022	516,014,851	811,679,873
(kk) Total Envelope Cost	=(dd) + (ii)	\$ 8,942,530	\$ 16,106,544	\$ 25,049,075
Transportation Costs				
(ll) First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	213,230,888
(mm) First-Class Letters - Transportation cost per piece	USPS T-2A page 7 line 140	\$ 0.00055	\$ 0.00054	\$ 0.00109
(nn) Total First-Class letter transportation costs	=(ll) * (mm)	\$ 42,594	\$ 73,423	\$ 116,017
(oo) First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,633,376
(pp) First-Class flats - Transportation cost per piece	USPS T-2A page 7 line 141	\$ 0.00083	\$ 0.00082	\$ 0.00165
(qq) Total First-Class flats letter transportation costs	=(oo) * (pp)	\$ 11,717	\$ 20,198	\$ 31,915
(rr) Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	473,945,677
(ss) Standard Mail (A) Letters - Transportation cost per piece	USPS T-2A page 7 line 142	\$ 0.00120	\$ 0.00119	\$ 0.00239
(tt) Total Standard Mail (A) letter transportation costs	=(rr) * (ss)	\$ 207,925	\$ 358,421	\$ 566,347
(uu) Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,869,932
(vv) Standard Mail (A) flats - Transportation cost per piece	USPS T-2A page 7 line 143	\$ 0.01586	\$ 0.01567	\$ 0.03153
(ww) Total Standard Mail (A) flat transportation costs	=(uu) * (vv)	\$ 496,104	\$ 855,185	\$ 1,351,289
(xx) Total Transportation Costs	=(nn) + (qq) + (tt) + (ww)	\$ 758,340	\$ 1,307,227	\$ 2,065,567
(yy) Insertor Costs	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 3	\$ 8,593,250	\$ 14,882,676	\$ 23,475,926
(zz) Total Printing, Transportation, and Insertor Costs	=(h) + (y) + (kk) + (yy)	\$ 66,610,452	\$ 116,646,425	\$ 183,256,877
(aaa) 25% Markup on printing and transportation costs	=(zz) * 25%	\$ 16,652,613	\$ 29,161,606	\$ 45,814,219
(bbb) Total Revenue Including Markup	=(zz) + (aaa)	\$ 83,263,065	\$ 145,808,031	\$ 229,071,097
(ccc) Net Contribution	=(bbb)-(zz)	\$ 16,652,613	\$ 29,161,606	\$ 45,814,219

Revenue Excluding Variable Information Systems Costs

	Note	1999	2000	Total 1999-2000
Impression Costs				
all Impression Costs				
(a) One-line Info Systems Costs (BW, 8.5x11 & 8.5x14)	Attachment to witness Secker's updated response to hearing question Tr. 771730-34, Worksheet 1 line 25	\$ 80,891,808	\$ 84,874,708	\$ 165,866,516
(b) One-line Info Systems Costs (BW, 11x17)	Attachment to witness Secker's updated response to hearing question Tr. 771730-34, Worksheet 1 line 7	\$ 1,848,842	\$ 3,271,894	\$ 5,120,736
(c) One-line Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Secker's updated response to hearing question Tr. 771730-34, Worksheet 1 line 16	\$ 918,211	\$ 988,417	\$ 1,906,628
(d) One-line Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Secker's updated response to hearing question Tr. 771730-34, Worksheet 1 line 23	\$ 1,888,484	\$ 2,943,333	\$ 4,831,817
(e) Variable Info Systems Costs (BW, 8.5x11 & 8.5x14)	Attachment to witness Secker's updated response to hearing question Tr. 771730-34, Worksheet 1 line 8	\$ 2,488,884	\$ 2,739,832	\$ 5,228,716
(f) Variable Info Systems Costs (BW, 11x17)	Attachment to witness Secker's updated response to hearing question Tr. 771730-34, Worksheet 1 line 14	\$ 682,307	\$ 794,826	\$ 1,477,133
(g) Variable Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Secker's updated response to hearing question Tr. 771730-34, Worksheet 1 line 22	\$ 2,388,912	\$ 2,488,328	\$ 4,877,240
(h) Total Impression Costs excl. info systems costs	=(a) - (b) - (c) - (d) - (e) - (f) - (g)	\$ 81,419,828	\$ 87,309,732	\$ 168,729,560
Paper Costs				
(i) 8.5x11 BW pages	USPS T-2A page 9 line 46	841,001,182	844,182,341	1,685,183,523
(j) 8.5x11 Spot Color pages	USPS T-2A page 10 line 71	493,434,888	738,442,278	1,231,877,166
(k) Pages printed on 8.5x11 paper	=(i) + (j)	1,334,436,070	1,582,624,619	2,917,060,689
(l) 8.5x11 paper - Price per piece	USPS T-2A page 28	\$ 0.0269	\$ 0.0280	\$ 0.02745
(m) 8.5x11 paper - Total cost	=(k) * (l)	\$ 4,782,885	\$ 6,578,708	\$ 11,361,593
(n) 8.5x14 BW pages	USPS T-2A page 9 line 49	80,418,029	105,442,182	185,860,211
(o) 8.5x14 Spot Color pages	USPS T-2A page 10 line 75	48,402,467	84,478,301	132,880,768
(p) Pages printed on 8.5x14 paper	=(n) + (o)	128,820,496	189,920,483	318,740,979
(q) 8.5x14 paper - Price per piece	USPS T-2A page 28	\$ 0.0063	\$ 0.0065	\$ 0.0064
(r) 8.5x14 paper - Total cost	=(p) * (q)	\$ 680,888	\$ 1,045,872	\$ 1,726,760
(s) 11x17 BW pages	USPS T-2A page 9 line 53	84,417,886	147,331,826	231,749,712
(t) 11x17 Spot Color pages	USPS T-2A page 10 line 79	67,831,587	118,035,295	185,866,882
(u) Pages printed on 11x17 paper	=(s) + (t)	152,249,473	265,367,121	417,616,594
(v) 11x17 paper - Price per piece	USPS T-2A page 28	\$ 0.0102	\$ 0.0105	\$ 0.01035
(w) 11x17 paper - Total cost	=(u) * (v)	\$ 1,552,851	\$ 2,788,886	\$ 4,341,737
(x) Total Pages	=(k) + (p) + (r) + (u)	1,236,393,727	2,185,919,234	3,422,312,961
(y) Total Paper Cost	=(m) + (r) + (w)	\$ 6,896,412	\$ 12,421,246	\$ 19,317,658
Envelope Costs				
First-Class Letters				
(aa) First-Class Letters - letter size pieces	USPS T-2A page 6 line 92	77,872,143	136,888,745	214,760,888
(ab) Envelope no window and logo - Price per piece	USPS T-2A page 6 line 94	172,840,918	301,304,788	474,145,706
(ac) Envelope Costs - letter size pieces	=(aa) + (ab)	250,713,061	438,193,533	688,906,594
(ad) Envelope Costs - letter size pieces	USPS T-2A page 28	\$ 0.0272	\$ 0.0281	\$ 0.02765
(ae) Envelope Costs - letter size pieces	=(ac) * (ad)	\$ 6,820,830	\$ 12,284,874	\$ 19,105,704
(af) Total Envelopes	=(ac) + (ae)	257,533,891	450,478,407	708,012,298
(ag) Total Envelope Cost	=(ae) + (ae)	\$ 8,942,830	\$ 16,108,844	\$ 25,051,674
Transportation Costs				
First-Class Letters				
(ah) First-Class Letters - Transportation cost per piece	USPS T-2A page 6 line 92	77,872,143	136,888,745	214,760,888
(ai) Total First-Class letter transportation costs	USPS T-2A page 7 line 140	\$ 0.00085	\$ 0.00084	\$ 0.000845
(aj) Total First-Class letter transportation costs	=(ah) * (ai)	\$ 42,884	\$ 73,423	\$ 116,307
(ak) Total First-Class letter transportation costs	=(aj)	\$ 42,884	\$ 73,423	\$ 116,307
(al) Total First-Class letter transportation costs	USPS T-2A page 6 line 93	14,072,713	24,880,883	38,953,596
(am) First-Class letter - Transportation cost per piece	USPS T-2A page 7 line 141	\$ 0.00088	\$ 0.00082	\$ 0.00085
(an) Total First-Class letter transportation costs	=(al) * (am)	\$ 11,717	\$ 20,188	\$ 31,905
(ao) Total First-Class letter transportation costs	=(aj) + (an)	\$ 54,599	\$ 93,611	\$ 148,210
(ap) Total First-Class letter transportation costs	USPS T-2A page 6 line 94	172,840,918	301,304,788	474,145,706
(aq) Standard Mail (A) Letters - Transportation cost per piece	USPS T-2A page 7 line 142	\$ 0.00130	\$ 0.00118	\$ 0.00124
(ar) Total Standard Mail (A) letter transportation costs	=(ap) * (aq)	\$ 207,825	\$ 388,421	\$ 596,246
(as) Total Standard Mail (A) letter transportation costs	=(ar)	\$ 207,825	\$ 388,421	\$ 596,246
(at) Total Standard Mail (A) letter transportation costs	USPS T-2A page 6 line 95	31,278,247	64,880,885	96,159,132
(au) Standard Mail (A) letter - Transportation cost per piece	USPS T-2A page 7 line 143	\$ 0.01888	\$ 0.01867	\$ 0.018775
(av) Total Standard Mail (A) letter transportation costs	=(at) * (au)	\$ 488,104	\$ 866,185	\$ 1,354,289
(aw) Total Standard Mail (A) letter transportation costs	=(as) + (av)	\$ 695,929	\$ 1,254,606	\$ 1,950,535
(ax) Total Standard Mail (A) letter transportation costs	=(ar) + (av)	\$ 1,103,754	\$ 1,643,027	\$ 2,746,781
(ay) Total Transportation Costs	=(aj) + (an) + (ar) + (av)	\$ 1,103,754	\$ 1,643,027	\$ 2,746,781
(az) Total Printing and Transportation Costs	=(y) + (z) + (ax) + (ay)	\$ 88,017,303	\$ 101,783,749	\$ 189,801,052
(baa) 25% Markup on printing and transportation costs	=(az) * 25%	\$ 22,004,326	\$ 25,445,937	\$ 47,450,263
(bab) Total Revenue including Markup	=(az) + (baa)	\$ 110,021,629	\$ 127,229,686	\$ 237,251,315
(bac) Net Contribution	=(bab) - (az)	\$ 22,004,326	\$ 25,445,937	\$ 47,450,263

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OCA/USPS-T5-47. Please refer to your response to NOI No. 1, Issue 1, at page 6, where it states:

Consequently, the Postal Service has chosen relatively modest discounts which assume that a small level of batching and sortation depth will be achieved. In fact, we expect that in most instances, the mail may be presorted more finely and dropshipped more deeply into the system than is necessary to qualify for the proposed discounts.

- a. Please provide the actual level of batching and actual depth of sort for Mailing Online volumes during the operations test.
- b. Please provide the actual level of batching and actual depth of sort for Mailing Online volumes to date during the market test.

OCA/USPS-T5-47 Response:

- a. The Postal Service is in the process of summarizing the requested information, and will file reports as soon as possible.
- b. Available data on the depth of sort will be filed with the regular reports that the Postal Service is required to file in conformity with the data collection requirements set forth in the Commission's market test Decision (Opinion at 44-45). I further understand that the quality and quantity of data reported will improve with the incorporation of the Mail.dat utility into Mailing Online, which will moreover allow retrospective analysis of all market test mailings. (See also witness Garvey's responses to OCA/USPS-T1-71&72.)

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OCA/USPS-T5-48. Please refer to your response to NOI No. 1, Issue 1, at page 6, the relevant portion of which is quoted in OCA/USPS-T5-47. Please confirm that the data necessary to calculate the actual depth of sort

a. for First-Class mail volume is the level of presort (e.g., none, basic, 3-digit, etc.) by job type, by page count, by print site, respectively. If you do not confirm, please explain, and identify all the types of data necessary to calculate the actual depth of sort.

b. for Standard A mail volume, for pieces weighing 3.2985 ounces or less, is the level of presort by job type, by page count, by print site for regular and enhanced carrier route. If you do not confirm, please explain, and identify all the types of data necessary to calculate the actual depth of sort.

c. for Standard A mail volume, for pieces weighing more than 3.2985 ounces, is the level of presort by job type, by page count, by print site for regular pieces and enhanced carrier route pieces. If you do not confirm, please explain, and identify all the types of data necessary to calculate the actual depth of sort.

OCA/USPS-T5-48 Response:

a-c. Not confirmed. For all mailings that either meet existing minimum volume thresholds, or meet existing thresholds as a result of being commingled with other documents, all that is required to determine depth of sort is the daily report of mail characteristics and the corresponding mailing statements. In the event that a particular mailing does not become part of a sufficiently large batch to have been presorted, such pieces are treated by Mailing Online software as single piece mailings, irrespective of the level of sortation they receive. With the eventual advent of the Mail.dat utility, depth of sort information for non-qualifying mailings will also become available. (See also witness Garvey's responses to OCA/USPS-T1-71&72.)



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OCA/USPS-T5-49. In his responses to OCA/USPS-T1-47c.-d. and OCA/USPS-T3-78a., witness Garvey seems to indicate that the information needed to calculate an actual average qualifying discount for MOL will not be available until "mid-1999." Is this your understanding? If not, when will depth of sort data by batch type (i.e., volumes by batch type by presort level) be available?

OCA/USPS-T5-49 Response:

Witness Garvey in fact indicated that the next major release of Mailing Online software will be available in mid-1999. My understanding is that this version will allow the collection of depth of sort data. This does not, however, mean that sufficient data will exist to draw conclusions about "average" qualifying discounts at that time. Given the current procedural schedule of the Mailing Online case, the experiment may have barely begun in mid-1999. If so, it would certainly be premature at that time to expect to draw informed inferences regarding the depth of sort Mailing Online volume is likely to attain.

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OCA/USPS-T5-50. Please refer to your response to interrogatory OCA/USPS-T5-37 and to witness Garvey's response to interrogatory MASA/USPS-T1-20b. In your response you suggest that average MOL charges for pre-mailing fees are likely to be lower than such charges under the sole existing printer contract because the current printer is in a "high cost area." Witness Garvey indicates that the next three contracts will be "in the Chicago, Los Angeles and New York areas."

- a. Do you believe that Chicago, Los Angeles, and New York are lower cost areas than the Boston area? If so what is the basis for your belief?
- b. Please identify all potential locations for print sites that you would consider lower cost areas than the Boston area. Please explain why these locations should be expected to have lower printing costs.

OCA/USPS-T5-50 Response:

a-b. I have not conducted any analysis of the relative costs of doing business in these or other metropolitan areas, and therefore have no basis for an informed opinion on these questions. I do note that the CPI-U for Boston in September 1998 is 172.1, substantially higher than the average for U.S. cities.

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OCA/USPS-T5-51. Please refer to your response to OCA/USPS-T5-48. Please answer the following questions for 1) mailpieces meeting the existing minimum volume requirements, and 2) mailpieces meeting the existing minimum volume requirements as a result of being commingled with other mailpieces. For purposes of this interrogatory, "level of presort" and "depth of sort" are both defined to be a vector of integers whose elements are the volumes of a mailing that qualified for the various available presort discounts (as shown on a Qualification Report), the order of the elements being from greatest discount to no discount. For example, the Qualification Report appearing at Tr. 6/1423 reflects a "level of presort" or "depth of sort" of [0, 0, 0, 0, 0, 0, 0, 1].

- a. Please confirm that for MOL First-Class batches, the types of data necessary for the processing center computer to determine the level of presort are
- i. job type;
 - ii. page count;
 - iii. address list ZIP+4 Codes, and;
 - iv. ZIP Code tables for print sites.

If you do not confirm, please explain, and identify all the types of data necessary to calculate the actual depth of sort.

- b. Please confirm that for MOL Standard (A) batches weighing 3.2985 ounces or less, the types of data necessary for the processing center computer to determine the level of presort are
- i. job type;
 - ii. page count;
 - iii. address list ZIP+4 Codes, and;
 - iv. ZIP Code tables for print sites.

If you do not confirm, please explain, and identify all the types of data necessary to calculate the actual depth of sort.

- c. Please confirm that for MOL Standard (A) batches weighing more than 3.2985 ounces, the types of data necessary for the processing center computer to determine the level of presort are
- i. job type;
 - ii. page count;
 - iii. address list ZIP+4 Codes, and;
 - iv. ZIP Code tables for print sites.

If you do not confirm, please explain, and identify all the types of data necessary to calculate the actual depth of sort.

- d. Do you agree with the definition of "level of presort" and "depth of sort" given at the beginning of this interrogatory? If not, please provide rigorous definitions of these terms. Please confirm that the depth of sort for any particular batch will always contain some zeros because the Qualification Report includes all possible presort levels for letters and flats and for First Class and Standard (A). If you do not confirm, please define each of the presort levels appearing on the Qualification Report shown at Tr. 6/1423.

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- e. Please confirm that distributing batches to print sites does not cause any change in the depth of sort; i.e., the number of pieces qualifying for each discount would be the same whether depth of sort were determined for a batch before or after distributing to print sites. If you do not confirm, please describe all situations in which distributing to print sites would cause pieces of a batch to lose qualification for a particular discount.
- f. In your response you refer to "a particular mailing [that] does not become part of a sufficiently large batch to have been presorted." Does the MOL system sort Standard (A) batches of 200 pieces? Does the MOL system sort First-Class batches of 200 pieces? If not, why not? What number of pieces constitutes "a sufficiently large batch"? What was the rationale for choice of this number?

OCA/USPS-T5-51 Response:

- a-c. Confirmed. However, as witness Garvey indicated, the processing center computer will eventually have the capability of merging documents with different characteristics. When this change is made, most of the job type information will not be necessary to determine depth of sort.
- d. Yes. Confirmed.
- e. Not confirmed. Distribution of customer documents to print sites will affect the depth of sort that the mailing will attain. The nature and magnitude of the effect depends on what is meant by "before...distributing to print sites", and by the other documents that are present in the Mailing Online system. While I cannot describe all situations in which there would have been an effect, consider for example, a customer who submits a 400-piece Standard (A) mailing to Mailing Online, with 100 pieces going to each of four different 3-digit areas, each served by different printers. This mailing has presumably satisfied all of the existing qualification standards for basic automation rates. However, when that document is subsequently distributed to the

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four different print sites, four separate address lists are created and none of the four mailings would, under the existing DMCS, qualify for anything but First-Class Mail single piece rates. This assumes of course that the mailings in the instant case are not commingled with other jobs. Conversely, if one (or more) of the four 100-piece lists are joined with a larger mailing in the same 3-digit area, then those pieces may qualify for discounts for which the original mailing would not have qualified.

- f. Mailing Online presorts all batches, and therefore all documents of which mailings are comprised, irrespective of the number of pieces within a batch. The response should instead have referred to a mailing that lacks sufficient volume to have met existing minimum volume thresholds.

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OCA/USPS-T5-52. Please refer to your revised response to interrogatory OCA/USPS-T5-10, filed January 14, 1999.

- a. When OCA asks you whether the "fixed information systems costs" of MOL "will become institutional, rather than attributable," are you applying the definition of "attributable" articulated by the Commission in PRC Op. R97-1, paras. [4016-4018], i.e.,

[4016] In analyzing witness Panzar's position, the Commission first considers whether it is reasonable to limit the concept of attributable cost to marginal cost. The Commission has recognized since Docket No. R71-1 that marginal costs are the most important element of attributable cost. Over the years both the Service and the Commission have also included specific fixed costs under the rubric of attributable. Further, the Commission has analyzed costs caused by the classes of mail and found other nonvariable costs to be attributable (the fixed portion of special delivery messengers, the fixed portion of the Eagle Air Network, and the single subclass stop portion of access, among others). The Commission has even deleted marginal costs from attributable costs as in the case of the air transportation of parcel post to the Alaskan bush. In the latter case, the Commission found that the primary cause of those costs was the Service's universal service obligation, even though the cost varied with the volume of parcel post being transported to the bush.

[4017] The Commission is not prepared to depart from the position that attributable cost means costs which can be said to be reliably caused by a subclass of mail or special service. Marginal costs, by definition, include only the additional costs caused by the last unit of output. Marginal costs are an important subset of attributable costs, but the Commission cannot agree that marginal cost is all that is meant by the term "attributable." Unlike incremental costs, marginal costs have been central to microeconomic theory for a long time. The framers of the Act knew about and could have used the concept of marginal costs, but they did not. The language of the Act requires the Commission to set rates for each subclass so that it covers its attributable cost and makes a reasonable contribution to all other costs. In interpreting this language the Commission continues to believe that the authors of the Act intended "attributable" to

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mean more than just marginal cost. If they had meant marginal cost, they would have said so.

[4018] Marking up attributable cost is the means by which the Commission makes its determination of a reasonable contribution to all other costs. All other costs are the difference between total cost and attributable costs. All other costs are not the difference between total cost and marginal cost. When the Commission determines the reasonableness of a subclass's contribution to all other costs, it must use attributable cost as a base and *mark-up*.

....

[4024] The Commission's calculation of attributable costs by subclass and service does not precisely conform to witness Panzar's definitions of either marginal cost or incremental cost. However, they come closest to being the incremental costs associated with the subclasses and services taken one at a time.

- b. Do you agree with the Commission's view that attributable costs should include the volume variable costs of a subclass plus the specific fixed costs of that subclass?
- i. If you disagree, state whether you reject the Commission's articulated view of attributable costs.
 - ii. If you disagree with the Commission's view of attributable costs, then state your definition of attributable costs. Include in your discussion whether attributable costs must include the specific fixed costs of a subclass.
 - iii. Is the definition given in subpart ii. of this interrogatory the one you applied in determining the costs to be marked up for the purpose of recovering Information Systems costs in MOL's premailing, per impression fee?
 - iv. If your answer to subpart iii. is negative, then state the definition of attributable costs you applied in determining the costs to be marked up for the purpose of determining the premailing, per impression fee for MOL.
 - v. Did you include any of the fixed Information Systems costs in the cost base you marked up to determine the premailing, per impression MOL fee?
 - vi. If you excluded the specific fixed Information Systems costs from the cost base you marked up to determine the premailing, per impression MOL fee, didn't you deviate completely from the Commission's articulation of attributable costs?

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- c. Do you agree with the Commission that incremental costs come closer to being the attributable costs of a subclass than do marginal costs?
- i. If you agree with this view, did you apply it in determining the costs to be marked up for the purpose of determining the premailing, per impression MOL fee?
 - ii. If you disagree with this view, then state whether you marked up only the marginal costs of MOL to calculate the premailing, per impression MOL fee.
- d. Do you agree with the Commission that the volume variable plus the specific costs of a subclass best approximate attributable costs and that both should be added together and marked up to determine the rate for the subclass?
- i. If you agree with this view, did you apply it in determining the costs to be marked up for the purpose of determining the premailing, per impression MOL fee?
 - ii. If you disagree with this view, then state whether you marked up only the marginal costs of MOL to calculate the premailing, per impression MOL fee.
- e. Please review a relevant holding of the Commission in PRC Op. MC97-5, at page, 47 concerning the recoupment of start-up costs of a proposed, new Packaging Service:
- The Commission has adjusted packaging service costs to recover all start-up costs during the two-year life of the provisional service. . . . Reliance on the packaging service's contribution to institutional costs for recovery of these direct costs is also an unacceptable approach, for two reasons. First, it would be inappropriate in principle to recover an attributable cost from revenues that have been earmarked for contribution to the Postal Service's institutional costs. Second, doing so in this instance would reduce the institutional cost contribution of packaging service to an unacceptably low level.
- i. Have you applied this approach in your method for setting rates in MC98-1? Please explain.
 - ii. Specifically, have you included the start-up costs for MOL in the attributable cost base to be marked up for the purpose of establishing MOL rates? Please explain.
 - iii. If you have not done so, have you rejected the Commission's holding in PRC Op. MC97-5? Please explain.
 - iv. Is there any way to reconcile your answer to interrogatory OCA/USPS-T5-10 (revised January 14, 1999) with the Commission's holding in Docket No. MC97-5? Please explain.

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- v. What is the true cost coverage of MOL if start-up costs are included in the attributable costs to be marked up?
- vi. Isn't the true cost coverage far less than the 125 percent you have proposed if start-up costs are included in the costs to be marked up?
- f. Please compare your answer to question 1, POIR No. 2, that, "[T]he Postal Service considers that fees should be based on a markup of the volume variable costs of the service. Exhibits A and B were developed in conformity with this view," with the view articulated by the Commission at paras. [4016-18, and 4024] of PRC Op. R97-1, quoted in part a. above. Include in your comparison whether your view can be reconciled with the Commission's.

OCA/USPS-T5-52 Response:

- a. In my revised response I was not applying any particular definition of attributable cost. I was simply pointing out that the fixed information systems costs will not become institutional, at least in the sense that institutional costs are paid for by all classes of mail.
- b. In general, I agree with the Commission's view of attributable costs insofar as it describes the Commission's current definition of the term. However, I disagree with the notion that such attributable costs, which include fixed costs, provide the best basis for setting prices in all instances. See Tr. 2/641-43; Tr. 5/1115, 1181-84. I would instead suggest that in many cases, particularly when dealing with new products and services, the use of fixed costs as part of the base to be marked up may produce problematic results.

For instance, most new services incur some startup costs. While the categories are not precisely analogous, these costs are, among the categories posited in this interrogatory, most closely akin to specific-fixed costs, and may constitute a large portion of the costs of the service, especially during early, low volume periods.

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Depending on the nature of demand for the service, using fixed costs of this kind as a basis for ratemaking will produce one of two results. If demand is price elastic, basing prices on an all-inclusive definition of costs will result in higher prices, and may sufficiently dampen demand such that the service appeals only to the least price-sensitive users. For the Postal Service, which views Mailing Online as an extension of its mandate to provide universal access to its customers, such an approach is inappropriate. If demand is inelastic, the product will more quickly recover its startup costs. However, once startup costs have been recovered, prices will be higher than statutory criteria would otherwise warrant.

The foregoing highlights a somewhat arbitrary distinction between costs attributable to the Mailing Online experiment and costs attributable to Mailing Online in general. If Mailing Online becomes a permanent service, the one-time costs referred to by witness Seckar will in effect be sunk and will have no ongoing effect on future fees for Mailing Online. It is unnecessary and unfair to burden experimental users of Mailing Online with costs that will provide benefits to future users of a permanent service. In this regard, the GAO recently recognized that "it may not be reasonable to expect all new products to become profitable in their early years, because new products generally take several years to become established and recover their start-up costs¹." Of course, the Postal Service cannot, in every case, alter the design of a service to defer infrastructure costs required for a permanent service until after an experiment required to determine

¹GAO Report on U.S. Postal Service - Development and Inventory of New Products, at 4,20 (November, 1998)(GAO/GCD-99-15)

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the service's viability. In the instant case, the alternative would be to develop a system architecture on a smaller scale that would serve the needs of the experiment, but that would be replaced if a permanent classification were sought. This would obviously increase the total development costs of the product. Instead, the Postal Service chose a system architecture which will be scalable to a capacity greater than will be needed for the experiment.

A too-rigid adherence to the pricing dictum articulated in the question could have a chilling effect on development of otherwise beneficial experimental services. The Postal Service could present every new product as a candidate for permanent classification. As these products by definition lack empirical cost and revenue data, litigation of such cases would be problematic at best. Instead, the Postal Service has attempted to make use of the alternative ratemaking procedures that allow for consideration of the unique circumstances that pertain to new products.

In determining the costs to be marked up, and the resulting fee structure, I sought an approach that would satisfy the Postal Service policy goal of universal low cost access to services, while meeting a stringent cost threshold.

c. While I am not an expert in Postal Service costing, my understanding is that the relationship between attributable, incremental, and marginal costs varies considerably across subclasses. Thus I can provide neither an unqualified assent nor an unqualified dissent.

- i. See my response to part b.

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ii. My fee proposal marks up printer costs, which are similar to marginal costs, and variable information systems costs, which are roughly equivalent to average marginal costs.

d. See my responses to parts b and c.

e. i-ii. My approach for setting fees in this docket is presented in my testimony. As it relates to the issue of attributable costs, my response to part b of this interrogatory is also relevant.

iii-iv. My testimony reflects what is, in my opinion, the most appropriate approach in the circumstances of this case. Thus I did not let this quote determine my approach in this case. See also my response to subpart v.

Witness Lim estimates start-up costs to be \$11.1 Million during the experiment.

V. If these costs are somehow included in Mailing Online unit costs prior to markup, then revenues would increase by \$13.9 Million. Cost coverage would not change.

Furthermore, I do not believe that the cost contribution of Mailing Online would be unacceptably low if start-up costs are included using my projected revenues. I estimate that the cost coverage would be 118.2 percent in those circumstances.

✓.i. No. See my response to subpart v.

f. See my response to part b.

[REDACTED]

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OCA/USPS-T5-53. Please refer to part a. of your revised answer (January 14, 1999) to interrogatory OCA/USPS-T5-10.

- a. Are the one-time costs of \$11.1 million you refer to merely a rounding of the \$11,120,030 set forth in Table 2, column 3 ("One Time Cost"), at page 2 of USPS-ST-9?
- b. Are the one-time costs of \$11.1 million the start-up costs of MOL?
- c. Are the start-up costs of a service that are uniquely caused by offering that service incremental costs of that service? If your answer is negative, please explain.
- d. Are the start-up costs of MOL part of the incremental costs of MOL? If your answer is negative, please explain.
- e. Are the incremental costs of a service (including its unique start-up costs) attributable to that service?
 - i. If your answer is negative, please explain your position.
 - ii. If your answer is negative, reconcile it with the views articulated by the Commission in paras. [4016-18, and 4024] of PRC Op. R97-1.
- f. Are the incremental costs of MOL (including its unique start-up costs) attributable to MOL?
 - i. If your answer is negative, please explain your position.
 - ii. If your answer is negative, reconcile it with the views articulated by the Commission in paras. [4016-18, and 4024] of PRC Op. R97-1.

OCA/USPS-T5-53 Response:

- a. Yes.
- b. Witnesses Lim and Seckar describe them as "one-time" costs.
- c. Yes.
- d. To the extent that any costs of Mailing Online could reasonably be said to conform to the definition presented in part c, they would be incremental to Mailing Online.

Because Mailing Online shares equipment with Post Office Online, and generates Standard Mail (B) and First-Class Mail revenue, I would not agree that much of the costs identified as Mailing Online startup costs are "uniquely caused" by Mailing Online.

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- e. While I am not an expert in costing, my understanding is that, to the extent such costs can be measured, incremental costs are caused by the existence of a service, and, in that sense, attributable. However, attributable cost, as mentioned in my response to interrogatory OCA/USPS-T5-52, is a term of art with no precise economic meaning.
- f. See my response to parts d and e.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES
OF PITNEY BOWES**

PB/USPS-T5-5 Please confirm that both pages 1 and 2 to the attachment of Witness Plunkett's revised response to OCA/USPS-T-10 exclude inserter costs of the sort reported by Mr. Seckar in his calculations of incremental costs (see Worksheet 3 of the most recent calculation) and one-time information systems costs. Why were these costs excluded?

PB/USPS-T5-5 Response:

Confirmed. In revising my response to interrogatory OCA/USPS-T5-10, my focus was on showing that the revised "one-time" Mailing Online systems costs were still well below the excess of revenues over costs projected for Mailing Online. I did not update the other cost and revenue information to reflect witness Seckar's later calculation of incremental costs because updating would not change this result. Attached is a revised page 1 of the attachment that includes witness Seckar's inserter costs. Including these costs also causes total revenues to increase by an amount equal to 1.25 times these costs, so that the excess of revenues over costs increases to \$48.7 million.

Revised
February 4
1999

Revenues Including Variable Information Systems Costs

Page 1

	Note	1999	2000	Total 1999-2000
Impression Costs				
Total Impression Costs	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 25	\$ 50,898,130	\$ 85,006,793	\$ 135,904,923
Fixed Info Systems Costs (BW, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 7	\$ 1,845,942	\$ 3,221,664	\$ 5,067,605
Fixed Info Systems Costs (BW, 11x17)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 15	\$ 518,211	\$ 904,417	\$ 1,422,628
Fixed Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 23	\$ 1,686,464	\$ 2,943,333	\$ 4,629,797
Total Impression Costs excl. fixed info systems costs	=(a) - (b) - (c) - (d)	\$ 46,847,513	\$ 77,837,379	\$ 124,784,893
Paper Costs				
8.5x11 B&W pages	USPS T-2A page 9 line 45	541,001,192	944,192,341	1,485,193,533
8.5x11 Spot Color pages	USPS T-2A page 10 line 71	433,424,586	756,442,279	1,189,866,865
Pages printed on 8.5x11 paper	=(f) + (g)	974,425,778	1,700,634,620	2,675,060,398
8.5x11 paper - Price per piece	USPS T-2A page 28	\$ 0.0049	\$ 0.0050	
8.5x11 paper - Total cost	=(h) * (i)	\$ 4,762,993	\$ 8,578,708	\$ 13,341,702
8.5x14 B&W pages	USPS T-2A page 9 line 49	80,416,029	105,442,192	165,858,221
8.5x14 Spot Color pages	USPS T-2A page 10 line 75	48,402,467	84,475,301	132,877,768
Pages printed on 8.5x14 paper	=(k) + (l)	108,818,496	189,917,493	298,735,989
8.5x14 paper - Price per piece	USPS T-2A page 28	\$ 0.0053	\$ 0.0055	
8.5x14 paper - Total cost	=(m) * (n)	\$ 580,568	\$ 1,045,672	\$ 1,626,240
11x17 B&W pages	USPS T-2A page 9 line 53	84,417,856	147,331,826	231,749,682
11x17 Spot Color pages	USPS T-2A page 10 line 79	67,631,597	118,035,295	185,666,892
Pages printed on 11x17 paper	=(p) + (q)	152,049,453	265,367,121	417,416,574
11x17 paper - Price per piece	USPS T-2A page 28	\$ 0.0102	\$ 0.0105	
11x17 paper - Total cost	=(r) * (s)	\$ 1,552,851	\$ 2,796,868	\$ 4,349,717
Total Pages	=(h) + (m) + (r)	1,235,293,727	2,155,919,234	3,391,212,961
Total Paper Cost	=(j) + (o) + (t)	\$ 6,896,412	\$ 12,421,246	\$ 19,317,658
Envelope Costs				
First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	213,230,888
Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	473,945,677
Total letter size pieces	=(w) + (x)	250,313,062	436,863,503	687,178,565
# 10 Envelope no window and logo - Price per piece	USPS T-2A page 28	\$ 0.0272	\$ 0.0281	
Envelope Costs - letter size pieces	=(y) * (z)	\$ 6,820,530	\$ 12,284,574	\$ 19,105,104
First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,633,376
Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,869,932
Total flat size pieces	=(bb) + (cc)	45,351,960	79,151,348	124,503,308
Flat sized envelope no window and no logo - Price per piece	USPS T-2A page 28	\$ 0.0488	\$ 0.0483	
Envelope Costs - flat size pieces	=(dd) * (ee)	\$ 2,122,000	\$ 3,821,971	\$ 5,943,971
Total Envelopes	=(y) + (dd)	295,665,022	516,014,851	811,679,873
Total Envelope Cost	=(aa) + (ff)	\$ 8,942,530	\$ 16,106,544	\$ 25,049,075
Transportation Costs				
First-Class Letters	USPS T-2A page 6 line 92	77,672,143	135,558,745	213,230,888
First-Class Letters - Transportation cost per piece	USPS T-2A page 7 line 140	\$ 0.00055	\$ 0.00054	
Total First-Class letter transportation costs	=(ii) * (jj)	\$ 42,594	\$ 73,423	\$ 116,017
First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,633,376
First-Class flats - Transportation cost per piece	USPS T-2A page 7 line 141	\$ 0.00083	\$ 0.00082	
Total First-Class flats letter transportation costs	=(ll) * (mm)	\$ 11,717	\$ 20,198	\$ 31,915
Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	473,945,677
Standard Mail (A) Letters - Transportation cost per piece	USPS T-2A page 7 line 142	\$ 0.00120	\$ 0.00119	
Total Standard Mail (A) letter transportation costs	=(oo) * (pp)	\$ 207,925	\$ 358,421	\$ 566,347
Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,869,932
Standard Mail (A) flats - Transportation cost per piece	USPS T-2A page 7 line 143	\$ 0.01586	\$ 0.01567	
Total Standard Mail (A) flat transportation costs	=(rr) * (ss)	\$ 496,104	\$ 855,185	\$ 1,351,289
Total Transportation Costs	=(kk) + (nn) + (qq) + (tt)	\$ 758,340	\$ 1,307,227	\$ 2,065,567
Inserter Costs				
	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 3	\$ 8,593,250	\$ 14,882,676	\$ 23,475,926
Total Printing, Transportation, and Inserter Costs	=(e) + (v) + (hh) + (uu) + (vv)	\$ 72,038,046	\$ 122,855,073	\$ 194,893,119
25% Markup on printing and transportation costs	=(ww) * 25%	\$ 18,009,512	\$ 30,663,768	\$ 48,673,280
Total Revenue including Markup	=(ww) + (xx)	\$ 90,047,558	\$ 153,518,841	\$ 243,566,399
Net Contribution	=(yy) - (ww)	\$ 18,009,512	\$ 30,663,768	\$ 48,673,280

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES
OF PITNEY BOWES**

PB/USPS-T5-6 Do you recommend that the .1 cent per impression fee called for in proposed fee schedule 981 found at Attachment B2, page 1 of the Postal Service Request should be increased to .21 cents? If not, why not?

PB/USPS-T5-6 Response:

The Postal Service's request includes a 0.1 cent per impression cost in the fee schedule, and is not subject to alteration except by the Board of Governors. However, I indicated in my revised response to Presiding Officer's Information Request No. 2, Question 2 that, using the new information provided by witnesses Lim and Seckar, a per impression cost of 0.21 cents could be used.

**REVISED RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 2**

Revised January 14, 1999

2. In the proposed fee schedule, the pre-mailing fee for Mailing Online is shown as 1.25 * (printer costs + .1). USPS Request, Attachment B1. In the response of witness Plunkett to Interrogatory OCA[USPS]-TJ5-28, the information systems cost is shown as .16 cents for two impressions and .4 cents for five impressions, implying a per impression charge of .08 cents. Tr. 2/618. Please reconcile this apparent discrepancy.

RESPONSE: According to witness Seckar's current estimates, the variable information systems cost of Mailing Online cents for 1999-2000 are \$0.0021 per impression. This estimate exceeds the adjustment factor added to printer costs in the fee proposal. See my testimony at page 6, lines 11-15. That factor was developed by rounding witness Seckar's original estimate of the variable information systems cost (\$0.0065) to the nearest tenth of a cent. Application of the same methodology to the new cost estimate would result in a per impression cost of \$0.002. However, because the information systems cost adjustment factor is added with other costs prior to the application of a markup, the need for adherence to convention is less compelling in this instance. Therefore, an adjustment of \$0.0021 could be used.

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**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 Unit - Jumes
1999-2003**

		1999	2000	2001	2002	2003	1999-2000	
Paper								
(1)	9 1/2 x 11 Sheets	Note: Source: Ex. USPS-2A, Table 4	974,425,779	1,700,834,620	2,651,498,717	3,716,986,760	4,341,778,237	2,876,080,366
(2)	8 1/2 x 14 Sheets	Source: Ex. USPS-2A, Table 4	108,818,496	189,917,493	296,104,750	415,092,464	484,865,842	288,735,989
(3)	11 x 17 Sheets	Source: Ex. USPS-2A, Table 4	182,048,453	265,367,121	413,740,007	578,888,665	677,491,319	417,416,674
(4)	Total Sheets	[(1)+(2)+(3)]	1,235,282,727	2,155,919,234	3,361,343,474	4,712,076,669	5,504,135,397	3,381,212,961
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	3,213,080,424
(6)	Color Impressions	Source: Ex. USPS-2A, Table 4	634,802,418	1,457,126,894	2,271,843,315	3,184,789,371	3,720,999,806	2,292,931,313
(7)	Total Impressions	[(5)+(6)]	2,005,301,751	3,499,787,985	5,456,603,403	7,649,323,019	8,935,983,299	5,505,991,738
Envelopes								
(8)	8.5/11<8 Sheets	Source: Ex. USPS-2A, Table 3	184,122,428	338,795,759	526,224,294	740,487,895	864,957,137	632,916,187
(9)	8.5/14<8 Sheets	Source: Ex. USPS-2A, Table 3	20,442,540	35,877,721	55,825,960	77,975,879	91,000,440	66,120,281
(10)	11/17<3 Sheets	Source: Ex. USPS-2A, Table 3	24,880,375	43,073,881	67,157,403	94,144,288	109,969,088	97,754,268
(11)	Total No. 10 Envelopes	[(8)+(9)+(10)]	239,245,343	417,547,361	651,007,737	912,610,842	1,066,012,665	686,782,704
(12)	8.5/11>8 Sheets	Source: Ex. USPS-2A, Table 3	39,104,387	66,247,853	106,406,493	149,165,229	174,238,597	107,352,840
(13)	8.5/14>4 Sheets	Source: Ex. USPS-2A, Table 3	5,802,943	9,778,842	15,246,106	21,372,650	24,988,206	16,381,585
(14)	11/17>2 Sheets	Source: Ex. USPS-2A, Table 3	11,712,360	20,441,184	31,870,340	44,877,226	62,187,070	32,183,644
(15)	Total Flat Envelopes	[(12)+(13)+(14)]	56,419,690	96,467,489	153,522,939	215,215,105	251,399,862	154,867,169
Folding								
(16)	8.5/11 Letters	=2*(8)	388,244,856	677,591,517	1,058,448,587	1,480,975,390	1,729,914,279	1,066,836,373
(17)	8.5/14 Letters	=2*(9)	40,885,080	71,355,442	111,251,920	155,957,758	182,172,880	112,240,622
(18)	11/17 Letters	=3*(10)	74,041,125	129,221,843	201,472,449	282,432,804	329,907,264	202,282,788
(19)	Subtotal - Letter Folds	[(16)+(17)+(18)]	503,171,061	878,168,802	1,369,172,956	1,919,365,952	2,241,994,417	1,381,359,663
(20)	8.5/11 Flat	=0*(12)						0
(21)	8.5/14 Flat	=1*(13)	5,802,943	9,778,842	15,246,106	21,372,650	24,988,206	16,381,585
(22)	11/17 Flat	=1*(14)	11,712,360	20,441,184	31,870,340	44,877,226	62,187,070	32,183,644
(23)	Subtotal - Flat Folds	[(20)+(21)+(22)]	17,315,293	30,219,826	47,116,446	66,249,876	77,162,276	47,565,129
(24)	Total Folds	[(19)+(23)]	520,486,354	908,388,438	1,416,289,402	1,985,415,828	2,319,146,692	1,428,924,792
Finishing Options								
Staples								
(25)	8.5/11 (2-15 Pages)	Assumes that 60% of documents between 2-15 pages are stapled	68,648,810	120,161,055	187,345,877	262,628,565	308,776,276	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	54,982,970	33,657,674
(27)	8.5/14 (2-15 Pages)	documents longer than 15 pages are stapled	9,525,134	16,823,918	25,918,735	36,334,004	42,441,429	26,148,052
(28)	8.5/17	No stapling of 11/17 documents	0	0	0	0	0	0
(29)	Total	[(25)+(26)+(27)+(28)]	90,707,045	158,309,546	246,824,071	346,008,671	404,189,674	248,017,391
Saddle Stitching								
(30)	9 1/2 x 11	No saddle stitching	0	0	0	0	0	0
(31)	9 1/2 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	1,924,457	3,358,895	5,236,620	7,340,921	8,574,884	5,283,152
(33)	Total	[(30)+(31)+(32)]	1,924,457	3,358,895	5,236,620	7,340,921	8,574,884	28,435,557
Tape Binding								
(34)	9 1/2 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)	9 1/2 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	IS Cost	Total Cost
Paper (per sheet)		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	UnR Cost (Line a) * Volumes (Line 1)	4,578,801	7,992,983	12,462,044	17,489,833	20,408,388	12,572,784
(2)	8 1/2 x 14 Sheets	UnR Cost (Line b) * Volumes (Line 2)	739,988	1,291,439	2,013,512	2,922,629	3,297,088	2,031,405
(3)	11 x 17 Sheets	UnR Cost (Line c) * Volumes (Line 3)	1,842,134	2,865,965	4,468,392	6,263,988	7,316,808	4,505,099
(4)	Total Paper Costs	[(1)+(2)+(3)]	\$ 6,961,901	\$ 12,150,387	\$ 18,943,948	\$ 26,656,447	\$ 31,020,382	\$ 18,112,288
Impression Costs								
(5)	Black & White Impressions	UnR Cost (Line d) * Volumes (Line 5)	29,397,868	44,325,748	69,109,284	96,890,402	113,185,142	69,723,411
(6)	Color Impressions	UnR Cost (Line d+ Line h) * Volumes (Line 6)	29,489,407	46,190,968	72,017,433	100,867,157	117,827,184	72,867,393
(7)	Total Impression Costs	[(5)+(6)]	\$ 51,884,072	\$ 90,516,732	\$ 141,126,727	\$ 197,857,559	\$ 231,092,306	\$ 142,380,804
Envelope Costs								
(8)	Letters 8.5/11<6 Sheets	UnR Cost (Line e) * Volumes (Line 8)	2,911,838	5,081,938	7,923,364	11,107,315	12,974,367	7,993,773
(9)	8.5/14<6 Sheets	UnR Cost (Line e) * Volumes (Line 9)	308,838	535,168	834,389	1,189,883	1,399,287	841,804
(10)	11/17<3 Sheets	UnR Cost (Line e) * Volumes (Line 10)	370,208	646,108	1,007,382	1,412,184	1,848,638	1,018,314
(11)	Total Letters	[(8)+(9)+(10)]	\$ 3,588,880	\$ 6,263,210	\$ 9,765,116	\$ 13,699,183	\$ 16,990,180	\$ 9,851,891
(12)	Letter Insertion Costs	UnR Cost (Line g) * Volumes (Line 11)	3,253,737	5,878,844	8,853,705	12,411,507	14,497,772	8,932,381
(13)	Flats 8.5/11>6 Sheets	UnR Cost (Line p) * Volumes (Line 12)	6,081,180	10,578,388	16,483,008	23,120,810	27,008,881	16,839,688
(14)	8.5/14>4 Sheets	UnR Cost (Line p) * Volumes (Line 13)	868,486	1,515,890	2,363,146	3,312,761	3,969,807	2,584,146
(15)	11/17>2 Sheets	UnR Cost (Line p) * Volumes (Line 14)	1,916,414	3,188,385	4,939,803	6,824,870	8,068,898	4,863,789
(16)	Total Flats	[(13)+(14)+(15)]	\$ 8,745,080	\$ 15,282,461	\$ 23,786,055	\$ 33,358,341	\$ 38,995,884	\$ 24,007,611
(17)	Flat Insertion Costs	UnR Cost (Line r) * Volumes (Line 15)	3,046,883	5,317,244	8,290,239	11,821,818	13,878,107	8,363,907
(18)	Total Envelope & Insertion Costs	[(11)+(12)+(16)+(17)]	\$ 16,834,130	\$ 32,521,660	\$ 50,705,115	\$ 71,060,827	\$ 83,028,862	\$ 51,165,690
Folding Costs								
(19)	8.5/11 Letters	UnR Cost (Line l) * Volumes (Line 16)	3,882,449	6,775,915	10,584,488	14,909,754	17,299,143	10,658,364
(20)	8.5/14 Letters	UnR Cost (Line l) * Volumes (Line 17)	408,851	713,564	1,112,519	1,589,578	1,821,729	1,122,405
(21)	11/17 Letters	UnR Cost (Line l) * Volumes (Line 18)	740,411	1,292,216	2,014,724	2,824,328	3,289,073	2,032,828
(22)	8.5/11 Flats	UnR Cost (Line l) * Volumes (Line 20)						0
(23)	8.5/14 Flats	UnR Cost (Line l) * Volumes (Line 21)	58,029	97,786	152,461	213,727	249,882	153,818
(24)	11/17 Flats	UnR Cost (Line l) * Volumes (Line 22)	117,124	204,412	316,703	448,772	521,871	321,535
(25)	Total Folding Costs	[(19)+(20)+(21)+(22)+(23)+(24)]	\$ 5,204,864	\$ 9,083,864	\$ 14,182,894	\$ 19,854,158	\$ 23,191,407	\$ 14,288,748
Finishing Options								
(26)	Stapling	UnR Cost (Line j) * Volumes (Line 29)	725,863	1,266,478	1,974,593	2,768,089	3,233,367	1,992,139
(27)	Saddle Stitching	UnR Cost (Line k) * Volumes (Line 33)	384,891	671,739	1,047,324	1,488,184	1,714,973	1,058,930
(28)	Tape Binding	UnR Cost (Line l) * Volumes (Line 37)	1,849,965	3,228,688	5,033,919	7,058,765	8,242,945	5,078,851
(29)	Total Finishing Costs	[(26)+(27)+(28)]	\$ 2,960,519	\$ 5,166,901	\$ 8,055,835	\$ 11,293,019	\$ 13,191,278	\$ 8,127,421
(30)	Total Costs	[(4)+(7)+(18)+(25)+(29)]	\$ 85,625,486	\$ 149,439,463	\$ 232,994,520	\$ 326,821,811	\$ 381,524,052	\$ 235,064,949
(31)	Revenues	=(30)*1.25	\$ 107,031,858	\$ 186,799,329	\$ 291,243,150	\$ 408,277,264	\$ 476,905,065	\$ 293,831,187
(32)	Net Contribution	=(31)-(30)	\$ 21,406,372	\$ 37,359,866	\$ 58,248,630	\$ 81,455,453	\$ 95,381,013	\$ 58,766,237

1 COMMISSIONER LeBLANC: Does any participant have
2 additional written cross-examination for Witness Plunkett?

3 Three participants have requested oral
4 cross-examination of Witness Plunkett: Mail Advertising
5 Service Association International, Mr. Bush. Office of the
6 Consumer Advocate, I believe will be Ms. Dreifuss, is that
7 correct, this morning? And Pitney-Bowes, Mr. Wiggins.

8 Does any other participant have oral
9 cross-examination for Witness Plunkett?

10 Okay. Well, hearing none, Mr. Bush, you take the
11 lead this morning.

12 MR. BUSH: Mr. Presiding Officer, I'm going to
13 defer to Mr. Wiggins this morning. I think my estimate of
14 the time that I will take with this witness and actually
15 with the other witnesses too should be revised from moderate
16 to light to from none to light.

17 COMMISSIONER LeBLANC: Mr. Wiggins, if you don't
18 mind, we'll move on to Ms. Dreifuss and follow up with you.

19 MR. WIGGINS: That's absolutely acceptable to me.

20 COMMISSIONER LeBLANC: Thank you.

21 Ms. Dreifuss.

22 CROSS EXAMINATION

23 BY MS. DREIFUSS:

24 Q Good morning, Mr. Plunkett.

25 A Good morning.

1 Q Would you turn to your revised response to
2 Interrogatory OCA/USPS-T5-10, Part B? It was filed January
3 14th.

4 A I have it.

5 Q You state that the one time costs that are shared
6 between Mailing Online and the rest of Post Office Online
7 have been allocated using conservative planning assumptions.
8 Who did that allocation?

9 A I believe -- well, I am referring to the work
10 presented by Witness Lim. I believe, in preparing his
11 testimony, he was guided by information he received from the
12 system architects working on the Mailing Online system.

13 Q Did you have any part in the process of allocating
14 costs, POL costs to MOL?

15 A No, I did not.

16 Q How did you know that the planning assumptions
17 were conservative?

18 A Well, I reviewed the testimony in its draft form
19 prior to its being submitted. I had opportunity to talk
20 about some of the planning assumptions that were included in
21 the testimony with the witness and with the attorneys, and
22 that is -- that was the basis for my forming that opinion.

23 Q Could you turn to Part A of that -- I'm sorry, to
24 Part A of Interrogatory 52, OCA's Interrogatory 52 to you?

25 A I have it.

1 Q You state that the fixed information systems'
2 costs will not become institutional, is that correct?

3 A Well, the response goes on to say at least in the
4 sense that institutional is meant to refer to costs that are
5 paid for by all classes of mail, and I believe that to be
6 correct.

7 Q So it is basically your position that the -- by
8 means of the mark-up or the cost coverage, that MOL's fixed
9 costs will be recovered?

10 A Yes, that is correct.

11 Q But it is true, as you state in your answer to
12 Part E, that the cost coverage will no longer be the 125
13 percent that you proposed, but, instead, would fall to
14 approximately 118 percent, is that correct?

15 A Well, I guess that depends on how one interprets
16 the question. My interpretation of the question was, what
17 would happen to the cost coverage if one were to include the
18 fixed costs in the costs to be marked up? Given the pricing
19 structure we have proposed, if you do that, you are then
20 marking up those costs and, therefore, are not changing the
21 cost coverage, you are making the total revenue and,
22 therefore, the total contribution greater, but it would
23 still be 125 percent of whatever cost basis you chose to
24 mark up. If that was my -- if that interpretation of the
25 question was correct, then you wouldn't be reducing the cost

1 coverage.

2 Q Well, how do you propose that the fixed costs of
3 Mailing Online be recovered?

4 A As I have indicatedⁱⁿ my testimony and my
5 interrogatory responses, our proposal was to mark up the
6 variable portion -- or the printer costs and the variable
7 portion of the Postal Service's information systems' costs
8 and that that would provide sufficient revenue to recover
9 any additional fixed costs incurred in the development of
10 Mailing Online.

11 Q And that level of recovery would be 118 percent,
12 is that true?

13 A Given the assumptions presented in my response
14 here, that would be correct. But I would point out that
15 --I'll leave it at that.

16 Q Could you turn to your response to Part B of
17 Interrogatory 52, please?

18 A Yes, I have it.

19 Q At page 5 of 7.

20 A All right.

21 Q You state that once startup costs have been
22 recovered, prices will be higher than statutory criteria
23 would otherwise warrant, is that correct?

24 A That's correct.

25 Q What would prevent the Postal Service from coming

1 back to the Commission at the end of the experiment with new
2 rates that excluded startup costs because they had already
3 been recovered during the course of the experiment?

4 A Well, I mean there is nothing that absolutely
5 would prevent the Postal Service from doing so. The Postal
6 Service is free to initiate any rate changes it deems
7 appropriate. However, the Postal Service, as any
8 organization would, has an interest in maintaining rate
9 stability where possible, and then using that as a principle
10 in determining rates. And, you know, for the purposes of
11 this case, we believe a superior approach would be to
12 reflect the fact that those are one time costs that will
13 ultimately be sunk in the fee proposal as it is presented in
14 the experiment, so that that will not be necessary in the
15 event of a permanent classification.

16 Q Is it your understanding that, at the end of the
17 two year experimental period, the Postal Service could
18 continue to offer Mailing Online as proposed in this
19 proceeding without coming to the Commission for further
20 action?

21 A No, that's not.

22 Q So the Postal Service will have to come to the
23 Commission at the end of the experiment if it either wants
24 to renew the experiment or ask for permanent rates?

25 A That is my understanding, yes. But I would point

1 out that, again, the fact that the Postal Service will be
2 required to submit a filing does not mean that the Postal
3 Service will want that filing to include a dramatic change
4 in the rates, either in a positive or a negative direction.
5 The Postal Service, as I said, has an interest in
6 maintaining rate stability where possible. So, the Postal
7 Service has an interest in not presenting rates in an
8 experiment that would have been dramatically altered in the
9 event of a permanent filing.

10 Q Well, if you propose rates, let's say, at the end
11 of the experiment, to be offered on a permanent basis, you
12 wouldn't necessarily have to drop the price dramatically,
13 you could simply increase the cost coverage, couldn't you,
14 to avoid that kind of -- that rate instability?

15 A Again, the Postal Service, I suppose, can seek any
16 cost coverage it deems appropriate for Mailing Online. I
17 think there are some unique characteristics of this service
18 that argue against a high cost coverage. So, while I may or
19 may not be the witness who is lucky enough to recommend
20 prices in a permanent case, based on my view of the product
21 and costs, this is clearly one in which a high cost coverage
22 is not appropriate.

23 Q But, at any rate, at that point, at the end of the
24 experiment, the Postal Service could weigh its options. It
25 could decide to increase the cost coverage and maintain

1 rates at close to the level they are proposed for the
2 experiment, or it could reduce them to reflect the fact that
3 startup costs have been recovered, isn't that true?

4 A Well, it could, but such an approach would be
5 diametrically opposite to the Postal Service's reason for
6 developing and presenting this product. I mean this product
7 is designed to provide more or less universal access at a
8 low cost to a very large number of consumers. That seems to
9 me to be somewhat at odds with a high cost coverage.

10 Now, again, there can be different views on that,
11 but you are suggesting that the Postal Service is
12 unconstrained when it comes back to present a case for
13 permanent classification. My view is more that the way this
14 product has been developed provides a form of constraint
15 that operates on the Postal Service's pricing proposals when
16 we get to the point where we are filing a permanent
17 classification request.

18 Q Well, you just mentioned that one of the Postal
19 Service's objectives in offering Mailing Online is to give
20 universal access to this type of service at a low price.
21 If, at the end of the experiment, the Postal Service decided
22 to propose somewhat lower rates to reflect the fact that
23 startup costs had been recovered, it would further that
24 goal, wouldn't it?

25 A It would further that goal, but, again, at the

1 expense of another goal of the Postal Service, which I also
2 said was to maintain rate stability where possible. Now, I
3 understand there is a tradeoff involved, and what we have
4 attempted to do in preparing this case is to make those
5 tradeoffs in such a way as to meet both of those goals for
6 the experiment and in anticipation of a future permanent
7 classification.

8 Q If the Postal Service, at the end of the
9 experiment, decided to maintain rates at roughly their
10 present level, and that presumes that the costs would
11 warrant doing so, and if the cost coverage happened to be
12 higher than proposed in this proceeding, customers of
13 Mailing Online, for the most part, would not be aware that
14 the cost coverage that they would be paying on a permanent
15 basis was very different than the cost coverage they were
16 paying during the experiment, is that correct?

17 A I would imagine the customers would be completely
18 indifferent.

19 Q In the second paragraph of Part B of Interrogatory
20 52, you state that it is unnecessary and unfair to burden
21 experimental users of Mailing Online with costs that will
22 provide benefits to future users of a permanent service, is
23 that correct?

24 A Yes.

25 Q It was the Postal Service that chose the two year

1 recovery for the startup costs, isn't that correct?

2 A Well, not exactly.

3 Two years I believe is the limit on duration for
4 an experiment. That forms a boundary over which the Postal
5 Service is unable to go when determining the recovery
6 period.

7 If the Postal Service were completely
8 unconstrained in setting a recovery period it would not have
9 been two years.

10 Q Is the Postal Service certain that it would have
11 been improper to estimate the useful life of the hardware,
12 the software, the network that's involved in offering MOL
13 both as an experiment and eventually a permanent service and
14 then pro-rating those costs over the useful life as opposed
15 to the two year experimental period?

16 A I am not, I don't pretend to be an expert in
17 costing. I'll say that in my view that is a more rational
18 approach to allocating those costs. However, because the
19 Postal Service knew it was operating under a two year time
20 constraint I don't believe those calculations were ever
21 done, because they were not deemed a candidate for
22 consideration.

23 Q I know you are not a lawyer. Were you under the
24 impression that there was a legal impediment to depreciating
25 the equipment over its useful life?

1 A I was the witness in the packaging service case.
2 I know what happened in that decision.

3 The Postal Service, you know, while it may not see
4 eye to eye with the Commission in every respect is not
5 likely to send over a proposal that it knows is, for lack of
6 a better term, dead on arrival.

7 Q I am going to frankly admit that I am not that
8 familiar with the details of the provisional packaging case.
9 Did the Postal Service propose a two year recovery period
10 during that case also?

11 A I believe the recovery period that was proposed
12 was five years.

13 MS. DREIFUSS: Okay. I have no further questions.

14 COMMISSIONER LeBLANC: Thank you, Ms. Dreifuss.
15 Mr. Wiggins?

16 MR. WIGGINS: Thank you, Mr. Presiding Officer.

17 CROSS EXAMINATION

18 BY MR. WIGGINS:

19 Q Mr. Plunkett, I am Frank Wiggins here for --

20 A I remember.

21 COMMISSIONER LeBLANC: Mr. Wiggins, you are going
22 to have to pull your mike a little closer, if you will,
23 please.

24 THE WITNESS: Certainly.

25 COMMISSIONER LeBLANC: Thank you.

1 BY MR. WIGGINS:

2 Q In talking with Ms. Dreifuss, you responded to one
3 of her questions by saying that the Postal Service's
4 ambition for the MOL service was to provide access to the
5 service to a very large number -- I think were your precise
6 words -- of customers. Did I get that right?

7 A Well, yes, although I don't think ambition was my
8 exact word but --

9 Q No -- very large number. Those are your --

10 A I think that's correct.

11 Q -- your exact words. Do you have an estimation of
12 that number, that very large number?

13 A I don't, no. I mean the testimony of Witness
14 Rothschild contains information about the number and types
15 of customers who might be candidates for use of Mailing
16 Online. I don't offhand recall what those were.

17 Q Do you yourself have an expectation that a very
18 large number of customers will have recourse to Mailing
19 Online?

20 A Well, the product has been developed and designed
21 in such as way that by definition millions of customers will
22 have access to the service. If they choose to use it is
23 another matter.

24 Q It is that latter point that I am questing after
25 and maybe I have not said it clearly.

1 Do you have an expectation of how many people will
2 take advantage of Mailing Online?

3 A Well, no. That is why we are conducting this
4 experiment, to try to get a better idea of how responsive
5 customers are going to be to this product. We don't know
6 the answer to that yet.

7 Q And you personally don't have any belief, is that
8 right?

9 A Well, I think -- I mean I am comfortable with the
10 volume projections contained in Witness Rothschild's
11 testimony that have been used in this case as providing an
12 estimate, but as I have said, we are conducting this
13 experiment to in effect validate that estimate and to
14 determine whether or not it is close enough to what will
15 actually happen to make this a viable product.

16 Q Have a look at your revised answer to OCA Number
17 10, would you, please -- number 10 to you, T5-10.

18 A I have it.

19 Q In the question itself it recites fixed
20 information system costs current at the time that the
21 question was asked of \$2,285,697.

22 In your response you corrected that to \$2,283,697.
23 Do you recall that?

24 A It doesn't show up here because this is the
25 revised version.

1 Q I don't have the earlier version.

2 A Subject to check, I'll --

3 Q Subject to check.

4 A I'll accept that, sure.

5 Q And in your revised answer, you say that the
6 one-time information system costs are now \$11.1 million, is
7 that right?

8 A I believe that's the number in Witness Lim's
9 testimony, yes.

10 Q So that the in fixed information system costs have
11 increased by a factor of many times?

12 A Roughly five-fold.

13 Q A little bit less than five, by my count. Do you
14 know what caused that change?

15 A My understanding is there was essentially an
16 extensive redesign of the information systems architecture
17 needed to support Mailing Online and that required a
18 re-evaluation of the costs associated with that
19 architecture.

20 Q And this \$11.1 million is not by your rate design
21 recovered in the 25 percent markup, is that right?

22 A No. It is recovered through the 25 percent
23 markup.

24 Q Is it marked up?

25 A Those costs are not marked up on a per unit basis

1 but are recovered through the markup.

2 Q And say again for me, you talked with Ms. Dreifuss
3 about it a little bit, why you think it appropriate not to
4 mark up that number.

5 A This will require a somewhat lengthy response. I
6 mean there are a number of reasons and I have attempted to
7 put them into this interrogatory response.

8 The most immediate is that these are one time
9 costs. Fixed costs, as they are generally used in postal
10 ratemaking, are recurring, fixed costs. They don't vary
11 with volume but they reappear every year and therefore it
12 can be considered an ongoing portion of the costs of a
13 particular service.

14 These costs are different. They are one-time
15 costs. After the experiment if we were to file a case,
16 those costs would be absent from the Postal Service's
17 proposals if they are based on a prospective test year. As
18 such, they would be completely excluded from consideration
19 in determining a cost coverage.

20 In my opinion that argues for excluding them in
21 developing fees in this case.

22 Another feature of this case in particular is that
23 a significant portion of the total costs are directly passed
24 from private businesses through the Postal Service on to
25 customers. I presented a revised attachment to this

1 interrogatory that shows a net contribution for Mailing
2 Online of \$48 million. That number is calculated by
3 subtracting the total costs of \$194 million from projected
4 revenues of \$243 million.

5 Another way you can look at those costs and
6 revenues is by looking solely at the Postal Service's
7 portion. The direct costs paid to printers are roughly \$170
8 million. Now if you subtract that number out of both sides
9 or out of both the ~~enumerator~~^{numerator} and denominator and
10 calculating a cost coverage, what you find out is that the
11 Postal Service gets about \$68 million in revenue that it
12 doesn't have to pass on to its printers.

13 To produce that revenue the Postal Service is
14 incurring approximately \$22 million in direct costs.

15 If you compare those numbers, there's roughly a
16 three-to-one ratio of the revenues that will accrue to the
17 Postal Service and the direct costs borne by the Postal
18 Service. To my mind that argues for a lower cost coverage
19 in this case because when you mark up the printer costs,
20 none of that money goes to the printers. All of that money
21 goes to the Postal Service, but because the Postal Service
22 is not bearing any of those costs, essentially that
23 incremental revenue has an infinite effective cost coverage.

24 Q Does the Postal Service buy transportation from
25 non-Postal Service entities?

1 A Certainly.

2 Q And wouldn't the argument that you have just
3 voiced to me apply equally to the amounts of money that the
4 Postal Service pays to trucking firms?

5 A Well, I mean I haven't looked at every single
6 product ~~for~~ which contract^{for} a portion of the costs, but I'd
7 venture a guess to say that in no other case do those
8 contracted costs consume such a huge proportion of the total
9 as they do in this case.

10 Q So it is not a matter of principle here but of
11 magnitude, is that right?

12 A Not exactly. I'd just say that the principle in
13 this case, even if it is generally applicable, becomes more
14 of an issue because of the magnitude of the contracted costs
15 in this case. You can apply -- I suppose you could do the
16 same sort of calculation for any product, but I don't think
17 you would produce such a startling result for any other
18 product as you would in this case.

19 Q You responded in sub-part -- what is now labelled
20 as E-5 on page 7 of 7 --

21 A Is this OCA-52?

22 Q OCA-52, correct.

23 A Okay.

24 Q That -- and let me just -- you talked with Ms.
25 Dreifuss about this and I thought I understood it but you

1 made me confused.

2 If one included the \$11.1 million of fixed
3 information service costs in the calculation of attributable
4 costs and kept the revenues at the level that you have
5 projected them to be, the effective cost coverage would be
6 118.2 percent, is that right?

7 A That was the intended meaning of that response.
8 That's correct.

9 Q Okay. So that if it were appropriate to include
10 that, contrary to -- I mean you have explained why you think
11 it not appropriate, but were the Commission to feel
12 otherwise and determine that it was appropriate to include
13 those costs in the amounts to be marked up, if revenue were
14 not increased, the coverage would be as you have calculated
15 here?

16 A But if you included those in the costs to be
17 marked up, then the revenue would increase.

18 Q Okay. And what would happen in that case is that
19 the price of the product would go up, is that correct?

20 A Sure. On a per unit basis, that's correct.

21 Q Sure. Because you are going to be charging -- you
22 are marking up the amount by 25 percent, it goes straight to
23 the customer.

24 A Well, you are spreading that \$11 million over a
25 fixed number of units and that will have a small, but, yeah,

1 non-trivial per unit impact on the costs and, therefore, the
2 revenues generated.

3 Q Right. You have said to me that the fixed
4 information service costs go up -- have gone up in the time
5 in between the filing of this case and the time of your
6 revised response to the OCA Number 10, it went up by a
7 factor of roughly five times.

8 A Yes.

9 Q You had a colloquy with Chairman Gleiman the last
10 time you were on the stand, and this is at Volume 2, page
11 686, in which you say, in response to a question of his,
12 "So, since this project is less subject to having its
13 contribution eroded by increases in costs over time, it is
14 for that reason," and perhaps for some reasons, "less
15 necessary to have a higher mark-up than would otherwise be
16 the case." Do you remember that, would you like to look at
17 it?

18 A No, I remember it.

19 Q Okay. Do you have the same confidence today,
20 having seen a five-fold increase in the costs of fixed
21 information services?

22 A I think, if anything, that the effect of that
23 increase proves the point I was trying to make in that
24 instance. When I made that remark, I certainly didn't
25 anticipate a five-fold increase in the fixed costs

1 associated with the products, and, yet, even with that, you
2 know, huge increase in the fixed costs, the product will
3 easily recover those costs. And I would also point out what
4 I consider to be a central point in that colloquy is I said
5 over time. And what I was referring to is the fact that
6 over time -- well, over time these fixed costs disappear.

7 But over time, the variable costs are subject to
8 change. The Postal Service will enter into new agreements
9 with new printers, and those will have an unpredictable
10 effect on the variable costs of the service, but, as we have
11 structured the fee proposal, when that happens, revenues
12 will be adjusted accordingly, and, therefore, the cost
13 coverage will not be eroded.

14 Q And you say that the fixed costs will disappear.
15 What we have seen is something dramatically different from
16 that. What we have seen is that the fixed costs have
17 increased dramatically.

18 A Those are one time costs. In two years, if we
19 come back with a permanent case, based on a prospective test
20 year, those costs will not form a part of that case. Those
21 costs will have, in effect, disappeared.

22 Q Sure, I understand that two years down the road.
23 But what about another six months down the road? Could this
24 happen again? Might it be 66 or 55 million instead of 11,
25 as it once was 2-1/2 and is now 11?

1 A Well, I mean we are at the point now where any
2 substantive changes in the system architecture would have a
3 devastating effect on our ability to provide the service
4 when it is intended to be provided. So I can't believe
5 there will be any substantive changes in the system
6 architecture between now and the implementation of a
7 nationwide service.

8 Q But wasn't that also the case when you had fixed
9 information system costs of \$2.3 million?

10 A No, I don't think so. I mean I think those were
11 the best estimate that Witness Stirewalt could make at the
12 time, but at that time, almost none of the costs were known
13 and, you know, they were still working on developing a
14 system. Now, most of that development work has progressed
15 to the point where more of that costs are known absolutely
16 and the portion that is not known can be predicted with, I
17 would suspect, a much higher degree of reliability than was
18 possible six months ago.

19 Q So you didn't know what you were talking about
20 when you said the costs were \$2.3 million?

21 A That was the best estimate I had to work with at
22 the time.

23 Q And what -- say again for me, what changed?

24 A In the interim period there has been a
25 reevaluation of the technical requirements of the system

1 such that a redesign of the system architecture was
2 necessary. Based on those changes, new cost estimates were
3 developed. As I mentioned a few minutes ago, we have gotten
4 to the point now where a similar reevaluation can't really
5 take place without placing the future or the near-term
6 future of the product in jeopardy, so there won't be changes
7 of that magnitude again during this experiment. I mean I
8 probably shouldn't say absolutely there can't be, I am not
9 the policy witness, and I don't work for New Businesses, but
10 it is hard for me to believe they would countenance such a
11 change at this point in the development of the product.

12 Q Well, and you are not a systems design guy either,
13 right?

14 A Certainly not.

15 Q So you aren't able to make an independent
16 evaluation of the likelihood or improbability of, once the
17 nationwide experiment gets underway, somebody discovering
18 another systemic flaw that requires another massive systemic
19 revision, are you?

20 MR. HOLLIES: Objection, there is no foundation
21 for that question that there was a massive flaw.

22 THE WITNESS: That's what I was about to say.

23 BY MR. WIGGINS:

24 Q Well, let me ask the witness one more time. Do
25 you understand what changed that required the movement from

1 \$2-1/2 million to \$11 million in fixed information cost
2 systems?

3 A Well, as you just pointed out, I am not an
4 information systems person, but, in general terms, I
5 understand. My understanding is as the test was in its
6 early stages, the people responsible for developing the
7 system, based on information they were collecting at the
8 time, determined that in order to meet the needs of a large
9 number of simultaneous users and provide the type of service
10 we thought was necessary to provide, they had to redesign
11 the system architecture and change, you know, the planned
12 equipment purchases necessary to do so.

13 And as I also pointed out, we are past the point
14 where that can really be done again. We are anticipating a
15 conclusion to this case sometime in the next five or six
16 months, at which time the Postal Service will need to be
17 ready to implement a system. It is too late to make massive
18 changes to a system that has just been ^{redesigned} ~~redesign~~ and expect
19 to be able to do that.

20 Q Is it fair to say, in your understanding, and I
21 appreciate it is not a technical understanding, that in
22 between the time of the \$2.3 million estimate and the \$11
23 million estimate, somebody figured out that the \$2.3 million
24 system wasn't going to work, or wasn't going to work up to
25 your requirements in terms of speed and access and such

1 like?

2 A I mean that is a more specific kind of question
3 that maybe Witness Lim would be better positioned to answer
4 than I am. I didn't speak directly with any of the
5 development team working on the product, and I can't say
6 that they determined something was wrong or that it wouldn't
7 work, and I am not able to answer that question.

8 Q Well, do you think they just determined they
9 wanted to spend more money?

10 A I don't know why they would. But I don't know
11 what they determined, I wasn't party to those meetings or to
12 those conversations, or to those decisions.

13 Q Is it equally the case that you don't have any
14 reason to repose confidence in the conclusion that the \$11
15 million system will work? Do you have a sense of that?

16 A My role in this case is not to evaluate the
17 appropriateness of the system architecture. We hired an
18 expert witness to do that for us. That is not my job there.

19 Q And it proved out to be true -- you say that it is
20 too late now to do another massive redesign of the system,
21 correct?

22 A If we hope to implement the product on the
23 timetable we anticipate, it seems to me it is too late.

24 Q So what happens in economic terms if the system is
25 brought online nationwide and it doesn't work?

1 A I don't know what you mean by in economic terms.
2 If the system doesn't work, customers will attempt to use
3 and will become frustrated by it, and many of them will not
4 return. There is no -- you know, if there is an economic
5 term for that, it escapes me right now.

6 Q Well, it is called failure, isn't it?

7 A Well, I didn't know that had a precise economic
8 meaning, but --

9 Q It does now.

10 A That is a term you could use.

11 Q Okay. And what happens to the \$11 million if
12 there is such failure?

13 A Well, that is a question that I can't answer. I
14 mean I don't know to what extent that equipment could be
15 used for other products that might not fail. It is
16 impossible for me to answer that question.

17 Q To the extent that there's \$11 million worth of
18 stuff -- the software can't be used for anything else,
19 right, you know that?

20 A No, I don't know that. I mean some of that
21 software is off the shelf software that may have other uses.
22 I don't know the answer to that question.

23 Q The WordPerfect software, for example, could be
24 used other places?

25 A Well, not just that, I mean I believe there's

1 address maintenance software that has other applications.
2 You know, most of what we are talking about are computers
3 and associated hardware which can be used for almost
4 anything. It is not clear to me that if, for some reason,
5 Mailing Online did not go forward, that that money is just
6 gone. I mean that equipment probably has many uses that
7 have nothing whatsoever to do with this case.

8 Q Have you investigated those uses?

9 A No, I am confident that the product will go
10 forward when it is expected and that there will no need for
11 us to look for other uses.

12 Q But to the extent that those component parts of
13 Mailing Online don't have comfortable other uses within the
14 Postal Service, that portion of the \$11 million will have to
15 be borne by other users of Postal Service products, is that
16 your understanding?

17 A Well, again, this is -- you are asking a
18 hypothetical question about something that I haven't spent
19 any time considering. But I will say this, I mean the
20 Postal Service is certain that its customers need, want and
21 expect to have access to Postal services via the Internet,
22 and whether it is Mailing Online or some other forum, there
23 will be a product that meets those needs.

24 Now, can I say with absolute certainty that, in
25 the situation you have posed, that, you know, equipment that

1 is not usable by Mailing Online could not be used by some
2 such product, that is not knowable to me. But I will say
3 without hesitation that there will be a product that seeks
4 to meet those customer needs, whether it is this one or some
5 other one down the road.

6 Q There is a product out there on the market today
7 that provides some of the services at least that Mailing
8 Online will provide, is there not?

9 A There are probably more than one.

10 Q Are you familiar with the Pitney-Bowes product?

11 A In general terms. I have never used it and
12 haven't really looked at it, but I know that they have one.

13 Q So that the world will not be an absolutely poorer
14 place in terms of Internet hybrid mail service if the Postal
15 Service doesn't provide Mailing Online?

16 MR. HOLLIES: Objection. Having established that
17 this is beyond the competence of the witness and beyond the
18 scope of his testimony, counsel is proceeding to inquire
19 further and I object.

20 MR. WIGGINS: I am trying to understand the extent
21 of his knowledge, Mr. Presiding Officer.

22 COMMISSIONER LeBLANC: Mr. Plunkett, I am little
23 unclear of the extent of your knowledge right now.

24 THE WITNESS: Me, too.

25 COMMISSIONER LeBLANC: So I am going to overrule

1 the objection. Try to answer to the best of your ability at
2 this particular point. Don't get into the legal
3 technicalities. Just stick with the technical aspects that
4 you have talked about because you have talked about
5 technical issues here. You have talked about a lot of
6 things, so stick with that.

7 THE WITNESS: I mean if you are asking do I think
8 that the world would be a poorer place absent Mailing
9 Online, well, I mean I don't want to get too dramatic but I
10 think it would be. Mailing Online seeks to serve a
11 different set of customers with different needs than the
12 product that Pitney Bowes offers.

13 Now if those customers did not have Mailing
14 Online, some of them might turn out to be satisfied by
15 Pitney Bowes' product or some competing product, but my
16 belief is that a significant number would not be and would
17 therefore be worse off.

18 COMMISSIONER LeBLANC: Mr. Wiggins, I think that
19 is a fair answer and we need to move it on now.

20 MR. WIGGINS: Absolutely, Mr. Presiding Officer.

21 BY MR. WIGGINS:

22 Q You explained in an answer to an earlier question
23 of mine or perhaps it was Ms. Dreifuss's question how one
24 would calculate the overall contribution of Mailing Online
25 to the Postal Service, do you recall that?

1 A Uh-huh. Yes, I do. Sorry.

2 Q That calculation is vitally dependent on the
3 volume of Mailing Online usage, isn't it?

4 A Well, it is affected by it, certainly.

5 Q Well, if volume were significantly smaller than
6 what is projected, the contribution would be significantly
7 less, isn't that right?

8 A Well, in absolute terms, yes.

9 Q And there is some point that we could calculate at
10 which the volume would not be sufficient to defray the \$11
11 million in fixed information service costs, isn't that
12 right?

13 A Well, of course.

14 Q Theoretically.

15 A Sure.

16 Q Yes, and do you have -- are you confident that the
17 volumes will not fall to that level?

18 A Yes.

19 Q And what is the basis for that confidence?

20 A Well, the only quantifiable or verifiable basis I
21 have is the work done by Witness Rothschild that formed the
22 basis for the volume and revenue projections in this case.

23 I have not seen anything that would make me think
24 those are overly optimistic or overly pessimistic and until
25 we have had some experience in the experiment I would be

1 reluctant to question those estimates.

2 Q Do you know whether the price points used in Ms.
3 Rothschild's survey were the same as or very closely similar
4 to the price points at which the service is being offered
5 today?

6 MR. HOLLIES: Objection. We are straying rather
7 far from the scope of this witness's testimony. Witness
8 Rothschild's estimates and their validity were the subject
9 of previous hearings. Witness Rothschild is not here today,
10 is not scheduled to be here today.

11 Moreover, Witness Rothschild's estimates in no
12 sense played a part in the material filed by this witness on
13 January 14, which is the subject of these hearings.

14 MR. WIGGINS: I asked only whether he was -- he
15 had knowledge, Mr. Presiding Officer. He said he relied
16 on -- the only basis for his confidence in volume is Ms.
17 Rothschild, and I am just asking him if he is familiar with
18 one aspect of her survey. It's a yes or no question.

19 COMMISSIONER LeBLANC: In your response you did
20 reference Ms. Rothschild's testimony that you are -- excuse
21 me, not her testimony but -- yes, her testimony that you
22 relied on it, did you not?

23 THE WITNESS: In my verbal response?

24 COMMISSIONER LeBLANC: Yes.

25 THE WITNESS: Yes, I did.

1 COMMISSIONER LeBLANC: So in my opinion, let's
2 answer this either with a yes or a no at this point and
3 we'll move this on.

4 THE WITNESS: Could you repeat the question?

5 MR. WIGGINS: Sure.

6 COMMISSIONER LeBLANC: Do you want it read back or
7 can you repeat it?

8 MR. WIGGINS: I can say it. I can't promise it
9 will be exactly the same but it will be close.

10 BY MR. WIGGINS:

11 Q Are you aware of the fact that the price points
12 used in the Rothschild survey were different from the prices
13 at which the service is being offered today?

14 A Well, I mean there are possibly a number of
15 reasons for that. I mean Witness Rothschild was asked to
16 estimate an average price. What we have right now is one
17 printer. Ultimately we will have on the order of 20
18 printers and that one is unlikely to be representative of
19 the average when we have a nationwide service, so I don't
20 know that Witness Rothschild's price points are -- I don't
21 know that the existing prices we are using in the market
22 test are a valid point of comparison with Witness
23 Rothschild's price points.

24 Q But it's the prices that you are using in the
25 market ^{test}~~test~~ and will be using if you have your way in the

1 experiment that will determine volume, isn't that right?

2 A That's right, but when we are into the experiment
3 we will have between 10 and 15 printers and that one printer
4 we have now will be a relatively small subset of the
5 printing work that will be done for Mailing Online during
6 the experiment, and again, it is not clear to me that the
7 single printer that we have now is more representative of
8 what the average will be than Witness Rothschild's price
9 points, so I would not change my opinion based on experience
10 with a single printer until we have gone farther into the
11 experiment and contracted with some other providers.

12 Q In your answer, and I am again looking at OCA
13 Number 52 to you -- do you have that?

14 A Yes, I do.

15 Q In subpart (c)(ii) -- up at the top of page 7 of
16 7 --

17 A Yes.

18 Q -- you say "Your fee proposal marks up printer
19 costs, which are similar to marginal costs." Can you
20 explain that to me? What do you mean by that?

21 A Well, the printer costs stipulate an exact per
22 unit charge to the Postal Service for every type of document
23 that they will be called upon to print, so at the margin
24 that is exactly what one of those units costs the Postal
25 Service, so they are therefore the marginal costs of

1 providing the service.

2 Q And variable information system costs -- I take it
3 you are saying which are roughly equivalent to average
4 marginal costs?

5 A Right.

6 Q Explain to me your understanding of the difference
7 between marginal costs and average marginal costs?

8 A If I had it to do over again, I would probably
9 just say average costs but I mean essentially information
10 systems costs are variable but they are not variable on a
11 per unit basis so to estimate what the per unit variable
12 information systems costs are we project what those
13 information systems costs will be and divide by the
14 projected volume and in this case impressions, and from that
15 produce an average variable information systems cost per
16 unit.

17 Q When you say that variable information systems
18 costs do not vary by unit, can you explain your thinking on
19 that for me?

20 A Sure. If a customer orders 100 pieces of Mailing
21 Online volume, they will pay the printer a specific
22 amount -- let's call it "x." If that same customer instead
23 ordered 200 pieces through Mailing Online, they would pay
24 the printer "2x" -- those costs vary directly in proportion
25 with volume. Well, that 100 piece change in that customer's

1 order probably has no measurable impact on the information
2 systems costs that accrue to the Postal Service in that
3 case.

4 However, for the purposes of pricing the product,
5 we have estimated what on average the information costs
6 associated with a Mailing Online impression will be and have
7 structured the fee proposal based on that average.

8 Does that help to clarify?

9 Q Well, I am not sure I fully understand it. Yes,
10 clarifies your thinking. I am not sure I agree with you.

11 The movement from 100 to 200 pieces causes, for
12 example, doesn't it the requirement of more computer storage
13 capacity? If it is a nonmerge piece, you are going to have
14 to store in the mind of your machine 200 documents rather
15 than 100 documents, are you not?

16 A I don't believe that is the case, but I am not an
17 expert on how the system works technically.

18 You said an additional 100 pieces of a nonmerged
19 document?

20 Q That's correct.

21 A No. I don't believe you store -- I don't believe
22 you store twice as many copies, but I am not certain. I
23 mean its a single document that would get printed 200 times
24 instead of 100 times.

25 Q No, no. By nonmerged I mean that instead of

1 having a mailing list file and a document file you have only
2 a document file.

3 A Well, you have to have a mailing list file

4 Q Is that your understanding?

5 A I believe that is the case.

6 Q In an answer provided by Witness Seckar to an OCA
7 Interrogatory T2-20, he was asked whether the unit
8 attributable information system cost for MOL including
9 startup costs would be .0041 dollars, or .41 cents.

10 MR. HOLLIES: Excuse me. Could you tell me which
11 one that is again please?

12 MR. WIGGINS: Yes. It's T2-20.

13 MR. HOLLIES: Propounded by?

14 MR. WIGGINS: The OCA.

15 MR. HOLLIES: Thank you.

16 MR. WIGGINS: And the question sort of asks
17 shouldn't that be the amount that is recovered per
18 impression. He answered: Moreover, this presentation of
19 costs is not meant to suggest that one pricing method or
20 another should be undertaken. Such a decision is better
21 made by Witness Plunkett.

22 BY MR. WIGGINS:

23 Q What do you think, Witness Plunkett? Would it be
24 better to charge .41 cents per impression than the .1 cent
25 that is the formal proposal of the Postal Service?

1 I know you can't change the proposal, but would it
2 be economically better?

3 A No, it would be worse.

4 Q Why is that?

5 A Well, for the reasons I've presented in my revised
6 responses. In this case, again those are one-time in effect
7 startup costs to the Service, and I've spent a good portion
8 of the last hour explaining why I don't think it's
9 appropriate in this case to mark those up.

10 Q I'm sorry. Maybe I didn't make myself clear. I'm
11 not talking about marking them up. I'm talking about
12 changing the per-impression cost. You've advocated --

13 A If you do that, given our pricing proposal, you
14 would be marking them up.

15 Q Your testimony is that the .1-cent-per-impression
16 fee -- you still advocate that, don't you?

17 A That's the proposal; yes.

18 Q Do you advocate it?

19 A Yes, that's our proposal.

20 Q Okay. And that is meant to cover the fixed
21 information system cost; correct?

22 A It's meant to provide sufficient revenue to
23 recover all the costs associated with Mailing Online; yes.

24 Q Well, no, no. The .1 cents doesn't recover all
25 the costs associated with Mailing Online. It recovers a

1 particular category of cost, does it not?

2 A It represents a particular category of costs, but
3 that per-unit charge in addition -- in combination with the
4 other portions of the fee, for lack of a better term -- is
5 intended to provide sufficient revenue to recover all the
6 costs associated with Mailing Online.

7 Q Isn't it your testimony that that is designed to
8 recover the fixed information service cost?

9 A Could you repeat that?

10 Q Sure. Isn't it your testimony that the
11 .1-cent-per-impression fee is meant to recover fixed
12 information system cost?

13 A No, it's not.

14 Q It's just -- what's the purpose for that .1 cents?
15 Where did you find that number?

16 A In Witness Seckar's original testimony, he
17 estimated the per-impression variable information systems
18 costs to be I believe six 100ths of a cent. In my fee
19 proposal I was seeking a way to include those costs in the
20 fee. Since we were basing our fees on the printer costs
21 times a markup, I determined the best way to do that was to
22 include a per-impression charge on top of the printer
23 charges. To conform with existing convention, I rounded
24 Witness Seckar's six 100ths of a cent up to one-tenth of a
25 cent and assessed one-tenth of a cent per-impression charge

1 in calculating the fees for the service.

2 Q I'm sorry. I misspoke --

3 A But they were not intended to recover fixed
4 information costs per se.

5 Q I'm sorry. I misspoke, and I -- if I confused
6 you, I apologize. I said "fixed," and I meant "variable."
7 Is the .1 cents in the proposal intended to cover variable
8 information system costs?

9 A In effect, yes. I'm not sure I would describe it
10 in that way, but, I mean, that's the general effect of
11 having that fee in there.

12 Q And you say that you got there by looking at
13 Witness Seckar's calculation of the cost of variable
14 information systems at .06 cents per impression.

15 A .006.

16 Q .006 dollars --

17 A You're right.

18 Q .6 cents; correct?

19 A Yes, you're right.

20 Q .6 cents.

21 A That's right.

22 Q Six-tenths of a cent. And is that still the best
23 available estimate of those costs?

24 A Well, Witness Seckar revised those estimates in a
25 recent filing.

1 MR. HOLLIES: Excuse me, Mr. Presiding Officer,
2 but before we further confuse the record, perhaps it would
3 be noting -- be worth noting that it was six 100ths of a
4 cent.

5 MR. WIGGINS: That's correct. I misspoke. And
6 what is --

7 COMMISSIONER LeBLANC: Excuse me, Mr. Wiggins.
8 Mr. Reporter, are you clear on that as far as the
9 record's concerned?

10 THE REPORTER: Yes, sir.

11 COMMISSIONER LeBLANC: Thank you.

12 Sorry, Mr. Wiggins, go ahead.

13 MR. WIGGINS: The testimony is very clear on it,
14 Mr. Presiding Officer, even though I prodded it.

15 BY MR. WIGGINS:

16 Q And what is the current best estimate of those
17 costs to your understanding?

18 A I believe it's 21 one-hundredths of a cent.

19 Q And that is for the variable component of
20 information service cost.

21 A I believe that's the number.

22 Q Do you have a number for all information service
23 cost?

24 A I think I saw one in an interrogatory propounded
25 to someone else, but I don't remember what that was.

1 Q But you remain persuaded that one-tenth of a cent
2 remains the best fee to be associated with the 25-percent
3 markup of printer costs in order to derive customer costs of
4 Mailing Online participation; is that right?

5 A Well, I -- excuse me for a minute.

6 Again, I mean, I'll go back to what I've said
7 before, I mean, the proposal was for a tenth of a cent. I
8 have not seen anything yet that causes me to say we should
9 change that proposal.

10 Q Thank you, Mr. Plunkett.

11 MR. WIGGINS: I have no further questions, Mr.
12 Presiding Officer.

13 COMMISSIONER LeBLANC: Is there any followup, Ms.
14 Dreifuss?

15 MR. WIGGINS: She actually hasn't gone yet.

16 MS. DREIFUSS: I don't want to go ahead of Mr.
17 Bush.

18 COMMISSIONER LeBLANC: Mr. Bush?

19 MR. BUSH: I have nothing, Mr. Presiding Officer.

20 MS. DREIFUSS: I do have one --

21 COMMISSIONER LeBLANC: I am glad I have a loud
22 voice. Go ahead, Ms. Dreifuss.

23 MS. DREIFUSS: Thank you.

24 FURTHER CROSS EXAMINATION

25 BY MS. DREIFUSS:

1 Q I do have one clarification. The exchange you
2 just had with Mr. Wiggins reminded me of it. Could you look
3 at your answer to -- it was filed on January 14, the revised
4 response of Postal Service Witness Plunkett to Presiding
5 Officer's Information Request Number 2. And could you --
6 about halfway down your answer you give a unit cost, and I
7 believe you might have left a zero out. Could you check
8 that and tell me if that's true?

9 A That was Presiding Officer's Informational Request
10 Number 2?

11 Q Right. You filed the revised response on January
12 14. It consisted of a revised response to an OCA
13 interrogatory and to Question 2 of the Presiding Officer --
14 Officer's Information Request Number 2. That response
15 follows your revised response to the OCA interrogatory.

16 A I can't seem to locate that.

17 COMMISSIONER LeBLANC: What is that again, Ms.
18 Dreifuss?

19 MS. DREIFUSS: It's part of the revision that
20 Witness Plunkett just filed.

21 COMMISSIONER LeBLANC: To the POIR.

22 MS. DREIFUSS: Yes. I think counsel for the
23 Postal Service might be able to present that to the witness.

24 MR. WIGGINS: I'm sorry, Mr. Presiding Officer,
25 which portion of that are we looking at?

1 COMMISSIONER LeBLANC: That's what I'm trying to
2 clarify right now, Mr. Wiggins.

3 MS. DREIFUSS: It's about halfway down the page,
4 about halfway down, Mr. Plunkett's response.

5 MR. WIGGINS: Thank you, Mr. Presiding Officer.

6 MS. DREIFUSS: And he gives a figure of .0065
7 dollars. And I believe he may have left a zero out.

8 THE WITNESS: You're right, that should be 00065.

9 MS. DREIFUSS: Okay. Thank you.

10 THE WITNESS: That's correct.

11 COMMISSIONER LeBLANC: Is that all you have, Ms.
12 Dreifuss?

13 MS. DREIFUSS: Yes.

14 COMMISSIONER LeBLANC: One moment, please.

15 Is there any followup now?

16 MR. WIGGINS: An inquiry, Mr. Presiding Officer.
17 I have just picked up from the table the revised attachment
18 to revised response of Mr. Plunkett to Interrogatory
19 OCA/USPS-T5-10, and PB -- and also a response to
20 Interrogatory PB/USPS-T5-5. And as I look at the table
21 which is a revision --

22 COMMISSIONER LeBLANC: This is the corrected
23 version, to clarify the record?

24 MR. WIGGINS: I can't tell you that, because I
25 can't read it. They have highlighted the portions that are

1 revised in a fashion that makes them illegible. I wonder if
2 you could inquire of the Postal Service whether they have
3 some other copy of this that would permit somebody to read
4 it.

5 COMMISSIONER LeBLANC: Mr. Hollies, do you have a
6 clean copy that we can at least clarify the record for?

7 MR. WIGGINS: This one's better than this one.

8 May I have just a moment to look at the document
9 and determine whether I can read it?

10 COMMISSIONER LeBLANC: Certainly. By all means.

11 MR. WIGGINS: Thank you very much.

12 COMMISSIONER LeBLANC: Mr. Reporter, do you have
13 copies of the corrected cross-examination?

14 THE REPORTER: Yes, sir.

15 COMMISSIONER LeBLANC: You might want to glance,
16 if you still have it, at T5-5 to make sure it is a legible
17 copy. If it's already been sent there, we can --

18 MS. DREIFUSS: Commissioner LeBlanc?

19 COMMISSIONER LeBLANC: One moment, Ms. Dreifuss.

20 We can double-check that and/or get it back.

21 I'm sorry, Ms. Dreifuss.

22 MS. DREIFUSS: I thought me Plunkett might have an
23 original printout of that table which might make the best
24 copies of all.

25 THE WITNESS: I have an original that --

1 MS. DREIFUSS: Oh, okay.

2 THE WITNESS: That I'd be happy to provide Mr.
3 Wiggins.

4 COMMISSIONER LeBLANC: Okay. Let's see if Mr.
5 Hollies can double-check this for us right now just one
6 moment.

7 Mr. Hollies, have you found it yet or not?

8 MR. WIGGINS: Mr. Presiding Officer, the second
9 copy that Mr. Hollies gave me I can make out.

10 COMMISSIONER LeBLANC: Well, I'd like to not just
11 make it out. I want to make sure that it's as clear as we
12 can get a copy here at this particular point. If we have
13 to, we'll take Mr. Plunkett's and make some copies and
14 submit it for the record. But I do want to make sure that
15 everybody's on the same sheet of music here.

16 MR. WIGGINS: I appreciate it.

17 COMMISSIONER LeBLANC: Mr. Hollies.

18 MR. HOLLIES: This copy, which was submitted to
19 the reporter, is only slightly more legible than the one Mr.
20 Wiggins started with, and we can improve the situation, and
21 ought to.

22 COMMISSIONER LeBLANC: I do want to make the
23 record clear. I believe Mr. Plunkett said he's got the
24 original. Is that correct?

25 THE WITNESS: Yes, I do. Perhaps at the break we

1 can make sure that the right pages are in this set.

2 COMMISSIONER LeBLANC: If you'd like, I can have
3 one of the staff go run some copies for you here, and then
4 you can insert it, if that would be a help for you, so we
5 can move this along.

6 MR. BUSH: Mr. Presiding Officer, I think we also
7 need to be careful that even if we get a better copy from
8 Mr. Plunkett, when it's Xeroxed and reproduced in the
9 transcript, we may run into the same problem, which is I
10 think the problem is that you're running a copy of a shaded
11 area, and the shaded area tends to blot out the numbers that
12 are in it.

13 COMMISSIONER LeBLANC: I understand that. So what
14 I'm going to do at this point is --

15 THE WITNESS: I'm sorry, Mr. Presiding Officer. I
16 have copies with lighter shading that may photocopy better.
17 They weren't filed because the lighter shading does not
18 highlight as well, but if they'll provide a better basis for
19 photocopying, I can provide that.

20 MR. HOLLIES: I think the problem is simply
21 multiple generations of copies, and we don't live in a world
22 where greyscale is well tolerated by copiers. If we start
23 with these, even a couple generations of copies will still
24 be quite legible. So if I put these physically in the set,
25 I think we'll be done.

1 COMMISSIONER LeBLANC: Well, let's do this. Let's
2 go ahead and take a ten-minute break right now, or make it
3 15, make the copies if you will. I believe you know the
4 staff back there pretty well, Mr. Hollies. If you will get
5 together with Mr. Wiggins, Mr. Bush, and Ms. Dreifuss, all
6 please make sure that the copies are legible, everybody's on
7 the same sheet of music, the full designation set is as we
8 talked about before, if it is acceptable by all parties,
9 then we can move along. But let's clarify the record and
10 make sure it's all done. So we'll take 15.

11 [Recess.]

12 COMMISSIONER LeBLANC: Back on the record. As we
13 last stepped out here, Mr. Wiggins was complaining about an
14 unclear copy. I want to make sure that all attorneys, as
15 well as the witness, are on the same sheet of music. So,
16 Mr. Hollies, it is my understanding that you have at this
17 point run the clear copies, made them part of the
18 designations. The reporter now has two clean copies, is
19 that correct?

20 MR. HOLLIES: That is correct.

21 COMMISSIONER LeBLANC: Mr. Wiggins, you have no
22 complaints at this point, is that correct?

23 MR. WIGGINS: I do not. We are legible.

24 COMMISSIONER LeBLANC: Mr. Bush.

25 MR. BUSH: No complaints.

1 COMMISSIONER LeBLANC: And I believe, Ms.
2 Dreifuss, you said you are going to trust everybody.

3 MS. DREIFUSS: I certainly do.

4 COMMISSIONER LeBLANC: All right. Okay. Mr.
5 Plunkett, have you taken a look at the redefined, if you
6 will, or changed designations, and do you feel comfortable
7 with those at this point as well?

8 THE WITNESS: Yes, I do.

9 COMMISSIONER LeBLANC: Okay. Good. Now, Mr.
10 Wiggins, is that all that you had as far as your cross -- I
11 mean recross?

12 MR. WIGGINS: Mr. Plunkett offered me off the
13 record an explanation for what occasioned this change, and I
14 think the record might benefit from having him say that on
15 the record. If you would, please, Mr. Plunkett?

16 THE WITNESS: Well, in response to an
17 interrogatory, I believe Witness Lim changed a small
18 component of his cost testimony, which, in turn, caused a
19 minor change in Witness Seckar's testimony and I believe he
20 refiled -- or filed an amendment to an earlier filing, and
21 Witness Seckar's change had a minor change on my projected
22 revenues amounting to about \$10,000 during the experimental
23 period, and the revised table was just presented to clarify
24 the effect of that change.

25 COMMISSIONER LeBLANC: That's fine. Thank you

1 very much, Mr. Plunkett.

2 Is there any other follow-up recross? I will call
3 to make sure the record is clear here. Everybody is all
4 right here? Okay.

5 I have got a question and then we will open it up,
6 see if any other Commissioners have a question for you, Mr.
7 Plunkett. I am a little bit confused, to put it mildly, in
8 one respect, because you talked about in your colloquy with
9 Mr. Wiggins about you -- I believe it was Mr. Wiggins, where
10 you said we are almost past the point now to change the
11 costing-slash -- I am going to take that to mean the volume
12 figures. Is that -- did I misunderstand?

13 THE WITNESS: Well, that wasn't what I meant to
14 say. What I meant to say was that we have gone past the
15 point where we can consider any drastic changes to the
16 system architecture that has been proposed, because a
17 development has progressed under the set of assumptions that
18 are embodied in Witness Lim's testimony. Were those
19 assumptions to suddenly change because of a significant
20 alteration of the system architecture, then we would be
21 hard-pressed to meet the needs of the existing schedule.

22 I didn't mean to imply that nothing could change
23 in the interim period, but that substantive changes in the
24 proposed system architecture would render our existing
25 schedule unworkable.

1 COMMISSIONER LeBLANC: You talked about, in T5-1,
2 OCA's USPS T5-1, you used the terminology of "excess of
3 revenues over costs projected for the Mailing Online
4 experiment," where you used your volume projections here.

5 THE WITNESS: Is that in T5-10?

6 COMMISSIONER LeBLANC: It is the revised response
7 to OCA/USPS-T5-1, it was submitted on January 14th, 1998.

8 MR. HOLLIES: For purposes of clarity --

9 THE WITNESS: Yes, I see it. I'm sorry.

10 COMMISSIONER LeBLANC: I am sorry, Mr. Hollies.
11 Go ahead.

12 MR. HOLLIES: I'm sorry. You were referring to
13 January 14, '99?

14 COMMISSIONER LeBLANC: Yes. Thank you very much.

15 MR. HOLLIES: And it was OCA/USPS-T5-10?

16 COMMISSIONER LeBLANC: T5-1. That is what my
17 record has here. I may be mistaken, but I believe it is
18 T5-1.

19 THE WITNESS: I see that phrase on T5-10.

20 COMMISSIONER LeBLANC: Then I stand corrected
21 again. Three mistakes in one day. Golly. My wife is
22 right, I have got two more to go then.

23 THE WITNESS: I think I have had more than that
24 today.

25 COMMISSIONER LeBLANC: Okay. But you used volume

1 projections for the Mailing Online experiment phrase, "to
2 calculate," in your words, "excessive revenues over costs
3 projected for the Mailing Online experiment." Now, when I
4 look at everything and try to cut to the chase, the bottom
5 line is you have got costs that are five, maybe six times
6 greater than what was projected by Witness Rothschild.

7 THE WITNESS: Well, --

8 COMMISSIONER LeBLANC: Let me finish if I may.
9 You have got volumes that are next to nothing. Now, when I
10 look at that and I hear you say that the technical changes
11 have caused some costs, yet those costs are sunk costs in
12 your -- I believe that is what you said, or one time charge
13 is how you put it. I look at all of that and I say, well,
14 as a market test that we are involved in right now, and I
15 have got another question I will follow-up with, can you
16 explain why then it is appropriate to continue to use the
17 volumes you use in your revenue projections?

18 THE WITNESS: Well, I would point out, I mean the
19 main reason is Witness Rothschild's volumes were predicated
20 on a nationwide service available to everyone who has
21 Internet access and is sufficiently technically
22 sophisticated to use the service. What we have now is such
23 a limited offering, targeted at only 5,000 customers, --

24 COMMISSIONER LeBLANC: Excuse me, Mr. Plunkett.

25 THE WITNESS: -- many of which may not even use

1 Mailing Online, I don't think that yet we are at the point
2 where we can make judgments about Witness Rothschild's
3 projections based on our experience to this point.

4 COMMISSIONER LeBLANC: Correct me if I am wrong,
5 and I could easily be wrong again, but don't you take a
6 base, and if you don't feel comfortable in answering this, I
7 understand, and, please, tell me so, but to project
8 nationwide, you have to start with something, do you not?

9 THE WITNESS: Yes.

10 COMMISSIONER LeBLANC: And if you have got X and
11 you project it nationwide, you will have X plus whatever
12 figure that is to equal the volume projections. Now, if
13 this X that you started with is not even close, by any
14 stretch of the imagination, as I read it, to where it should
15 be, how can you then have confidence to extend it out
16 nationwide?

17 THE WITNESS: Can I ask a clarifying question?
18 When you use the variable designation X, do you mean a sort
19 of projection of what volume would be during the market test
20 period?

21 COMMISSIONER LeBLANC: Exactly.

22 THE WITNESS: My understanding is that is not how
23 Witness Rothschild's volume estimates were produced. Hers
24 were done in more of a top-down fashion where she looks at
25 the universe of potential customers that produce a certain

1 type of document using certain types of software for certain
2 types of uses. And from that estimate of a customer
3 universe, she estimated a potential volume that was suitable
4 for Mailing Online, and, based on some assumptions about
5 what percentage of that available universe of customers and
6 documents might choose to use Mailing Online service, she
7 produced estimates of what volume would be if the service
8 were available on a nationwide basis.

9 I don't think she ever -- if I may, what you
10 described sounds more like an approach where she might have
11 taken a small sample of customers, estimated what that small
12 sample would have produced in a short-term period, and then
13 projected outward on the basis of that sample. I think that
14 is the opposite of the approach that she took. And that is
15 why I would be, since I am not -- I am certainly not expert
16 enough to know whether or not the two approaches can be
17 compared directly.

18 I would be reluctant to substitute the bottom-up
19 approach, as you have advocated, for the top-down approach
20 that Witness Rothschild presented, especially given the
21 difference in magnitude between the potential universe of
22 customers and documents is so much greater than the limited
23 market test. I would be wary of any projections on that
24 basis alone, but when you couple that fact with the
25 difference in approaches between the top-down and the

1 bottom-up, I would be reluctant to draw the conclusion that
2 Witness Rothschild's work has been invalidated by what we
3 have experienced so far.

4 COMMISSIONER LeBLANC: Again, if you can't answer
5 this or choose not to, I understand, and maybe I should have
6 asked this earlier to Ms. Rothschild, but let's take another
7 situation here. Your confidence then on those volume
8 figures is based on Ms. Rothschild's study, is that your --
9 I am not trying to mischaracterize what you say. Is that
10 what you are saying here?

11 THE WITNESS: No, that is the basis for all of the
12 volume assumptions I have used.

13 COMMISSIONER LeBLANC: And yet, as a Commission,
14 we look at what the volumes are now and how far out do we go
15 before we start -- you know, where do we cut it off as to,
16 hey, it will never get there? I mean we have to make the
17 decision somewhere along the line.

18 THE WITNESS: I understand that, and I can't -- I
19 mean if I could tell you what to do, my job would be much
20 easier, and I won't presume to do that.

21 COMMISSIONER LeBLANC: I don't know about that,
22 but okay.

23 THE WITNESS: I guess what I would say is I think
24 that is the reason we proposed this case in the way that we
25 did, which was a limited, a very limited market test which

1 would allow us to get an idea of whether or not the test
2 customers were responding to the product, to give us some
3 indication on how to progress forward, during an experiment
4 which would then allow us to evaluate whether or not the
5 product we have designed and presented to the Commission is
6 one that is suitable for a permanent classification.

7 And I guess my feeling is that, while the market
8 test is not sufficiently similar to a nationwide service to
9 allow for a conclusive determination of whether or not a
10 permanent classification is in order, I think once we get to
11 a nationwide service, during the experiment, where we
12 running multiple print sites and have made the product
13 available to whoever wants to use it in whatever locale they
14 are located, we will have a better idea of whether or not
15 Witness Rothschild's volume projections are realistic.

16 I think we need to remember what we have here.
17 You know, we are in three cities, with a very small number
18 of users. This is an Internet based product. You know, for
19 all we know, the users we are getting, I mean maybe they are
20 right around the corner from a print shop and have easy
21 access to similar services, and they like it, but it is not
22 a big improvement, but once this opens up nationwide, we are
23 able to attract customers that don't have a Post Office
24 right down the street or have trouble getting access to
25 these services, and for whom this is a much more attractive

1 product. Until we expand the universe of test or
2 experimental customers, I would be reluctant to draw
3 definitive conclusions about whether or not those volume
4 projections are accurate.

5 COMMISSIONER LeBLANC: So let me try to sum it up,
6 and I don't want to mischaracterize but I want to make sure
7 I am understanding you, and then I know we have a
8 Commissioner or two that want to ask a follow-up question or
9 a question, but you are saying that you can't project the
10 future but you are sure that the future will change what is
11 happening now, because you are saying that in effect there
12 might possibly be a new marketing plan. There may be new
13 geographical restrictions. You may drop some, add some.
14 You may pick up new computer equipment. You may do a number
15 of things. But the key word there is "may" -- but as a
16 Commission what can we look to as solid, strong now
17 evidence?

18 In other words, what will make the difference for
19 us?

20 THE WITNESS: I don't -- I didn't mean to imply
21 that the Postal Service is necessarily planning to do
22 anything different. I think what I am trying to get at is
23 by definition the market test imposed some pretty strict
24 limitations on who could use the service and where they
25 could use it. I mean you have to be a business customer.

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1 It is limited in number and it is limited in location and
2 since it is a combined test between MOL and POL a
3 significant number of those test customers may have no
4 interest in Mailing Online and we may therefore end up
5 excluding customers who otherwise might be interested in
6 Mailing Online.

7 I think that provides a very different experience
8 base, not just in magnitude but in type than you are liable
9 to get when the service is open to anyone who finds it and
10 decides they want to use it.

11 Now if you are looking to me for guidance on, you
12 know, how the Commission should resolve that, I am not sure
13 I can provide that guidance. It is just that the market
14 test is limited for some, for what I consider important
15 reasons. I mean this is a very new product and it is
16 desirable from many standpoints to limit exposure of the
17 product while you are developing it and litigating this
18 case, but those ^{necessary} ~~necessary~~ limitations render some of the
19 results that we get less useful in determining whether or
20 not an experimental offering or a permanent offering will be
21 viable and I don't know that there is an easy way to resolve
22 that contradiction. I mean it is just sort of the nature of
23 market tests.

24 I mean they can allow you to determine, well, we
25 have got a product. Maybe we will collect comments from

1 customers and say we really like this but if you did this it
2 would be better, and that will allow us to make some
3 refinements, but you will never have the perfect knowledge
4 you would like when you go from that market test to an
5 experiment or correspondingly from an experiment to a
6 national service.

7 COMMISSIONER LeBLANC: I think that will cover it.
8 I believe Commissioner Goldway has a question.

9 COMMISSIONER GOLDWAY: I just want to be clear
10 exactly on what the field is that is currently generating
11 this low-level of volume that we see.

12 Do you in fact have 5,000 people signed up for
13 Post Office Online?

14 THE WITNESS: I don't know the exact number. I
15 don't believe the limit has been reached.

16 COMMISSIONER GOLDWAY: And how many of those are
17 signed up for Mailing Online?

18 THE WITNESS: I don't know the answer to that
19 question. My understanding was that the last I heard the
20 number had been about half and half -- half the users were
21 for POL and half were for Mailing Online, but I don't have
22 an exact number.

23 COMMISSIONER GOLDWAY: And have there been
24 adjustments in the service during the market tests which
25 have made things easier or different as you have gone along

1 as this system architecture is being built?

2 THE WITNESS: Well, there have been some new
3 software releases since the market test commenced. For
4 example, in I believe it was early January we made Standard
5 A rates available for the first time, so I mean I would
6 suspect that that -- that change in and of itself --

7 COMMISSIONER GOLDWAY: Standard A was not
8 available before then?

9 THE WITNESS: Right. At the commencement of the
10 test, Standard A was not available at all. That has since
11 been made available.

12 There have been some other I believe minor
13 refinements instituted at or around the same time, so there
14 have been some minor changes to the software. Now hardware
15 changes I would suspect tend to be more invisible to the
16 customer, but those were a couple of changes that customers
17 would have noticed and may have affected --

18 COMMISSIONER GOLDWAY: -- whether the system had
19 been down a lot because of the change in architecture, so it
20 hasn't, people haven't -- we see these days when nobody has
21 used it at all. Is that because the system has been down?

22 THE WITNESS: I mean loading a new version of the
23 software requires the system to be taken down, I believe,
24 but I don't think that accounts for any extended period when
25 the system was unavailable to users.

1 I think those changes went as planned and they
2 deactivated the system for a brief period and then brought
3 it right back up.

4 My understanding -- again I have not gone over the
5 data reports in great detail -- my understanding is usage ^{has} ~~is~~
6 picked up as we have made these more recent changes. My
7 understanding is that in the last few weeks the number of
8 users has jumped up in percentage terms by quite a bit, but
9 that is about the limit of my knowledge.

10 COMMISSIONER GOLDWAY: So at least the anecdotal
11 reports you are getting from the people who are actually in
12 the operation of the program is that they feel that volume
13 is increasing?

14 THE WITNESS: I believe that is the feeling is
15 that usage is picking up. The number of users is
16 increasing. I don't think that means they are ready to rest
17 on their laurels. I think they are trying to do more to
18 generate additional use, but I think the general feeling is
19 that the usage is picking up.

20 COMMISSIONER GOLDWAY: And then my last question
21 is it was my understanding that part of the timing for the
22 request was that there was a tie-in with the Microsoft 2000
23 program and to have an icon, so that in fact the product
24 would be available nationwide to all users and I understand
25 that program has been delayed, so is that going to alter the

1 potential volumes that you see with the experimental test?

2 THE WITNESS: That was part of our original filing
3 is that that was a consideration for us. I don't believe
4 that -- I don't believe Witness Rothschild's volume
5 estimates made use of those negotiations in any way.

6 I mean I believe her volume estimates were done
7 before any notion of partnership with Microsoft was
8 contemplated, so I don't think that has any bearing on her
9 volume estimates.

10 Now I think it would be naive to think that either
11 presence or absence from a Microsoft desktop would not have
12 an impact on Mailing Online volumes. I would expect it to
13 have a large impact, but I am not aware of the exact state
14 of negotiations with Microsoft or any delays of their
15 product or how that would affect Mailing Online.

16 COMMISSIONER GOLDWAY: Thank you.

17 COMMISSIONER LeBLANC: Any other further questions
18 from the bench? Chairman Gleiman?

19 CHAIRMAN GLEIMAN: It is really a question for
20 Postal Service counsel. I was not aware, although I saw
21 that there was no Standard A volume, I was not aware that
22 Standard A was not being offered.

23 Could you provide some information for the record
24 indicating exactly when Standard A began to be offered as
25 part of Mailing Online?

1 MR. HOLLIES: I would be happy to. Are you --
2 would a statement by counsel be sufficient? If so, I can
3 provide that today. I don't have it in my head right now,
4 but I think I can get access to that information.

5 CHAIRMAN GLEIMAN: I think I would like to see
6 some indication in writing as to when it was offered by
7 whoever is in charge of making those kinds of decisions.

8 MR. HOLLIES: We did state I believe in earlier
9 phases that the Standard A piece was not going to be
10 available right away, but we can certainly provide further
11 information about when it was actually put in place, which I
12 take it is what you want.

13 CHAIRMAN GLEIMAN: That's correct.

14 MR. HOLLIES: Certainly.

15 CHAIRMAN GLEIMAN: Thank you.

16 Mr. Plunkett, since you mentioned that there had
17 been an increase in the number of users, could we ask you to
18 convey to your colleagues who are the numbers people and who
19 do these reports that when they do the reports and they
20 indicate the number of users, as I understand it, they
21 indicate the number of users each week and then add up the
22 weeks and that gives them a total number of users and it is
23 conceivable that you may have a user in Week 1, Week 3, Week
24 5. To be sure that we are not counting a single user who
25 uses it multiple times over a number of weeks as more than

1 one user -- the issue is uses versus users.

2 THE WITNESS: Right. When I use the term
3 "users" -- I admit it was sort of imprecise -- I meant to
4 suggest registered users for Mailing Online, POL, not people
5 that are actually producing documents.

6 I don't know what the existing version of the
7 software allows in the way of identifying individual users.
8 Counsel may have an answer to that. I don't -- off-hand, I
9 am not sure that what you ask for is possible, so I can't
10 say I'll do that. I don't know if it is possible.

11 CHAIRMAN GLEIMAN: It is my understanding that for
12 each given week that the Postal Service is able to zero out,
13 if you will, multiple uses by a particular user so that it
14 shows up as one user who has used it multiple times as
15 opposed to multiple users for that party and what I am
16 asking is if we can be sure or someone would check to make
17 sure that when the Postal Service adds up week to week to
18 week they zero out the same way from week to week that they
19 do from day to day within a week, so that we know how many
20 users there were as well as how many uses there were by
21 those users.

22 THE WITNESS: Well, okay. I mean the people who
23 do that work aren't here. I guess I will ask counsel for
24 some guidance into whether --

25 MR. HOLLIES: I believe, Mr. Chairman, that you

1 are correct. We said upfront that when the reports began
2 that in a sense we were controlling for users within a week,
3 but that in some sense the reports that stretch over
4 multiple weeks are really reporting uses and that there is a
5 software reason for that, but I will check that out a little
6 further and see if we can improve the quality of the
7 information flowing to the Commission.

8 CHAIRMAN GLEIMAN: I would appreciate that and I
9 would assume it is not all that difficult since they are
10 registered users and there must be some kind of
11 identification each time they use it, whether it is in a
12 given week over a period of weeks. There ought to be some
13 way if not by software for somebody to put on a green
14 eyeshade and go down the list and add them up and cross them
15 out.

16 MR. HOLLIES: I believe it will require a manual
17 process but I will check that, and Mr. Chairman, if you
18 could please speak into the microphone so we could all hear
19 you of course we would appreciate it.

20 CHAIRMAN GLEIMAN: My problem is that I am just
21 such a soft-spoken guy, as everybody in town knows, you
22 know, it's a real problem for me to sound loud and
23 boisterous, but I will do my best. Thank you.

24 COMMISSIONER LeBLANC: Any other questions from
25 the bench?

1 [No response.]

2 COMMISSIONER LeBLANC: Mr. Hollies, I think I have
3 got one more, unless Mr. Plunkett could possibly answer this
4 little homework assignment.

5 It's all right if you cannot answer this. Feel
6 free to tell me so, but in your colloquy with Ms. Dreifuss
7 you talked about the accounting period reports, I believe.

8 MR. HOLLIES: I did?

9 COMMISSIONER LeBLANC: POL -- let me try to reword
10 it another way.

11 It's my understanding anyway that the accounting
12 period reports on expenditures being submitted is described
13 on page 51 of our opinion and recommended decision on the
14 market test have not been forthcoming.

15 Can you tell me or find out when those
16 expenditures or reports can be submitted?

17 THE WITNESS: It sounds like something we should
18 answer. I don't know the answer off the top of my head but
19 I guess counsel wants to speak.

20 MR. HOLLIES: Mr. Presiding Officer, somehow we
21 anticipated that question. We posed it to the pertinent
22 party and we do not have a response yet, but we will get
23 that for you and I hope today.

24 COMMISSIONER LeBLANC: Thank you very much, Mr.
25 Hollies.

1 Did the question from the bench drive any redirect
2 follow-up?

3 [No response.]

4 COMMISSIONER LeBLANC: Well, good. Mr. Hollies,
5 would you care for some time with Mr. Plunkett?

6 MR. HOLLIES: Just a couple minutes, perhaps five
7 minutes then.

8 COMMISSIONER LeBLANC: All right. We'll take
9 five. We will be off the record, Mr. Reporter, five
10 minutes.

11 [Recess.]

12 COMMISSIONER LeBLANC: Mr. Hollies, the mike's
13 working on this one. Are you prepared to continue?

14 MR. HOLLIES: The Postal Service does not have any
15 redirect.

16 COMMISSIONER LeBLANC: Well, then there can be no
17 followup cross. How about that one?

18 Well, Mr. Plunkett, then in that particular case,
19 the Commission appreciates your appearance here today and
20 your additional contributions to our record, and you are
21 excused.

22 THE WITNESS: Thank you, Mr. Presiding Officer.

23 [Witness excused.]

24 COMMISSIONER LeBLANC: All right, Mr. Hollies, are
25 you still going to be the lead here? Are you still the

1 lead?

2 MR. HOLLIES: I am, indeed.

3 COMMISSIONER LeBLANC: All right. Will you
4 introduce your next witness then, please?

5 MR. HOLLIES: Our next witness is Mr. Paul Seckar,
6 who is being -- we are recalling to the stand.

7 Whereupon,

8 PAUL G. SECKAR,
9 a witness, having been previously duly sworn, was further
10 examined and testified as follows:

11 COMMISSIONER LeBLANC: You can go ahead and sit
12 down, Mr. Seckar. You are under oath already, and I
13 apologize for misspeaking earlier. It is "SECH-kar" and not
14 "SECK-ar" -- "SECH-kar."

15 THE WITNESS: "SECH-kar," that's correct.

16 COMMISSIONER LeBLANC: I still may blow it, but I
17 apologize.

18 THE WITNESS: That's quite all right.

19 COMMISSIONER LeBLANC: Since you're already under
20 oath in this case, your direct testimony is already into
21 evidence.

22 Have you had an opportunity to examine the packet
23 of designated written cross that was available to you in the
24 hearing room this morning?

25 THE WITNESS: Yes, I have.

1 COMMISSIONER LeBLANC: If these questions were
2 asked of you today, would your answers be the same as those
3 that you previously provided in writing?

4 THE WITNESS: I have two corrections I'd like to
5 make note of.

6 COMMISSIONER LeBLANC: Please do so.

7 THE WITNESS: In my response to OCA-T2-20, the
8 second line of the response starts "startup costs." I'd
9 like to strike the word "startup."

10 And in my revised response filed on February 4 to
11 a question posed by the Presiding Officer, the last
12 worksheet is numbered Worksheet 2. It should read Worksheet
13 3.

14 COMMISSIONER LeBLANC: Are those the only two
15 changes?

16 THE WITNESS: They are.

17 COMMISSIONER LeBLANC: And have they been
18 incorporated into your -- Mr. Hollies, are they already
19 incorporated into the designations?

20 MR. HOLLIES: They are, as are the revisions that
21 we filed yesterday, which did not originally appear in the
22 packet we had this morning.

23 COMMISSIONER LeBLANC: Have the other counsel seen
24 those?

25 MR. HOLLIES: Everything is correct as it should

1 be --

2 COMMISSIONER LeBLANC: Okay.

3 MR. HOLLIES: In those specific packages which
4 have just been handed to the reporter.

5 COMMISSIONER LeBLANC: And you did hand two to the
6 reporter. I missed that.

7 MR. HOLLIES: Yes.

8 COMMISSIONER LeBLANC: Thank you very much.

9 So then two copies of the corrected designated
10 written cross-examination will be given to the reporter, and
11 I direct that they be accepted into evidence and transcribed
12 into the record at this point.

13 [Exhibit USPS-T2, Designated
14 Written Cross-Examination of Paul
15 G. Seckar was received into
16 evidence and transcribed into the
17 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 PAUL G. SECKAR
(USPS-T2)

Party

Office of the Consumer Advocate

Interrogatories

OCA/USPS-T2-17-21
PB/USPS-T2-3-4

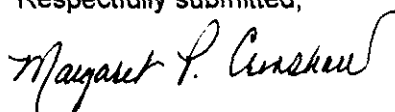
Response of USPS Witness Seckar to Question
Posed at the Hearing on November 18, 1998.

Revised Response of USPS Witness Seckar to
Question Posed by Presiding Officer at the
November 20, 1998 Hearing.

Pitney Bowes Inc.

PB/USPS-T2-3-4

Respectfully submitted,



Margaret P. Crenshaw
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS PAUL G. SECKAR (T2)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:

OCA/USPS-T2-17

OCA/USPS-T2-18

OCA/USPS-T2-19

OCA/USPS-T2-20

OCA/USPS-T2-21

PB/USPS-T2-3

PB/USPS-T2-4

Response of USPS Witness Seckar to
Question Posed at the Hearing on
November 18, 1998

Revised Response of USPS Witness Seckar
to Question Posed by Presiding Officer at the
November 20, 1998

Designating Parties:

OCA

OCA

OCA

OCA

OCA

OCA, Pitney Bowes

OCA, Pitney Bowes

OCA

OCA

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA-T2-17, Page 1 of 3

OCA/USPS-T2-17. Please refer to your response to OCA/USPS-T4-39(d), (f), and (h), and USPS-T-2, Exhibit A, Table 4.

a. In Table 4, please confirm that the sum of pieces with 1-2 pages, 3-4 pages, 5-6 pages, 7-10 pages, 11-15 pages, and pieces with greater than 15 pages is 295,635,459 total pieces. If you do not confirm, please explain.

b. Using the number of total pieces from part a. of this interrogatory, please confirm that the percentage of pieces with 1-2 pages and "More than 15 pages" is 67.81678168 ($200,490,454 / 295,635,459$) and 7.05070507 ($20,844,384 / 295,635,459$), respectively. If you do not confirm, please explain.

c. Please confirm that your response to parts (d), (f), and (h), of OCA/USPS-T4-39 did not correct for the discrepancy identified in the response of witness Rothschild to POIR No. 2, question 6. If you do not confirm, please explain.

d. For "Next-Day Delivery," please confirm that the correct volume for 1-2 page Simplex pieces, correcting for the discrepancy identified in the response of witness Rothschild to POIR No. 2, question 6, is 29,895,946 ($44,083,404 * 67.81678168$). If you do not confirm, please explain.

e. For "Next-Day Delivery," please confirm that the correct volume for "More than 15 pages," Simplex pieces, correcting for the discrepancy identified in the response of witness Rothschild to POIR No. 2, question 6, is 3,108,191 ($44,083,404 * 7.05070507$). If you do not confirm, please explain.

f. For "Next-Day Delivery," please confirm that the correct volume for "More than 15 pages," Duplex pieces, correcting for the discrepancy identified in the response of witness Rothschild to POIR No. 2, question 6, is 3,360,469 ($47,661,453 * 7.05070507$). If you do not confirm, please explain.

RESPONSE:

a. Confirmed.

b. Both are confirmed.

c. Not confirmed. It is unclear what exactly is meant by 'the discrepancy' in the above question. The discrepancy discussed in witness Rothschild's response to POIR No. 2, question 6 focuses exclusively on the total volume estimate of 295,665,025 and deviations from this figure as a result of rounding. Assuming that correction of the discrepancy implies not using *total volume estimate* figures that witness Rothschild acknowledges are off

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA-T2-17, Page 2 of 3

as a result of rounding, my response to parts (d), (f), and (h), of OCA/USPS-T4-39 avoids this discrepancy by using the total volume estimate of 295,665,025 (rather than 295,635,459). In order to entirely avoid the use of any figure (e.g., "pieces with 1-2 pages") that is affected by the rounding issue discussed by witness Rothschild, more decimal places would need to be used in the calculation of "pieces with 1-2 pages" such that the sum of all breakout categories would equal the total volume estimate figure of 295,665,025.

- d. Not confirmed. It is unclear what exactly is meant by 'the discrepancy' in the above question. The discrepancy discussed in witness Rothschild's response to POIR No. 2, question 6 focuses exclusively on the total volume estimate of 295,665,025 and deviations from this figure as a result of rounding. Assuming that correction of the discrepancy implies not using *total volume estimate* figures that witness Rothschild acknowledges are off as a result of rounding, your calculation can not be confirmed. In order to entirely avoid the use of any figure (e.g., "pieces with 1-2 pages") that is affected by the rounding issue discussed by witness Rothschild, more decimal places would need to be used in the calculation of "pieces with 1-2 pages" such that the sum of all breakout categories would equal the total volume estimate figure of 295,665,025.
- e. Not confirmed. It is unclear what exactly is meant by 'the discrepancy' in the above question. The discrepancy discussed in witness Rothschild's response to POIR No. 2, question 6 focuses exclusively on the total

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA-T2-17, Page 3 of 3

volume estimate of 295,665,025 and deviations from this figure as a result of rounding. Assuming that correction of the discrepancy implies not using *total volume estimate* figures that witness Rothschild acknowledges are off as a result of rounding, your calculation can not be confirmed. In order to entirely avoid the use of any figure (e.g., "more than 15 pages") that is affected by the rounding issue discussed by witness Rothschild, more decimal places would need to be used in the calculation of "more than 15 pages" such that the sum of all breakout categories would equal the total volume estimate figure of 295,665,025.

- f. Not confirmed. It is unclear what exactly is meant by 'the discrepancy' in the above question. The discrepancy discussed in witness Rothschild's response to POIR No. 2, question 6 focuses exclusively on the total volume estimate of 295,665,025 and deviations from this figure as a result of rounding. Assuming that correction of the discrepancy implies not using *total volume estimate* figures that witness Rothschild acknowledges are off as a result of rounding, your calculation can not be confirmed. In order to entirely avoid the use of any figure (e.g., "more than 15 pages") that is affected by the rounding issue discussed by witness Rothschild, more decimal places would need to be used in the calculation of "more than 15 pages" such that the sum of all breakout categories would equal the total volume estimate figure of 295,665,025.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
OF OFFICE OF THE CONSUMER ADVOCATE

OCA-T2-18, Page 1 of 3

OCA/USPS-T2-18. Please refer to your response to OCA/USPS-T4-40(d) and (f), and USPS-T-2, Exhibit A, Table 4.

a. In Table 4, please confirm that the sum of pieces with 1-2 pages, 3-4 pages, 5-6 pages, 7-10 pages, 11-15 pages, and pieces with greater than 15 pages is 295,635,459 total pieces. If you do not confirm, please explain.

b. Using the number of total pieces from part a. of this interrogatory, please confirm that the percentage of pieces with "More than 15 pages" is 7.05070507 (20,844,384 / 295,635,459). If you do not confirm, please explain.

c. Please confirm that your response to part (d) and (f) of OCA/USPS-T4-40 did not correct for the discrepancy identified in the response of witness Rothschild to POIR No. 2, question 6. If you do not confirm, please explain.

d. For "Standard (Two-To-five Day) Delivery," please confirm that the correct volume for "More than 15 pages," Simplex pieces, correcting for the discrepancy identified in the response of witness Rothschild to POIR No. 2, question 6, is 6,908,538 (97,983,641 * 7.05070507). If you do not confirm, please explain.

e. For "Standard (Two-To-Five Day) Delivery," please confirm that the correct volume for "More than 15 pages," Duplex pieces, correcting for the discrepancy identified in the response of witness Rothschild to POIR No. 2, question 6, is 7,469,272 (105,936,527 * 7.05070507). If you do not confirm, please explain.

RESPONSE:

a. Confirmed.

b. Confirmed.

c. Not confirmed. It is unclear what exactly is meant by "the discrepancy" in the above question. The discrepancy discussed in witness Rothschild's response to POIR No. 2, question 6 focuses exclusively on the total volume estimate of 295,665,025 and deviations from this figure as a result of rounding. Assuming that correction of the discrepancy implies not using *total volume estimate* figures that witness Rothschild acknowledges are off as a result of rounding, my response to parts (d), (f), and (h), of OCA/USPS-T4-39 avoids this discrepancy by using the total volume

OCA/USPS-T2-17-18

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
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estimate of 295,665,025 (rather than 295,635,459). In order to entirely avoid the use of any figure (e.g., "more than 15 pages") that is affected by the rounding issue discussed by witness Rothschild, more decimal places would need to be used in the calculation of "more than 15 pages" such that the sum of all breakout categories would equal the total volume estimate figure of 295,665,025.

- d. Not confirmed. It is unclear what exactly is meant by 'the discrepancy' in the above question. The discrepancy discussed in witness Rothschild's response to POIR No. 2, question 6 focuses exclusively on the total volume estimate of 295,665,025 and deviations from this figure as a result of rounding. Assuming that correction of the discrepancy implies not using *total volume estimate* figures that witness Rothschild acknowledges are off as a result of rounding, your calculation can not be confirmed. In order to entirely avoid the use of any figure (e.g., "more than 15 pages") that is affected by the rounding issue discussed by witness Rothschild, more decimal places would need to be used in the calculation of "more than 15 pages" such that the sum of all breakout categories would equal the total volume estimate figure of 295,665,025.
- e. Not confirmed. It is unclear what exactly is meant by 'the discrepancy' in the above question. The discrepancy discussed in witness Rothschild's response to POIR No. 2, question 6 focuses exclusively on the total volume estimate of 295,665,025 and deviations from this figure as a result of rounding. Assuming that correction of the discrepancy implies not using

RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
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total volume estimate figures that witness Rothschild acknowledges are off as a result of rounding, your calculation can not be confirmed. In order to entirely avoid the use of any figure (e.g., "more than 15 pages") that is affected by the rounding issue discussed by witness Rothschild, more decimal places would need to be used in the calculation of "more than 15 pages" such that the sum of all breakout categories would equal the total volume estimate figure of 295,665,025.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T2-19. Please refer to Worksheet 1, page1, of Revised Response of USPS Witness Seckar to Question Posed by Presiding Officer at the November 20, 1998 Hearing, dated January 14, 1999. For line (6) "Information Systems-Variable," shouldn't your cited source be Worksheet 2, not Table 15?

RESPONSE:

Yes, the cited source for lines (6) and (7) should be Worksheet 2. In addition, the word "Fixed" on line (7) should read "One-Time." The revised page 1 of Worksheet 1 is attached.

ATTACHMENT TO WITNESS SECKAR'S UPDATED RESPONSE
TO NOVEMBER 20 HEARING QUESTION

Worksheet 1
Page 1
Revised 2/1/99

Mailing Online Impression Costs

Total Costs	Notes	1999	2000	Total 1999 - 2000
Black & White 8.5x11 & 8.5x14				
(1) Hardware	From Table 12	\$2,628,000	\$4,467,600	\$7,095,600
(2) Maintenance	Ibid.	\$5,352,135	\$9,342,706	\$14,694,841
(3) Personnel	From Table 11	\$4,214,900	\$7,380,280	\$11,595,180
(4) Facility costs	From Table 10	\$149,985	\$254,975	\$404,960
(5) Consumables	From Table 13	\$1,635,022	\$2,853,553	\$4,488,575
(6) Information Systems - Variable	From Worksheet 2	\$2,486,064	\$2,723,632	\$5,189,696
(7) Information Systems - One-Time	From Worksheet 2	\$1,845,942	\$3,221,664	\$5,067,605
(8) TOTAL	Sum of (1) through (7)	\$18,292,048	\$36,244,418	\$54,536,466
Black & White 11x17				
(9) Hardware	From Table 12	\$1,752,000	\$2,976,400	\$4,730,400
(10) Maintenance	Ibid.	\$1,609,892	\$2,780,043	\$4,389,935
(11) Personnel	From Table 11	\$2,809,933	\$4,920,193	\$7,730,127
(12) Facility costs	From Table 10	\$99,990	\$169,963	\$269,953
(13) Consumables	From Table 13	\$458,999	\$801,077	\$1,260,077
(14) Information Systems - Variable	From Worksheet 2	\$692,297	\$764,805	\$1,456,902
(15) Information Systems - One-Time	From Worksheet 2	\$518,211	\$904,417	\$1,422,628
(16) TOTAL	Sum of (9) through (15)	\$7,941,323	\$13,258,718	\$21,240,041
Spot Color 8.5x11 & 8.5x14				
(17) Hardware	From Table 12	\$2,993,040	\$5,066,166	\$8,061,206
(18) Maintenance	Ibid.	\$5,524,363	\$9,599,269	\$15,123,632
(19) Personnel	From Table 11	\$8,429,800	\$14,780,580	\$23,190,380
(20) Facility costs	From Table 10	\$299,970	\$509,949	\$809,919
(21) Consumables	From Table 13	\$3,461,889	\$6,041,925	\$9,503,814
(22) Information Systems - Variable	From Worksheet 2	\$2,253,012	\$2,488,328	\$4,741,339
(23) Information Systems - One-Time	From Worksheet 2	\$1,686,464	\$2,943,333	\$4,629,797
(24) TOTAL	Sum of (17) through (23)	\$24,648,538	\$41,431,572	\$66,080,110
(25) Total Costs	(8) + (16) + (24)	\$50,881,909	\$84,974,709	\$135,856,618

ATTACHMENT TO RESPONSE
TO OCA/USPS-T2-19

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T2-20. Please refer to Worksheet 1, page 2, and Worksheet 2, of Revised Response of USPS Witness Seckar to Question Posed by Presiding Officer at the November 20, 1998 Hearing, dated January 14, 1999. Also refer to the Commission's holding in PRC Op. MC97-5 at 47 that the start-up costs of a new service should be recovered as part of the attributable costs of the service (and then marked up). Please confirm that, in conformance to the Commission's approach in MC97-5, the unit attributable Information Systems cost for MOL, including start-up costs, would be \$0.0041 (computed by the simple addition of the unit one-time cost of \$0.0020 to the unit variable cost of \$0.0021). If you do not confirm, please explain.

RESPONSE:

The arithmetic is confirmed. Worksheet 1, pages 1 and 2, shows the distribution of ~~start-up~~ costs to each impression to illustrate how the cost elements can be spread using impressions as the unit. Moreover, this presentation of costs is not meant to suggest that one pricing method or another should be undertaken. Such a decision is better made by witness Plunkett.

[REDACTED]

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T2-21. Please refer to your Updated Response to Question Posed by Presiding Officer at the November 20, 1998 Hearing, dated January 14, 1999. In this response, you state that, "[I]ncremental costs include both the one time information technology costs needed to start the experiment and the variable information technology costs for each experimental year." In USPS-T-2 at 9, lines 5-7, you state that: "The Mailing Online cost equation consists of two types of costs, both of which are attributable. The first contains the start-up and recurring costs incurred first-hand by the Postal Service."

- a. Comparing both of these statements, is it fair to say that you believe that:
- i. one time information costs are equivalent to start-up costs,
 - ii. and variable information costs are equivalent to recurring costs, and
 - iii. incremental costs are equivalent to attributable costs?

If you disagree with any of these characterizations, please explain.

- b. Would it be correct to say that your definition of attributable costs is essentially the same as that articulated by the Commission at paras. [4016-18, and 4024] of PRC OP. R97-1; i.e., (1) that attributable costs consist of marginal plus specific fixed costs; (2) that incremental costs come closest to the definition of attributable costs; and (3) that the attributable (or incremental) costs of a subclass are those that should be marked up to determine rates? If you do not agree, please explain.

RESPONSE:

- a. In my Updated Response to Question Posed by Presiding Officer at the November 20, 1998 Hearing, I state, "These incremental costs include both the one time information technology costs needed to start the experiment and the variable information technology costs for each experimental year." This sentence was simply intended to point out that the incremental cost estimates that were being updated included both types of information technology costs provided by witness Lim.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
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At page 9, lines 5-8 of USPS-T-2, I state that: "The Mailing Online cost equation consists of two types of costs, both of which are attributable.

— = The first contains the start-up and recurring costs incurred first-hand by the Postal Service. The second contains printing, inserting, and transportation costs incurred by a print provider with whom the Postal Service will contract." It is worth noting that my testimony and associated costs focused on the second type of cost, Mailing Online (MOL) printing costs, rather than information systems/technology costs. The phrase "both of which are attributable" thus was designed to indicate that the contractual printing costs and not just the costs "incurred first-hand by the Postal Service" should be assigned to MOL. Within this context, the purpose of these sentences was to convey the general thinking of causation that I undertook in identifying MOL print costs.

— = The comparison of these statements out of context can be somewhat misleading, and I do not agree with your characterizations of my testimony. Within the specific context of the MOL case, the one time information technology costs are defined as those which are necessary to initiate the MOL experiment. Additionally, based on the definitions used specifically in the MOL case, variable information technology costs are defined as those which are *not* necessary to initiate the MOL experiment, but rather arise once the experiment begins.

RESPONSE OF POSTAL SERVICE WITNESS SECKAR
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
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- b. As discussed in my response to part (a), I used the word "attributable" in USPS-T-2 at 9, lines 5-8 as a common-sense term, not as a term of art that would contradict or conform to the Commission language. Thus, I have no reason to disagree with the Commission's definition of attributable costs, nor do I have any reason to disagree with the Postal Service's position in the R97-1 docket. Similarly, I do not have an expert opinion on the relationship of the Commission's definition of "attributable costs" to the term incremental costs. Moreover, I am not a pricing witness, and have no expert opinion as a cost witness as to what cost should be marked up to determine rates.

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
OF PITNEY BOWES**

PB/USPS-T2-3. The source notes for rows 2, 10 and 18 of page 1 of Worksheet 1 of the Attachment to your updated response to November hearing question (the three categories of maintenance costs) indicate that the costs are derived from Table 12. The maintenance numbers that you present in rows 2, 10, and 18 are different from those in Table 1 (as revised July 23, 1998) of Exhibit A to your testimony. We are not aware of any updating of Table 12 of Exhibit A to your testimony. If there is one, please provide it and if there is not, please provide the derivation of the maintenance cost numbers that you now believe current.

RESPONSE:

A copy of Table 12, as revised on August 10, 1998, is attached.

Table 12: Mailing Online Hardware Costs

	Notes	1999	2000	2001	2002	2003	Total 1999 - 2003
DownTach 0100's							
(1) Gross Number of 0100's Leased per Year - 0.0r11 & 0.0r14	From Table 10	30	61	75	100	130	396
(2) Gross Number of 0100's Leased per Year - 11r17	NA.	20	34	50	70	100	274
(3) Total Number of 0100's Leased per Year	Sum of (1) and (2)	50	95	125	170	230	670
(4) Leasing Cost per DownTach 0100 & Signature Booklet Maker per year	From Postal Business Services, See LR-3MCS0-1, Tab C.	\$97,000	\$97,000	\$97,000	\$97,000	\$97,000	\$118,700
(5) Cost to Lease 0100's - 0.0r11 & 0.0r14	(1) multiplied by (4)	\$2,910,000	\$4,407,000	\$4,975,000	\$5,700,000	\$10,680,000	\$7,080,000
(6) Cost to Lease 0100's - 11r17	(2) multiplied by (4)	\$1,782,000	\$2,978,000	\$4,300,000	\$5,070,000	\$8,700,000	\$4,730,000
(7) Total Cost to Lease 0100's & Booklet Makers	Sum of (5) and (6)	\$4,692,000	\$7,385,000	\$9,275,000	\$10,770,000	\$19,380,000	\$11,810,000
Annual 0.0r11 00W Imposition volume							
(8) Annual 0.0r14 00W Imposition volume	From Table 4	622,061,312	1,434,789,263	2,238,674,317	3,128,747,316	3,882,936,744	2,206,701,674
(9) Annual 11r17 00W Imposition volume	NA.	191,002,190	180,219,411	240,891,704	306,188,888	408,046,888	200,001,081
(10) Annual 11r17 00W Imposition volume	NA.	208,048,865	447,741,416	600,686,906	976,684,972	1,443,666,134	764,267,263
Annual 0.0r11 00W Imposition volume							
(11) Annual 0.0r11 00W Imposition volume	(8) + (9) divided by (1)	36,401,782	31,272,666	36,166,801	34,688,588	38,974,878	31,734,717
(12) Annual 0.0r14 00W Imposition volume	(10) divided by (2)	12,827,293	18,188,888	13,891,680	13,648,889	11,688,891	36,888,188
(13) Average monthly impositions per DownTach 0100 - 0.0r11 and 0.0r14	(11) divided by 12 months	2,868,482	2,607,072	2,702,973	2,884,849	2,714,889	2,144,889
(14) Average monthly impositions per DownTach 0100 - 11r17	(12) divided by 12 months	1,069,841	1,515,741	1,157,640	1,137,407	974,074	2,100,347
MONTHLY MAINTENANCE CHARGE per DownTach 0100, 0.0r11 & 0.0r14							
(15) Monthly 0.0r11 & 0.0r14 Imposition volume per machine > 1,200,000 impositions	From Postal Business Services, See LR-3MCS0-1, Tab C. Portion of (10) > 1,200,000.	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
(16) Monthly 0.0r11 & 0.0r14 Imposition volume per machine > 1,200,000 impositions	(15) * (11)	1,208,462	1,496,676	1,362,673	1,704,932	1,614,932	1,014,932
(17) Charge for each imposition > 1,200,000	From Postal Business Services, See LR-3MCS0-1, Tab C. (16) * (12)	\$0.0009	\$0.0009	\$0.0009	\$0.0009	\$0.0009	\$0.0009
(18) Monthly Charge for impositions > 1,200,000	(16) * (13)	\$0.220	\$0.220	\$0.220	\$0.220	\$0.220	\$0.220
(19) Total Monthly Maintenance Charge per DownTach 0100, 0.0r11 & 0.0r14	(15) * (14)	\$10,916	\$10,970	\$10,916	\$11,264	\$11,264	\$10,916
(20) Total Annual Maintenance Charge per DownTach 0100, 0.0r11 & 0.0r14	(18) * 12 months	\$117,792	\$120,840	\$120,207	\$125,168	\$125,168	\$120,840
(21) Total Annual Maintenance Charge - All DownTach 0100s, 0.0r11 and 0.0r14	(19) * (7)	\$3,833,429	\$4,168,197	\$3,891,207	\$4,398,129	\$4,398,129	\$3,761,207
MONTHLY MAINTENANCE CHARGE per Signature Booklet Maker - DownTach 0100, 0.0r11 & 0.0r14							
(22) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	Portion of (10) < or equal to 200,000.	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
(23) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	From Postal Business Services, See LR-3MCS0-1, Tab C. (22) * (9)	\$0.019	\$0.019	\$0.019	\$0.019	\$0.019	\$0.019
(24) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	From Postal Business Services, See LR-3MCS0-1, Tab C. (23) * (13)	\$2,308,462	\$2,308,462	\$2,308,462	\$2,308,462	\$2,308,462	\$2,308,462
(25) Monthly Charge for impositions < or equal to 200,000	From Postal Business Services, See LR-3MCS0-1, Tab C. (22) * (14)	\$4,712	\$4,712	\$4,712	\$4,712	\$4,712	\$4,712
(26) Total Monthly Maintenance Charge per Signature Booklet Maker (070100 0.0r11 & 0.0r14)	(24) + (25)	\$8,882	\$8,197	\$8,001	\$8,732	\$8,491	\$8,882
(27) Total Annual Maintenance Charge per Signature Booklet Maker (070100 0.0r11 & 0.0r14)	(26) * 12 months	\$106,584	\$98,364	\$96,011	\$104,784	\$101,892	\$106,584
(28) Total Annual Maintenance Charge for all Signature Booklet Makers (070100 0.0r11 & 0.0r14)	(27) * (1)	\$1,018,787	\$2,174,288	\$4,698,682	\$6,841,681	\$6,498,682	\$4,698,682
MONTHLY MAINTENANCE CHARGE per Signature Booklet Maker - 11r17							
(29) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	From Postal Business Services, See LR-3MCS0-1, Tab C. Portion of (10) < or equal to 200,000.	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
(30) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	(29) * (9)	\$0.0009	\$0.0009	\$0.0009	\$0.0009	\$0.0009	\$0.0009
(31) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	(29) * (13)	\$0	\$0	\$0	\$0	\$0	\$0
(32) Monthly Charge for impositions < or equal to 200,000	(29) * (14)	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
(33) Total Monthly Maintenance Charge per Signature Booklet Maker (070100 11r17)	(30) + (31)	\$0.0009	\$0.0009	\$0.0009	\$0.0009	\$0.0009	\$0.0009
(34) Total Annual Maintenance Charge per Signature Booklet Maker (070100 11r17)	(33) * 12 months	\$10,800	\$10,800	\$10,800	\$10,800	\$10,800	\$10,800
(35) Total Annual Maintenance Charge - All DownTach 0100s, 11r17	(34) * (2)	\$1,108,800	\$1,274,700	\$2,787,000	\$4,108,800	\$3,874,800	\$2,877,000
MONTHLY MAINTENANCE CHARGE per Signature Booklet Maker - 0.0r11 & 0.0r14							
(36) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	Portion of (10) < or equal to 200,000.	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
(37) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	From Postal Business Services, See LR-3MCS0-1, Tab C. (36) * (9)	\$476	\$476	\$476	\$476	\$476	\$476
(38) Monthly 0.0r11 & 0.0r14 per impositions volume per machine < or equal to 200,000 impositions	From Postal Business Services, See LR-3MCS0-1, Tab C. (36) * (13)	\$10,841	\$17,400	\$12,472	\$87,280	\$102,880	\$10,841
(39) Monthly Charge for impositions < or equal to 200,000	From Postal Business Services, See LR-3MCS0-1, Tab C. (36) * (14)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
(40) Total Monthly Maintenance Charge per Signature Booklet Maker (070100 0.0r11 & 0.0r14)	(37) + (38)	\$8,113	\$8,170	\$8,200	\$8,100	\$8,100	\$8,113
(41) Total Annual Maintenance Charge per Signature Booklet Maker (070100 0.0r11 & 0.0r14)	(40) * 12 months	\$97,356	\$98,040	\$98,400	\$97,200	\$97,200	\$97,356
(42) Total Annual Maintenance Charge for all Signature Booklet Makers (070100 0.0r11 & 0.0r14)	(41) * (2)	\$1,077,802	\$1,176,840	\$1,181,100	\$1,164,780	\$1,164,780	\$1,077,802
DownTach 4000's							
(43) Total Number of 4000's Leased per Year	From Table 10	00	102	100	200	200	102
(44) Leasing Cost per DownTach 4000 & Signature Booklet Maker for 1 year	From Postal Business Services, See LR-3MCS0-1, Tab C. (23) multiplied by (23)	\$49,884	\$49,884	\$49,884	\$49,884	\$49,884	\$49,884
(45) Cost to Lease all 4000's & Signature Booklet Makers	(43) multiplied by (44)	\$0	\$5,088,168	\$4,988,400	\$9,976,800	\$9,976,800	\$5,088,168
Annual 0.0r11 00W Color Imposition volume							
(46) Annual 0.0r14 00W Color Imposition volume	From Table 6	688,688,688	1,146,414,640	1,798,877,680	2,912,870,640	3,884,796,640	1,682,888,720
(47) Average annual impositions per machine - 0.0r11 and 0.0r14	NA.	178,313,700	307,114,201	479,719,320	728,217,660	971,199,160	420,722,180
(48) Average annual impositions per machine - 0.0r11 and 0.0r14	(46) * (22) divided by (48)	13,918,040	14,286,877	16,146,622	18,922,942	19,888,777	20,308,916

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(64) Average monthly maintenance per machine - S.Br11 and S.Br14						
Monthly Maintenance Charge per BaseTech 4000, S.Br11 & S.Br14	From Table 2 \$50 Adapted by 12 months	1,100,007	1,100,000	1,200,100	1,200,007	1,377,010
(65) Base Monthly Charge for each BaseTech 4000						
(66) Monthly S.Br11 & S.Br14 impression volume per machine > 1,100,000 impressions	From Newer Business Services. See LR-3MCOB-1, Tab C. Portion of (64) > 1,100,000	\$0.170	\$0.170	\$0.170	\$0.170	\$0.170
(67) Charge for each impression > 1,100,000	From Newer Business Services. See LR-3MCOB-1, Tab C. (66) * (67)	\$0.0030	\$0.0030	\$0.100	\$0.0030	\$0.1770
(68) Monthly Charge for impressions > 1,100,000	(66) * (67)	\$200	\$200	\$200	\$200	\$200
(69) Total Monthly Maintenance Charge per BaseTech 4100, S.Br11 & S.Br14	(66) + (68)	\$0.370	\$0.370	\$0.370	\$0.370	\$0.370
(70) Total Annual Maintenance Charge per BaseTech 4100, S.Br11 & S.Br14	(69) * 12 months	\$4,440	\$4,440	\$4,440	\$4,440	\$4,440
(71) Total Annual Maintenance Charge - All BaseTech 4000s, S.Br11 and S.Br14	(69) * (64)	\$3,072,000	\$3,710,001	\$10,807,000	\$14,014,000	\$16,004,000
Monthly Maintenance Charge per Signature Booklet Maker - BaseTech 4000, S.Br11 & S.Br14						
(72) Monthly S.Br11 & S.Br14 per impression volume per machine < or equal to 200,000 impressions	Portion of (64) < or equal to 200,000.	200,000	200,000	200,000	200,000	200,000
(73) Charge per impression for impressions < or equal to 200,000	From Newer Business Services. See LR-3MCOB-1, Tab C. (72) * (67)	\$0.0010	\$0.0010	\$0.0010	\$0.0010	\$0.0010
(74) Total Charge for 200,000 impressions	(72) * (67)	\$470	\$470	\$470	\$470	\$470
(75) Monthly S.Br11 & S.Br14 impression volume per machine > 200,000 impressions	Portion of (64) > 200,000.	600,007	600,000	1,010,100	1,010,007	1,127,010
(76) Charge per impression for impressions > 200,000	From Newer Business Services. See LR-3MCOB-1, Tab C. (75) * (67)	\$0.0020	\$0.0020	\$0.0020	\$0.0020	\$0.0020
(77) Total Charge for impressions > 200,000	(75) * (67)	\$1,204	\$1,204	\$2,020	\$2,020	\$2,254
(78) Total Monthly Maintenance Charge per Signature Booklet Maker (SBr4000 S.Br11 & S.Br14)	(74) + (77)	\$2,204	\$2,204	\$2,490	\$2,490	\$2,724
(79) Total Annual Maintenance Charge per Signature Booklet Maker (SBr4000 S.Br11 & S.Br14)	(78) * 12 months	\$27,230	\$27,231	\$30,000	\$30,000	\$33,700
(80) Total Annual Maintenance Charge for all Signature Booklet Makers (SBr4000 S.Br11 & S.Br14)	(78) * (64)	\$1,001,000	\$2,000,000	\$4,000,000	\$4,000,000	\$7,072,000
Inserts						
(81) Total Number of 9 Series Leased per Year	From Table 9 From a 0100 telephone conversation of a Pitney Bowes sales representative.	10	17	20	20	20
(82) Leasing Cost per 9 Series per Year	(81) * (72)	\$82,200	\$82,200	\$82,200	\$82,200	\$82,200
(83) Cost to Lease all 9 Series	(81) * (72)	\$822,000	\$1,397,000	\$2,007,000	\$4,114,000	\$4,114,000
(84) Maintenance charge per 9 Series per Year	From a 0100 telephone conversation of a Pitney Bowes sales representative.	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
(85) Total 9-Series Maintenance Charges	(84) * (81)	\$300,000	\$600,000	\$670,000	\$1,200,000	\$1,200,000
(86) Total Number of 0 Series Leased per Year	From Table 9 From a 0100 telephone conversation of a Pitney Bowes sales representative.	20	24	20	20	20
(87) Leasing Cost per 0 Series per Year	(86) * (72)	\$82,200	\$82,200	\$82,200	\$82,200	\$82,200
(88) Cost to Lease all 0 Series	(86) * (72)	\$1,600,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000
(89) Maintenance charge per 0 Series per Year	From a 0100 telephone conversation of a Pitney Bowes sales representative.	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
(90) Total 0-Series Maintenance Charges	(89) * (86)	\$600,000	\$1,200,000	\$1,200,000	\$1,200,000	\$600,000
(91) Total Lease Costs (9 Series and 0 Series)	(82) + (87)	\$2,000,000	\$2,001,200	\$2,220,000	\$7,270,000	\$8,000,000
(92) Total Maintenance Costs (9 Series and 0 Series)	(85) + (90)	\$900,000	\$1,600,000	\$2,170,000	\$4,400,000	\$4,300,000
Allocation of Costs:						
(93) Total 0100, S.Br11 & S.Br14 Lease Costs	See (81)	\$2,000,000	\$4,400,000	\$6,070,000	\$6,700,000	\$10,000,000
(94) Total 0100, S.Br11 & S.Br14 Maintenance Costs	(93) + (92)	\$6,300,100	\$6,340,700	\$14,072,000	\$20,404,000	\$24,004,000
(95) TOTAL, 0100 S.Br11 & S.Br14	Sum of (93) and (94)	\$7,000,100	\$10,070,000	\$20,142,000	\$27,104,000	\$34,004,000
(96) Total 0100, 11x17 Lease Costs	See (81)	\$1,700,000	\$2,070,000	\$4,200,000	\$4,070,000	\$4,700,000
(97) Total 0100, 11x17 Maintenance Costs	(96) + (92)	\$1,600,000	\$2,700,000	\$4,100,000	\$2,070,000	\$7,770,000
(98) TOTAL, 0100 11x17	Sum of (96) and (97)	\$3,300,000	\$4,770,000	\$8,300,000	\$6,140,000	\$12,470,000
(99) Total 4000 Lease Costs	See (81)	\$2,000,000	\$6,000,000	\$7,000,000	\$11,000,000	\$6,000,000
(100) Total 4000 Maintenance Costs	(99) + (92)	\$6,000,000	\$14,000,000	\$14,000,000	\$20,000,000	\$16,100,000
(101) TOTAL, 4000	Sum of (99) and (100)	\$8,000,000	\$20,000,000	\$21,000,000	\$31,000,000	\$22,100,000
(102) Total 9 Series Inserter Lease Costs	See (78)	\$222,000	\$1,300,000	\$2,007,000	\$4,114,000	\$4,114,000
(103) Total 9 Series Maintenance Costs	See (79)	\$900,000	\$900,000	\$970,000	\$1,200,000	\$1,200,000
(104) TOTAL, 9 Series	Sum of (102) and (103)	\$1,212,000	\$2,200,000	\$2,977,000	\$5,314,000	\$5,314,000
(105) Total 0 Series Inserter Lease Costs	See (78)	\$1,200,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000
(106) Total 0 Series Maintenance Costs	See (80)	\$600,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
(107) TOTAL, 0 Series	Sum of (105) and (106)	\$1,800,000	\$3,300,000	\$3,300,000	\$3,300,000	\$3,300,000

IN LIAISONMENT TO
 PB/USPS-TA-3, PAGE 20

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY
OF PITNEY BOWES**

PB/USPS-T2-4. Please confirm that the 1999-2000 average variable information system costs as reported in the July 23 revision to USPS-T-2 Exhibit A in Table 1 (\$0.0007) have increased to \$0.0021 as reported in Worksheet 1 to the Attachment to your updated response to the question posed by the Presiding Officer at Tr. 7/1733-34. If you can not confirm, please disclose the July 23 and current average variable information costs.

RESPONSE:

Confirmed, but see the response of witness Lim to interrogatory PB/USPS-ST-9-2.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SECKAR TO QUESTION POSED BY CHAIRMAN GLEIMAN AT
THE HEARING ON NOVEMBER 18, 1998

Question (Tr. 5/1071-74)

What is it that was so unique and related only to Post Office Online in this contract change [Cross-Examination Exhibit PBX-1, tr. 5/1081] that it was such that you felt that the cost should not be borne at least in part by Mailing Online also. [Tr. 5/1074, lines 11-14]

Response:

The system developer contract (102590-97-B 1380) initially applied to the development of Mailing Online (NetPost at the time) when it was a stand-alone service being developed in Reston, Virginia. Modification No. 8 (Cross-Examination Exhibit PBX-1) provided funding for the contractor to do work at the PostOffice Online development site, San Mateo, California, once it was determined that Mailing Online would be part of PostOffice Online. As the Modification makes clear on its face, the additional funding relates to PostOffice Online development, rather than Mailing Online as a stand-alone service.

This modification enhances the general scope of CLIN 1006 and CLIN 1009 - Network Control and Access Services. Because of integration efforts for PostOffice OnLine, it is necessary to include San Mateo, CA as a contractor site for travel, management and development work. Network Control and Access Services must be managed at the San Mateo, CA ISSC to be positioned to support the overall effort for PostOffice OnLine.

Tr. 5/1081.

UPDATED RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO QUESTION
POSED BY PRESIDING OFFICER LEBLANC AT THE HEARING
NOVEMBER 20, 1998

Question (Tr. 7/1733-34):

...I would like to know whether or not the Postal Service knows what the incremental costs of Mailing Online are.

Response:

The incremental costs provided in my original response have changed as a result of the Mailing Online information technology costs put forth by witness Lim, USPS-ST-9.

Based on these, the Mailing Online incremental cost for the experiment is

\$205,813,149. Specifically, the incremental cost for the first year of the experiment,

1999, is \$76,088,663 and the incremental cost for the second year of the experiment,

2000, is \$129,724,487. These incremental costs include both the one time information

technology costs needed to start the experiment and the variable information

technology costs for each experimental year. While these two types of costs were

originally discussed in my response to PB/USPS-T2-2, it is important to note the

following. While the one time costs are fixed within the scope of the experiment, they

may not be fixed beyond the experimental period. Additionally, my original response

used the term ongoing (variable) information systems cost. Until empirical evidence can

be collected and analyzed, the exact degree to which these costs are variable is

unknown. For the time being, it is assumed that the ongoing costs are variable. They

are thus referred to as variable in USPS-ST-9 and this updated response. For the basis

and detailed breakdown of the estimates, please refer to Worksheets 1, 2, and 3

attached to this updated response.

Revised February 4, 1999

ATTACHMENT TO WITNESS SECKAR'S UPDATED RESPONSE
TO NOVEMBER 20 HEARING QUESTION

Worksheet 1
Page 1
Revised February 4, 1999

Mailing Online Impression Costs

Total Costs	Notes	1999	2000	Total 1999 - 2000
Black & White 8.5x11 & 8.5x14				
(1) Hardware	From Table 12	\$2,628,000	\$4,467,600	\$7,095,600
(2) Maintenance	Ibid.	\$5,352,135	\$9,342,706	\$14,694,842
(3) Personnel	From Table 11	\$4,214,900	\$7,380,290	\$11,595,190
(4) Facility costs	From Table 10	\$149,985	\$254,975	\$404,960
(5) Consumables	From Table 13	\$1,635,022	\$2,853,553	\$4,488,575
(6) Information Systems - Variable	From Worksheet 2	\$2,473,358	\$2,738,253	\$5,211,611
(7) Information Systems - One-Time	From Worksheet 2	\$1,845,942	\$3,221,664	\$5,067,605
(8) TOTAL	Sum of (1) through (7)	\$18,299,440	\$30,258,046	\$48,557,486
Black & White 11x17				
(9) Hardware	From Table 12	\$1,752,000	\$2,978,400	\$4,730,400
(10) Maintenance	Ibid.	\$1,809,892	\$2,760,043	\$4,369,935
(11) Personnel	From Table 11	\$2,809,933	\$4,920,193	\$7,730,127
(12) Facility costs	From Table 10	\$99,990	\$169,983	\$269,973
(13) Consumables	From Table 13	\$458,999	\$801,077	\$1,260,077
(14) Information Systems - Variable	From Worksheet 2	\$694,373	\$768,769	\$1,463,142
(15) Information Systems - One-Time	From Worksheet 2	\$518,211	\$904,417	\$1,422,628
(16) TOTAL	Sum of (9) through (15)	\$7,943,398	\$13,362,872	\$21,246,270
Spot Color 8.5x11 & 8.5x14				
(17) Hardware	From Table 12	\$2,993,040	\$5,088,168	\$8,081,208
(18) Maintenance	Ibid.	\$5,524,363	\$9,599,289	\$15,123,652
(19) Personnel	From Table 11	\$8,429,800	\$14,760,580	\$23,190,380
(20) Facility costs	From Table 10	\$299,970	\$509,949	\$809,919
(21) Consumables	From Table 13	\$3,461,889	\$6,041,925	\$9,503,814
(22) Information Systems - Variable	From Worksheet 2	\$2,258,765	\$2,501,688	\$4,760,453
(23) Information Systems - One-Time	From Worksheet 2	\$1,686,464	\$2,943,333	\$4,629,797
(24) TOTAL	Sum of (17) through (23)	\$24,655,292	\$41,444,939	\$66,100,232
(25) Total Costs	(8) + (16) + (24)	\$50,898,130	\$85,006,793	\$135,904,923

ATTACHMENT TO WITNESS SECKAR'S UPDATED RESPONSE
TO NOVEMBER 20 HEARING QUESTION

Worksheet 1
Page 2
Revised February 4, 1999

Unit Costs		1999	2000	Average 1999 - 2000
(26) Black & White 8.5x11 & 8.5x14 Impressions	From Table 4	913,853,467	1,594,919,673	2,508,773,141
(27) Hardware	(1) divided by (26)	\$0.0029	\$0.0028	\$0.0028
(28) Maintenance	(2) divided by (26)	\$0.0059	\$0.0059	\$0.0059
(29) Personnel	(3) divided by (26)	\$0.0046	\$0.0046	\$0.0046
(30) Facility costs	(4) divided by (26)	\$0.0002	\$0.0002	\$0.0002
(31) Consumables	(5) divided by (26)	\$0.0018	\$0.0018	\$0.0018
(32) Information Systems - Variable	(6) divided by (26)	\$0.0027	\$0.0017	\$0.0021
(33) Information Systems - One-Time	(7) divided by (26)	\$0.0020	\$0.0020	\$0.0020
(34) TOTAL	Sum of (27) through (33)	\$0.0200	\$0.0190	\$0.0194
(35) Black & White 11x17 Impressions	From Table 4	256,545,865	447,741,418	704,287,283
(36) Hardware	(9) divided by (35)	\$0.0068	\$0.0067	\$0.0067
(37) Maintenance	(10) divided by (35)	\$0.0063	\$0.0062	\$0.0062
(38) Personnel	(11) divided by (35)	\$0.0110	\$0.0110	\$0.0110
(39) Facility costs	(12) divided by (35)	\$0.0004	\$0.0004	\$0.0004
(40) Consumables	(13) divided by (35)	\$0.0018	\$0.0018	\$0.0018
(41) Information Systems - Variable	(14) divided by (35)	\$0.0027	\$0.0017	\$0.0021
(42) Information Systems - One-Time	(15) divided by (35)	\$0.0020	\$0.0020	\$0.0020
(43) TOTAL	Sum of (36) through (42)	\$0.0310	\$0.0297	\$0.0302
(44) Spot Color 8.5x11 & 8.5x14 Impressions	From Table 4	834,902,418	1,457,128,894	2,292,031,313
(45) Hardware	(17) divided by (44)	\$0.0036	\$0.0035	\$0.0035
(46) Maintenance	(18) divided by (44)	\$0.0066	\$0.0066	\$0.0066
(47) Personnel	(19) divided by (44)	\$0.0101	\$0.0101	\$0.0101
(48) Facility costs	(20) divided by (44)	\$0.0004	\$0.0003	\$0.0004
(49) Consumables	(21) divided by (44)	\$0.0041	\$0.0041	\$0.0041
(50) Information Systems - Variable	(22) divided by (44)	\$0.0027	\$0.0017	\$0.0021
(51) Information Systems - One-Time	(23) divided by (44)	\$0.0020	\$0.0020	\$0.0020
(52) TOTAL	Sum of (45) through (51)	\$0.0295	\$0.0284	\$0.0288

ATTACHMENT TO WITNESS SECKAR'S UPDATED RESPONSE
TO NOVEMBER 20 HEARING QUESTION

Worksheet 2
Revised February 4, 1999

Mailing Online Information Systems Costs Worksheet

Mailing Online One-Time IS Costs \$11,120,030

Allocation of One-Time Costs:	1999	2000	Total
Total piece volume	295,665,025	516,014,856	811,679,882
% of 2-year total	36.43%	63.57%	
One-Time IS costs allocated to each year	\$4,050,617	\$7,069,414	\$11,120,030
% of b&w 8.5x11 & 8.5x14 impressions	45.57%	45.57%	
% of b&w 11x17 impressions	12.79%	12.79%	
% of spot color 8.5x11 & 8.5x14 impressions	41.63%	41.63%	
Allocated to b&w, 8.5x11 & 8.5x14	\$1,845,942	\$3,221,664	
Allocated to b&w, 11x17	\$518,211	\$904,417	
Allocated to spot color, 8.5x11 & 8.5x14	\$1,686,464	\$2,943,333	
TOTAL	\$4,050,617	\$7,069,414	\$11,120,030

	1999	2000	Total
Mailing Online Variable IS Costs	\$5,427,594	\$8,006,648	\$13,434,242
Allocation of Variable Costs:			
% of b&w 8.5x11 & 8.5x14 impressions	45.57%	45.57%	
% of b&w 11x17 impressions	12.79%	12.79%	
% of spot color 8.5x11 & 8.5x14 impressions	41.63%	41.63%	
Allocated to b&w, 8.5x11 & 8.5x14	\$2,473,456	\$3,708,263	\$6,181,719
Allocated to b&w, 11x17	\$694,373	\$768,700	\$1,463,073
Allocated to spot color, 8.5x11 & 8.5x14	\$2,259,765	\$2,529,685	\$4,789,450
TOTAL	\$5,427,594	\$8,006,648	\$13,434,242

GRAND TOTAL

\$22,556,272

ATTACHMENT TO WITNESS SECKAR'S UPDATED RESPONSE
TO NOVEMBER 20 HEARING QUESTION

Worksheet 3
Revised February 4, 1999

Incremental Cost Estimate for Mailing Online Experiment

	1999	2000	Experiment
Impression Costs	\$50,895,130	\$85,006,793	\$135,901,923
Insertor Costs	\$8,593,250	\$14,882,676	\$23,475,926
Transportation Costs	\$758,340	\$1,307,227	\$2,065,567
Paper Costs	\$6,896,412	\$12,421,246	\$19,317,658
Envelope Costs	\$8,942,530	\$16,106,544	\$25,049,075
TOTAL	\$76,085,662	\$129,724,486	\$205,810,149

1 COMMISSIONER LeBLANC: Does any participant have
2 additional written cross-examination for Witness Seckar?

3 No? Okay.

4 COMMISSIONER LeBLANC: Any additional written
5 cross?

6 Then I believe we'll start with Mr. Bush, and you
7 were going to defer to --

8 MR. WIGGINS: Mr. Presiding Officer, I'm sorry, I
9 do have an additional designation.

10 COMMISSIONER LeBLANC: All right, Mr. Wiggins,
11 we'll back it up one minute here.

12 CROSS EXAMINATION

13 BY MR. WIGGINS:

14 Q I have handed the witness a document captioned
15 "Response of United States Postal Service Witness Seckar to
16 Interrogatory of Pitney-Bowes, Inc.," PB/USPS-T2-5, which
17 came into my possession too late to file it timely with the
18 Commission, and ask you, Mr. Seckar, that if you were to
19 respond today on the stand under oath, would your answer be
20 the same as that reflected in this document?

21 A It would.

22 MR. WIGGINS: Mr. Presiding Officer, I'm handing
23 two of these to the reporter, and ask that they be admitted
24 into evidence and transcribed into the record.

25 COMMISSIONER LeBLANC: Are there any objections?

1 MR. HOLLIES: I don't have an objection, but I
2 think we might want to clarify something. This particular
3 document, which the reporter ought to note is actually
4 double-side copied, unlike the other things we have
5 provided, contains not just the interrogatory and its
6 response, but also the Postal Service's cover page, the
7 declaration page, and the certificate of service, and those
8 latter three really don't seem to add much here.

9 MR. WIGGINS: I'm sorry. That is my -- it's
10 actually my secretary's fault, but I'll take full
11 responsibility for it.

12 COMMISSIONER LeBLANC: You've got broad shoulders.
13 If that's the only objection, we'll let it stand
14 and be put into evidence at this particular time, unless
15 there is an objection.

16 MR. HOLLIES: It's not an objection. I wonder if
17 it wouldn't be more expedient to run down the hall and make
18 simple copies of what we really are trying to put in rather
19 than including the extraneous material.

20 COMMISSIONER LeBLANC: Well, we can do it either
21 way, if it will -- since you seem to have a little bit of an
22 objection there, Mr. Reporter, if you could give those --
23 who do we have out that could make the copies for us? Here
24 we go. We will clarify that, clean it up.

25 Mr. Koetting, thank you very much.

1 Mr. Hollies, thank you for that cleanup act that
2 you pulled. Appreciate that.

3 Is that all you had, Mr. Wiggins?

4 MR. WIGGINS: That is all.

5 CHAIRMAN GLEIMAN: Mr. Wiggins, inasmuch as your
6 secretary's probably going to review the transcript to make
7 corrections, would you like to move to strike certain things
8 that you have previously said?

9 [Laughter.]

10 MR. WIGGINS: I wouldn't mind that at all, Mr.
11 Chairman.

12 COMMISSIONER LeBLANC: Another nice fix, as we say
13 here.

14 Three participants have requested oral cross of
15 Witness Seckar. We have Mr. Bush, representing Mail
16 Advertising Service Association; Office of Consumer
17 Advocate, Ms. Dreifuss; and Pitney-Bowes, Mr. Wiggins.

18 It's my understanding that Mr. Bush has
19 relinquished again to Mr. Wiggins. Is that correct?

20 MR. BUSH: I am deferring to Mr. Wiggins, and
21 probably will have nothing.

22 COMMISSIONER LeBLANC: Thank you.

23 Mr. Wiggins, if you don't mind, I believe we'll go
24 ahead and let the OCA go, and then let you bat cleanup.

25 MR. WIGGINS: That's absolutely fine with me.

1 COMMISSIONER LeBLANC: Fine.

2 Ms. Dreifuss, I believe you said, for the record,
3 you have about 15 to 20 minutes; is that correct?

4 MS. DREIFUSS: I think that's about right.

5 COMMISSIONER LeBLANC: And Mr. Wiggins, I think
6 you said you had about ten hopefully?

7 MR. WIGGINS: That's correct, Mr. Presiding
8 Officer.

9 COMMISSIONER LeBLANC: Then we'll go ahead and
10 plow on through, at least get through Witness Seckar,
11 hopefully, and move on from there.

12 Before you get started, Ms. Dreifuss, one moment.
13 Mr. Koetting, do you have the two clean copies
14 then?

15 MR. HOLLIES: Yes, we've got two clean copies
16 without the cover page, declaration page, and service pages.

17 COMMISSIONER LeBLANC: Mr. Wiggins, would you care
18 to double-check that, or are you satisfied with that?

19 MR. WIGGINS: I'm perfectly satisfied with that.

20 COMMISSIONER LeBLANC: Fine. Thank you very much.

21 [Exhibit PB/USPS-T2-5, Additional
22 Designated Written
23 Cross-Examination of Paul G. Seckar
24 was received into evidence and
25 transcribed into the record.]

**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO
INTERROGATORY OF PITNEY BOWES**

PB/USPS-T2-5. Your Revised Response of United States Postal Service of Witness Seckar to question posed by Presiding Officer at the November 20, 1998 hearing dated January 14, 1999 reports, at Worksheet 2, 22,507,967 of MOL information systems costs. What is the minimum MOL volume necessary to defray these costs?

RESPONSE:

The minimum MOL volume necessary to defray the information systems cost is unknown, because that figure depends upon unknown types of volume and undetermined fees.

CROSS EXAMINATION

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BY MS. DREIFUSS:

Q Good morning, Mr. Seckar.

A Good morning.

Q Commissioner LeBlanc discussed with Witness Plunkett the possible impact that a different volume usage might have on Mailing Online revenues, and I wanted to ask you whether the kinds of usage that we're seeing with Mailing Online at this point as reported in weekly and biweekly reports, those reports seem to show that the number of pieces per transaction is not approaching the 5,000 level that Witness Stirewalt had estimated in his testimony.

Do you recall that assumption of his?

A No, I don't.

Q So you wouldn't know whether the unit costs that you've calculated for either the variable information systems portion or for the fixed information systems portion would be affected if the average number of pieces per transaction happened to be fewer than 5,000?

A The revised response that was filed yesterday to a Presiding Officer's question is the most recent response which examines those costs, and those are in fact based on information systems costs provided by Witness Lim. The degree to which they're dependent upon the metric you were discussing there I couldn't speak to.

1 Q Where did the total piece volumes come from? For
2 example, you use -- you have to use total piece volume to
3 calculate unit costs, don't you?

4 A Yes.

5 Q And where do you get those total piece volumes?

6 A Witness Rothschild.

7 Q They came directly from Witness Rothschild's
8 testimony?

9 A Well, Witness Rothschild's testimony provides the
10 volume forecasts which I use in my testimony to calculate
11 unit costs.

12 Q Could you state categorically that Witness
13 Stirewalt's 5,000-piece-per-transaction assumption does not
14 affect that total piece volume figure that you use, or
15 you're not sure?

16 A I could not make that statement.

17 Q These questions may not appropriately be directed
18 to you, but I wanted to ask you before Witness Lim takes the
19 stand, to make sure that I do have the right witness, ^{WERE} ~~where~~
20 you responsible for determining what portion of Post Office
21 Online costs Mailing Online should be responsible for?

22 A No, I was not.

23 Q Would you know whether the new system's
24 architecture costs are reflected in the total information
25 systems' cost figures that you have presented?

1 A I am not sure what you are asking me. That seems
2 like a rather simple question. Insofar as Witness Lim has
3 taken the existing architecture and estimated its costs and
4 provided them to me, yes, and that is what I would say in
5 response to that understanding of the question. But if it
6 is beyond that --

7 Q So you are relying on Witness Lim to provide you
8 the accurate -- to provide accurate costs to you of the
9 system's architecture, and you are relying -- you are
10 relying on him for that?

11 A Yes, he is the information systems' cost witness.

12 MR. DREIFUSS: In that case, I overestimated what
13 I would need to do. I am done.

14 COMMISSIONER LeBLANC: Thank you very much, Ms.
15 Dreifuss. Mr. Wiggins.

16 FURTHER CROSS-EXAMINATION

17 BY MR. WIGGINS:

18 Q Have a look -- I am here for Pitney Bowes, Mr.
19 Seckar. Have a look at your response to Pitney Bowes'
20 Interrogatory 4 to you, would you, please?

21 A I have got it.

22 Q And I ask you there about the change in average
23 variable information system costs from the July 23 corrected
24 version of testimony to the most recent update, and I say,
25 isn't it right that it goes from .0007 to .0021? And you

1 confirm the accuracy of that, and go on to say, see the
2 response of Witness Lim to Interrogatory -- or the Pitney
3 Bowes' Interrogatory Number 2 to him. Do you have Witness
4 Lim's interrogatory answer handy?

5 A I do not.

6 MR. WIGGINS: Could I supply it to him, Mr.
7 Presiding Officer?

8 COMMISSIONER LeBLANC: By all means, Mr. Wiggins.

9 BY MR. WIGGINS:

10 Q What portion of Mr. Lim's interrogatory response
11 did you have in mind when you directed me to it?

12 A Just give me a moment to read it.

13 MR. WIGGINS: Sure.

14 [Pause.]

15 THE WITNESS: Well, if you could please give me
16 your question one more time.

17 BY MR. WIGGINS:

18 Q Sure. Is there is some particular element to Mr.
19 Lim's response that you had in mind when you directed me to
20 it? What were you trying to point out to me in saying, yes,
21 but see Lim?

22 A I think that Witness Lim's response provides a
23 good bit of context for anybody who is attempting to draw a
24 comparison between those two numbers and thought that citing
25 this response would make clear those considerations you

1 should make when thinking about that July 23rd number and
2 the most recent number, that they are not necessarily apples
3 to apples, is I guess what I would liken this to.

4 Q Could you just take me through -- I found Mr.
5 Lim's answer a little bit confusing myself. Could you just
6 take me through and tell me what considerations you find in
7 Mr. Lim's response that I should have in my mind when I read
8 your confirmation?

9 A Well, I think he is trying to make clear the
10 notion of comparable numbers, and he is explaining that when
11 you take the July 23rd number and the number that he has
12 provided, and you compare and contrast the two, you should
13 fully understand what each of those numbers represents.

14 Q And what are the differences between the two sets
15 of numbers?

16 A Well, I mean I think Witness Lim will be most
17 prepared to be able to discuss that. In a very generic
18 sense, the July 23rd numbers reflected testimony put forth
19 at that point in the timeline by Witness Stirewalt, and
20 Witness Lim's testimony and numbers reflect, you know,
21 considerable work that has been undertaken by the Postal
22 Service over the last six to eight -- number of months, let
23 me say, I don't know precisely. And I think the degree to
24 which the system architecture has been specified by the
25 Postal Service has evolved over that period of time, and

1 that is something that Witness Lim reflected, and I don't
2 know that, you know, his reflection of it is exactly what
3 was reflected by Witness Stirewalt.

4 COMMISSIONER LeBLANC: Mr. Wiggins, I'm sorry to
5 interrupt you. Just to make sure I understand now, because
6 if I don't interject now, I may get lost here. What then
7 are you confirming, Mr. Seckar? You said confirmed. I just
8 want to make sure that I didn't miss something there.

9 THE WITNESS: Well, there seems to be a question
10 in Pitney Bowes/USPS-T2-4, which asks for me to confirm that
11 average variable information systems' costs, as reported on
12 July 23rd, have increased, as reported in a work sheet to my
13 attachment of an updated response, and I am confirming that
14 they have increased.

15 COMMISSIONER LeBLANC: Thank you. Thank you, Mr.
16 Wiggins.

17 BY MR. WIGGINS:

18 Q Do you have enough understanding of the evolution
19 that you described in your answer to my question to
20 summarize that for us? I am kind of curious what happened
21 between whenever this evolution began, which you are now
22 telling us is more than -- six months or more ago.

23 A No, I said a number of months ago. I have not
24 specifically studied this component to the degree that these
25 witnesses have at different points in time, and they are

1 going to be far better served to providing you the type of
2 information I believe you are looking for.

3 Q No, I plan to ask Mr. Lim directly, but I want to
4 have as much understanding from you as you possess. If you
5 don't have any, this will be short.

6 A And so what is your question, sir?

7 Q Do you have an understanding of the evolution in
8 the architecture of MOL that caused the movement from .0007
9 dollars to .0021, as you confirmed the numbers had moved?
10 Do you know what caused it?

11 A No, I don't. I mean I, shall I say, stretched my
12 understanding to its limits to give you the response I gave
13 you a moment ago in terms of comparing and contrasting these
14 two numbers. Beyond that, I do not.

15 MR. WIGGINS: I have nothing further, Mr.
16 Presiding Officer.

17 COMMISSIONER LeBLANC: Thank you very much. Are
18 there any questions from the bench?

19 [No response.]

20 COMMISSIONER LeBLANC: Obviously, there can't be
21 any follow-up because of that. Mr. Hollies, would you care
22 for some time with your witness?

23 MR. HOLLIES: If we could just have a moment
24 sitting at our places, we may be able to take care of this
25 very quickly.

1 COMMISSIONER LeBLANC: We will go off the record
2 for just a moment.

3 [Recess.]

4 COMMISSIONER LeBLANC: We can go back on the
5 record. Mr. Hollies.

6 MR. HOLLIES: We have managed to achieve a
7 consensus that we have no redirect.

8 COMMISSIONER LeBLANC: You are batting -- this is
9 wonderful, this is just great. But thank you very much.
10 There can be no redirect, can't be anything, so you are
11 going to get off very good here, Mr. Seckar.

12 We thank you. The Commission appreciates your
13 appearance here today and your additional contributions to
14 our record. You are excused.

15 THE WITNESS: Thank you.

16 [Witness excused.]

17 COMMISSIONER LeBLANC: Ladies and gentlemen,
18 rather than push on, which is what I thought we might try to
19 do with Mr. Lim, it looks like we probably have at least an
20 hour-and-a-half or so probably, or now a good hour. So what
21 we will do is we will take a short lunch break, if you will.
22 We will come back here 50 minutes from the clock, so we will
23 come back here at 10 minutes to 1:00 and we will proceed on
24 with Mr. Lim. Thank you very much. Off the record.

25 [Whereupon, at 11:59 a.m., the hearing was

1 recessed, to reconvene at 12:50 p.m., this same day.]

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A F T E R N O O N S E S S I O N

[12:53 p.m.]

COMMISSIONER LeBLANC: Mr. Hollies, will you identify your last witness so I can swear him in, please?

MR. HOLLIES: The Postal Service ^{calls} ~~called~~ Chong Bum Lim to the stand.

COMMISSIONER LeBLANC: Mr. Lim, is it, or Lin?

MR. LIM: Lim.

COMMISSIONER LeBLANC: Lim. Okay.

Whereupon,

CHONG BUM LIM,

a witness, having been called for examination and, having been first duly sworn, was examined and testified as follows:

COMMISSIONER LeBLANC: Mr. Hollies, do you want to go ahead and go, please?

DIRECT EXAMINATION

BY MR. HOLLIES:

Q Mr. Lim, my colleague, Mr. Reiter, is handing to you copies of a document that has been marked and designated as USPS-ST-9, and I ask if you can identify that.

A Yes, I have those.

COMMISSIONER LeBLANC: Mr. Lim, would you speak up? Pull that mike a little closer, please.

THE WITNESS: Yes, I have those documents.

1 BY MR. HOLLIES:

2 Q Okay. Were they prepared by you or under your
3 direction?

4 A Yes, they were prepared by me.

5 Q And does it reflect any changes since it was
6 initially filed on January 14?

7 A There is one minor change that -- I'm sorry. No,
8 there's no changes to this.

9 Q Does that packet include the revisions that were
10 recently filed?

11 A Yes, it does.

12 Q And were you to testify orally today, would your
13 testimony be the same?

14 A Yes.

15 MR. HOLLIES: With that, the Postal Service moves
16 for the admission of those -- of Mr. Lim's testimony.

17 COMMISSIONER LeBLANC: Any objections? Mr.
18 Wiggins? Ms. Dreifuss?

19 [No response.]

20 COMMISSIONER LeBLANC: Hearing none then, Mr.
21 Lim's testimony and exhibits are received into evidence. I
22 direct that they be accepted into evidence. As is our
23 practice, they will not be transcribed, however.

24 [Direct Testimony and Exhibits of
25 Chong Bum Lim, USPS-ST-9, was

1 received into evidence.]

2 COMMISSIONER LeBLANC: Mr. Hollies, do you have
3 any other further cross -- I mean a statement, or is he
4 ready for cross?

5 MR. HOLLIES: He is ready for cross and he has
6 just been handed copies of his designated written
7 cross-examination.

8 COMMISSIONER LeBLANC: Mr. Lim, have you had an
9 opportunity to examine the packet of the designated written
10 cross that was made available to you?

11 THE WITNESS: Yes, I have.

12 COMMISSIONER LeBLANC: If these questions were
13 asked of you today, would your answers be the same as
14 previously provided in writing?

15 THE WITNESS: With -- yes, with the exception of
16 one minor change.

17 COMMISSIONER LeBLANC: And what might that be,
18 please?

19 THE WITNESS: ⁱⁿ response to Interrogatory
20 OCA/USPS-ST-11, I believe -- I'm sorry, ST-12, the response
21 to Section C, at the end of that paragraph, it should read,
22 "not affected by the call duration" as opposed to "not
23 affected call -- by the call dur."

24 COMMISSIONER LeBLANC: Thank you. Have the
25 corrections been made on both copies, Mr. Hollies, as far as

1 you know?

2 MR. HOLLIES: Yes, they have.

3 COMMISSIONER LeBLANC: And you have got two for
4 the reporter, please? Thank you very much.

5 So, two copies, Mr. Reporter, will be handed to
6 you, of the designated cross-examination of Witness Lim, and
7 I direct that they be accepted into evidence and transcribed
8 into the record at this point.

9 [Designation of Written
10 Cross-Examination of Chong Bum Lim,
11 USPS-ST-9, was received into
12 evidence and transcribed into the
13 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 CHONG BUM LIM
(USPS-ST9)

Party

Office of the Consumer Advocate

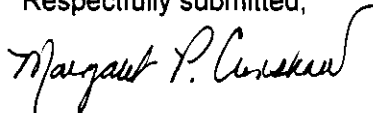
Interrogatories

OCA/USPS-ST9-1-9, 11-12
PB/USPS-ST9-1-2

Pitney Bowes Inc.

PB/USPS-ST9-1-2

Respectfully submitted,



Margaret P. Crenshaw
Secretary

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-1, Page 1 of 6**

OCA/USPS-ST9-1. These questions concern Library Reference MC98-1/27.

- a. Unnumbered pages 1 and 2 of LR MC98-1/27 present "MOL" costs.
 - i. Generally, what function is performed by the material and equipment listed as "MOL?"
 - ii. At what stage of the POL/MOL process is this equipment and material used?
 - iii. Please provide a breakdown of the discrete costs that sum to "MOL" costs and indicate whether each discrete cost is "variable," "one-time," or a combination of the two. Fully explain your rationale for categorizing a cost as "variable," "one-time," or a combination. Also, if a cost is partly "variable" and partly "one-time," then set forth the allocation factor you employed to segregate the "variable" from the "one-time" portion. Show how the allocation factor was developed. Include copies of any source materials consulted in reaching your conclusion.

- b. Unnumbered page 3 of LR MC98-1/27 presents "MOL Data Network" costs.
 - i. Generally, what function is performed by the material and equipment listed as "MOL Data Network?"
 - ii. At what stage of the POL/MOL process is this equipment and material used?
 - iii. Please provide a breakdown of the discrete costs that sum to "MOL Data Network" costs and indicate whether each discrete cost is "variable," "one-time," or a combination of the two. Fully explain your rationale for categorizing a cost as "variable," "one-time," or a combination. Also, if a cost is partly "variable" and partly "one-time," then set forth the allocation factor you employed to segregate the "variable" from the "one-time" portion. Show how the allocation factor was developed. Include copies of any source materials consulted in reaching your conclusion.

- c. Unnumbered page 4 presents "Print Sites" costs. Please confirm that the material and equipment listed for "Print Sites" are the computer hardware, software, and hardware/software maintenance required at each print site.
 - i. Is the total cost of \$9,527.00 for one print site or multiple print sites? Please explain.
 - ii. Does the total cost of \$9,527.00 include the back-up server at each print site? If not, then would all costs listed for "Print Sites" double to reflect the fact that there is an active server and a back-up server? Please explain.
 - iii. How will the \$9,527.00 cost figure change as each new print site is added? For example, if the number of print sites doubles, would the \$9,527.00 cost double? Please explain.

- d. Unnumbered page 5 of LR MC98-1/27 presents "Web Server" costs.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-1, Page 2 of 6**

- i. Generally, what function is performed by the material and equipment listed as "Web Server?"
 - ii. At what stage of the POL/MOL process is this equipment and material used?
 - iii. Please provide a breakdown of the discrete costs that sum to "Web Server" costs and indicate whether each discrete cost is "variable," "one-time," or a combination of the two. Fully explain your rationale for categorizing a cost as "variable," "one-time," or a combination. Also, if a cost is partly "variable" and partly "one-time," then set forth the allocation factor you employed to segregate the "variable" from the "one-time" portion. Show how the allocation factor was developed. Include copies of any source materials consulted in reaching your conclusion.

- e. Unnumbered page 6 of LR MC98-1/27 presents "Database Server" costs.
 - i. Generally, what function is performed by the material and equipment listed as "Database Server?"
 - ii. At what stage of the POL/MOL process is this equipment and material used?
 - iii. Please provide a breakdown of the discrete costs that sum to "Database Server" costs and indicate whether each discrete cost is "variable," "one-time," or a combination of the two. Fully explain your rationale for categorizing a cost as "variable," "one-time," or a combination. Also, if a cost is partly "variable" and partly "one-time," then set forth the allocation factor you employed to segregate the "variable" from the "one-time" portion. Show how the allocation factor was developed. Include copies of any source materials consulted in reaching your conclusion.

- f. Unnumbered page 7 of LR MC98-1/27 presents "Datamart Server" costs.
 - i. Generally, what function is performed by the material and equipment listed as "Datamart Server?"
 - ii. At what stage of the POL/MOL process is this equipment and material used?
 - iii. Please provide a breakdown of the discrete costs that sum to "Datamart Server" costs and indicate whether each discrete cost is "variable," "one-time," or a combination of the two. Fully explain your rationale for categorizing a cost as "variable," "one-time," or a combination. Also, if a cost is partly "variable" and partly "one-time," then set forth the allocation factor you employed to segregate the "variable" from the "one-time" portion. Show how the allocation factor was developed. Include copies of any source materials consulted in reaching your conclusion.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-1, Page 3 of 6**

RESPONSE:

a.

- i.ii. The components listed as "MOL" pertain to the main function of the MOL processing system. These components include a central Unix server and multi-processing Cubix boxes. They control and process the jobs that are initiated by users through the use of the web servers. These components are the core components of the MOL system in controlling and processing the MOL documents, from their submission by users until their dispatch to print sites.
- iii. It is important to note that my Exhibits provide all the necessary IT costs associated with the MOL program categorized by the functional areas and cost categories presented in my testimony. Library Reference 27/MC98-1 contains a source list of hardware, software, and maintenance components that have not directly been categorized into one-time and variable. Instead, these components were regrouped as presented in my Exhibits A through F. Exhibit G (Derivation of One-Time & Variable Costs) provides all the cost in the same functional and cost categories broken down into either one-time or variable costs. There are no costs that are a combination of one-time and variable since one-time costs are incurred prior to the onset of the experiment and variable costs follow the start of the experiment. No "allocation factor" was necessary. Therefore, Exhibit G provides

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-1, Page 4 of 6**

derivation of one-time and variable costs for the complete MOL IT system.

b.

i.ii. The components listed as "MOL Data Network" pertain to the main networking components for MOL, such as the main switch for the MOL components and the routers for communicating with print sites. These components are used in the networking of the MOL system components themselves and of the MOL system to systems at the print sites.

iii. See my response to OCA/USPS-ST9-1(a)(iii).

c. The "Print Site" costs shown in LR 27/MC98-1 pertain only to the hardware and hardware service maintenance costs for each Print Site. The costs for the Print Sites are better represented in my Exhibit F (MOL Print Sites). The custom software needed by the Print Sites is included in the MOL application development costs shown in Exhibit A, Item 63.

i. The cost of \$9,527.00 is not the total cost for either one or multiple print sites. Please see my Exhibit F which represents the total cost for all print sites for the experiment.

ii. Whether each print site will be equipped with a back-up server has not been determined. However, if a back-up server were added to each print site, the total cost shown in Exhibit F in Item 26 would increase by

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-1, Page 5 of 6**


\$88,230. This number is derived from the addition of a backup Ultra 5 and FastEthernet Adapter (Items 2 and 4 respectively) for each of the print sites.

- iii. **As explained in my response to interrogatory OCA/USPS-ST9-1(c)(i), the \$9,527.00 cost figure is not representative of a print site's cost. The hardware cost of adding an additional print site would be \$8,978 (the Unit Cost sum of Items 2-8 in Exhibit F). Additionally, services costs such as the T1 installation cost would be \$2,000 and the T1 service cost would be \$62,400/year multiplied by one or two years, depending on if the print site was added in the first or second program year of the experiment. (In order to take a conservative approach, the full cost of the T1 service was used for each print site since it was not specified in which month of the program year, each print site would be added.)**

d.

- i-ii. **"Web Server" components, including a Sun Enterprise 5500 and a 4500, constitute the main web servers hosting the POL web site and providing the MOL system interface.**
- iii. **See my response to OCA/USPS-ST9-1(a)(iii).**

e.



**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-1, Page 6 of 6**

i-ii. The "Database Server" components host the main database for the POL system. The database will be used to store user and system data for the operation of the system.

iii. See my response to OCA/USPS-ST9-1(a)(iii).

f.

i-ii. The components listed as "Datamart Server" pertain to a database that will store data used for management reporting purposes.

iii. See my response to OCA/USPS-ST9-1(a)(iii)

4

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-2, Page 1 of 5**

OCA/USPS-ST9-2. Throughout your testimony, you use the term "variable cost(s)."

- a. Do you use "variable cost" as equivalent to "volume variable cost?" Please explain.
- b. Do you use "variable cost" as equivalent to "short-run marginal cost?" Please explain.
- c. What period of time do you believe would be the "short run" in this case? Explain your reasoning in choosing this period of time.
- d. Do you use "variable cost" as equivalent to "long-run marginal cost?" Please explain.
- e. What period of time do you believe would be the "long run" in this case? Explain your reasoning in choosing this period of time.
- f. Do you use "variable cost" as equivalent to "ongoing cost," i.e., the term used by witness Seckar in response to PB/USPS-T2-2 (Tr. 5/1050-51)? See your testimony at page 2, lines 6-8.
- g. Do "ongoing costs," as you and witness Seckar employ that term, include any fixed (i.e., non-volume-variable), costs?
 - i. If so, state the specific costs for MOL that are fixed, ongoing costs. Provide citations for the listings of such costs by table, exhibit, workpaper, etc., including page, column and row (or line) numbers.
 - ii. Also, state (and cite) the specific costs for POL that are fixed, ongoing costs. Provide citations for the listings of such costs by table, exhibit, workpaper, etc., including page, column and row (or line) numbers.
- h. Is the term "ongoing costs" limited to "short-run volume variable costs?"
 - i. State the specific costs for MOL that are short-run volume variable, ongoing costs. Provide citations for the listings of such costs by table, exhibit, workpaper, etc., including page, column and row (or line) numbers.
 - ii. Also, state (and cite) the specific costs for POL that are short-run volume variable, ongoing costs. Provide citations for the listings of such costs by table, exhibit, workpaper, etc., including page, column and row (or line) numbers.
- i. Does the term "ongoing costs" include "long-run volume variable costs?"
 - i. State the specific costs for MOL that are long-run volume variable, ongoing costs. Provide citations for the listings of such costs by table,

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-2, Page 2 of 5**

- exhibit, workpaper, etc., including page, column and row (or line) numbers.
- ii. Also, state (and cite) the specific costs for POL that are long-run volume variable, ongoing costs. Provide citations for the listings of such costs by table, exhibit, workpaper, etc., including page, column and row (or line) numbers.
- j. At page 2, lines 8-11, of your testimony, you characterize one-time costs as consisting mainly of hardware, software, and installation and development services.
- i. Are these "start-up" costs? Please explain.
- ii. At page 2 of your testimony you state that you have separated information technology costs into one-time costs and variable costs, thereby conforming to witness Seckar's analysis presented in response to interrogatory PB/USPS-T2-2 (Tr. 5/1050-51). In his response he states that "fixed costs are one-time start-up costs for the experimental period" Do you share his view that the one-time costs are essentially the start-up costs for MOL? If your answer is negative, then please explain.
- k. In his response to interrogatory PB/USPS-T2-2, witness Seckar states that, "The Table 15 costs referenced in [the] question are not start-up costs, and therefore should not be included in the "fixed" category.
- i. Do you agree that he seems to view "fixed" costs as limited to "start-up" costs? If you do not agree, please give your reasons.
- ii. For the purpose of your cost analysis in this proceeding, do you define "fixed" costs as limited to "start-up" costs? If this is not your definition, then state your definition.
- iii. Are the start-up costs of a specific service part of the incremental costs of the service? Please explain.
- l. Witness Seckar also states in the cited response that,

While these costs [seemingly the Table 15 costs] do not vary based on the volume changes forecasted for the five-year period, moreover, they would vary with more extreme volume fluctuations. For example, if the Mailing Online service were to end after the experiment concludes, technical help desk manager costs in years 2001 through 2003 would not be incurred as a result of the volumes in these years disappearing.

- i. Do you agree that witness Seckar seems to be stating that costs that do not vary, based on volume changes, over a five-year period can still be variable? If you do not agree, give your reasons for disagreeing.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-2, Page 3 of 5**

- ii. Is it *your* view that costs that do not vary, based on volume changes, over a five-year period are variable? Please explain. Are they "volume variable?" Please explain. If they are variable, but not volume variable, please explain the distinction.
- iii. Do you agree that witness Seckar seems to be stating that a cost is characterized as variable if it disappears when the entire service for which it is incurred is terminated and, therefore, volume goes from some positive number to zero? If you do not agree, please give your reasons.
- iv. Do you hold the view that a cost should be characterized as variable if it disappears when the entire service for which it is incurred is terminated. and, therefore, volume goes from some positive number to zero? Please explain.
- v. Do you believe that variable costs are equivalent to the incremental costs of a service? Please explain.
- vi. Do you believe that the *prospective* incremental costs of a service may be partly volume variable and partly fixed? Please explain.
- vii. Should the *fixed* incremental costs of a service be termed "variable" because they are ongoing, i.e., they go on because the service goes on? Please explain.

RESPONSE:

- a-e. In my testimony, the term "variable cost" is used to define all costs that are not one-time costs associated with the initiation of the MOL experiment. Variable costs are any costs that occur after the onset of the experiment. Whether it is equivalent to "volume variable cost" or other cost terminology not used in my testimony is beyond the scope of my information technology related testimony. Therefore, I am not able to provide an expert opinion on such.
- f. As explained in OCA/USPS-ST9-2(a-e), my definition of one-time and variable costs are based on when the cost was incurred, before or after the onset of the experiment. Witness Seckar's updated response to the hearing question, Tr. 7/1733-34, shows that Witness Seckar uses similar definitions of variable and

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-2, Page 4 of 5**

one-time costs.

g-i. I do not use the term "ongoing costs" in my testimony.

j.

- i. Intuitively, one-time costs consist of the hardware, software, and installation and development services that are needed in the start-up of the operations and therefore may be categorized as "start-up" costs.
- ii. I do share Witness Seckar's views that one-time costs are essentially the start-up costs for MOL.

k.

- i. My understanding of what witness Seckar "seems to view" would only amount to speculation.
- ii-iii. I do not use the terms "fixed" or "incremental" in my testimony. These terms are beyond the scope of my expertise. I am an expert in information technology costs, but am not an economist and have no background in the history of Postal Service costing theory as analyzed in Commission proceedings.

l.

- i. This was not the focus of my analysis, and is not my area of expertise. As stated above, my analysis separates costs into one-time and

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-2, Page 5 of 5**

variable costs as defined in my response to OCA/USPS-ST9-2(a-e).

Therefore, I cannot testify as to what witness Seckar seems to state.

ii-viii. See my response to OCA/USPS-ST9-2(a-e).

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-3, Page 1 of 3**

OCA/USPS-ST9-3. At page 3 of your testimony, you set forth a diagram of your methodology for gathering and estimating MOL costs.

- a. Please present the costs of the complete POL system and show the allocation into POL, MOL, and SOL costs (step 1). Include the allocation factor(s) used and your rationale for choosing the particular allocation factor(s). Also provide any source materials you consulted in choosing the particular allocation factor(s).
- b. Please present all cost allocations made at step 2. Include the allocation factor(s) used and your rationale for choosing the particular allocation factor(s). Also provide any source materials you consulted in choosing the particular allocation factor(s).
- c. Please present all cost allocations made at step 3. Include the allocation factor(s) used and your rationale for choosing the particular allocation factor(s). Also provide any source materials you consulted in choosing the particular allocation factor(s).
- d. Please present all cost allocations made at step 4. Include the allocation factor(s) used and your rationale for choosing the particular allocation factor(s). Also provide any source materials you consulted in choosing the particular allocation factor(s).
- e. Please present all costs and/or cost allocations made at step 5. Include the allocation factor(s) used and your rationale for choosing the particular allocation factor(s). Also provide any source materials you consulted in choosing the particular allocation factor(s).
- f. Is it correct that your methodology classifies costs in the following way: there is some portion of POL costs that is not allocated to either MOL or SOL; rather the POL costs not specific to MOL or SOL are institutional costs to be recovered by means of a mark-up?
 - i. If you do not agree, state your reasons.
 - ii. If you do agree, what percentage of POL costs are allocated neither to MOL or SOL? Show how this percentage figure is calculated. Provide all computations and citations for any figures presented.
- g. Is it correct that at www.postofficeonline.com, mailers and recipients of Express Mail packages can track the movements of a package, and mailers and recipients of Priority Mail can confirm delivery of a package?
 - i. If you do not agree, state your reasons.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-3, Page 2 of 3**

- ii. If you do agree, explain how you have accounted for the expenses associated with Express Mail tracking and Priority Mail delivery confirmation in your cost methodology.
 - iii. If your methodology does not allocate costs to Express Mail tracking and Priority Mail delivery confirmation, explain why you have omitted such an allocation.
- h. Do you agree that First Class letters, flats, and cards, Standard A letters and flats, and Periodicals reap no direct benefits from the existence of POL?
- i. If you do agree, then state whether it is equitable for First Class letters, flats, and cards, Standard A letters and flats, and Periodicals to help defray POL expenses in the form of a mark-up for the First, Standard A, and Periodicals subclasses.
 - ii. If you do not agree, then state your reasons.

RESPONSE:

- a. As stated in the purpose section of my testimony, "the purpose of this testimony is to present the total information technology costs for Mailing Online (MOL)". My methodology, shown in Diagram 1 on page 3, does not require analysis of POL or SOL costs. I only examine costs affected by the existence of the MOL program. Details on these other costs are accordingly beyond the scope of my testimony. Throughout my testimony, detailed information and costs are provided only for areas affected by the existence of the MOL program.
- b. The allocations between MOL-specific and MOL-shared costs are presented on pages 8 to 11 of my testimony, and in Exhibits A through F.
- c. This 100 percent allocation is described fully in Diagram 1.
- d. The cost drivers applied in step 4 are derived in pages 3 to 6 of my testimony.
- e. Step 5 adds the results from Steps 3 and 4. .

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-3, Page 3 of 3**

- f. Conceptually, there would be costs that are specific to POL that are not allocated to either MOL or SOL, as indicated in my Diagram 1. However, I only looked for costs driven by MOL, and therefore had no occasion to study POL or SOL in detail. Any "institutional" nature of costs is beyond both my expertise and my testimony as explained in USPS-ST9-3(a).
- g-h. These questions are beyond the scope of my expertise and factual knowledge. Accordingly, I am unable to respond.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-4, Page 1 of 1**

OCA/USPS-ST9-4. You discuss the POL Help Desk at page 4 of your testimony.

- a. Are you referring to the activities of the technical and/or the non-technical help desk? Please specify.
- b. What telephone number will prospective users of POL, e.g., MOL, SOL, Express Mail tracking, or Priority Mail delivery confirmation, dial to connect to the POL help desk? Please give the toll-free, long-distance, or local phone numbers that may be dialed.
- c. Since no telephone number is given at www.postofficeonline.com, how do POL customers become aware of the POL help desk telephone number? Please explain.
- d. When a caller dials the toll-free number for the Postal Service—800-222-1811 (this is the telephone number provided by calling toll-free information at 800-555-1212)—is that call automatically routed to the POL help desk? If not, what postal or contractor personnel answer queries at 800-222-1811? If these individuals are not POL help desk personnel, how have you accounted for the hardware, software, personnel, etc. costs of fielding inquiries at 800-222-1811?

RESPONSE:

- a. The discussion on page 4 of my testimony refers to activities of the non-technical help desk.
- b–d. I do not know the answers to those questions, which were unnecessary for the preparation of my testimony.

[REDACTED]

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-5, Page 1 of 1**

OCA/USPS-ST9-5. At pages 4-5 of your testimony, you indicate that you have allocated 20 percent of help desk calls to MOL.

- a. Is the remaining 80 percent allocated to SOL?
- b. If any calls to the POL help desk concern Express Mail tracking or Priority Mail delivery confirmation, how are these calls reflected in the cost allocation?
- c. Is any portion of the POL help desk calls allocated solely to POL and not to any specific services such as MOL, SOL, Express Mail tracking or Priority Mail delivery confirmation? If so, would these costs be classified as institutional and recovered by means of a mark-up? Please explain in full.
- d. Provide the full allocation of total help desk expenses.

RESPONSE:

- a. The remaining 80 percent is associated with other help desk costs under POL and/or SOL.
- b. All activities for the help desk not related to MOL are accounted for with other costs under POL and/or SOL.
- c-d. See my response to interrogatory OCA/USPS-ST9-3(a).

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-6, Page 1 of 1**

OCA/USPS-ST9-6. At page 5 of your testimony you state that the 181GB of storage capacity is allocated to MOL (38 percent), POL, and SOL.

- a. What percentage is allocated to POL?
- b. What percentage is allocated to SOL?
- c. What percentage is allocated to Express Mail tracking? If no storage capacity costs have been allocated to Express Mail tracking, explain why not, especially in view of the fact that Express Mail packages can be tracked at www.postofficeonline.com.
- d. What percentage is allocated to Priority Mail delivery confirmation? If no storage capacity costs have been allocated to Priority Mail delivery confirmation, explain why not, especially in view of the fact that delivery of Priority Mail packages can be confirmed at www.postofficeonline.com.

RESPONSE:

- a-d. The remaining 62 percent of costs would be associated with other storage costs under POL and/or SOL. See my testimony at page 5, lines 7 to 8. The exact allocations for POL or SOL, and any allocations for Express Mail tracking and Priority Mail delivery confirmation, have not been determined for the reasons stated in my response to interrogatory OCA/USPS-ST9-3(a).

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-7, Page 1 of 1**

OCA/USPS-ST9-7. Isn't it correct that, at the present time, POL exists for the purpose of providing four services—MOL, SOL, Express Mail tracking, and Priority Mail delivery confirmation?

- a. If you do not agree, state your reasons for disagreeing.
- b. If you accept the premise of the question, wouldn't you agree that the most equitable allocation of POL storage capacity costs would be to include a percentage of these costs in MOL's attributable cost base? If you do not agree, please explain.
- c. If you do agree, then wouldn't it be logical to add 38 percent of the POL storage capacity costs to the 38 percent already included as MOL's discrete storage capacity requirements? If you disagree, please explain.

RESPONSE:

a-c. I have a general understanding that those options are available under POL, but I am unable to confirm the strict accuracy or completeness of the list. I have used only one ratio of 38 percent for shared functional components based on the total storage requirement for the POL, SOL, and MOL systems, as projected by the system designers (and described on page 5 of my testimony). This ratio was used to allocate costs to MOL only.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-8, Page 1 of 1**

OCA/USPS-ST9-8. At page 5 of your testimony, you state that two of four Web servers are due to POL requirements. By virtue of the same reasoning outlined in interrogatory OCA/USPS-ST9-7 above, wouldn't it be most equitable to allocate a portion of the two POL Web server costs to MOL since MOL is one of only four services currently offered at www.postofficeonline.com, i.e., POL? If you disagree, state your reasons.

RESPONSE:

The two Web servers are not affected by the existence of the MOL program, and therefore do not produce costs that are MOL-specific or MOL-shared as described in my Diagram 1. See also my response to OCA/USPS-ST9-7.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
OCA/USPS-ST9-9, Page 1 of 1**

OCA/USPS-ST9-9. Of the 5000 SOL/POL users described at page 5 of your testimony, what percentage of these consists of SOL users and what percentage consists of POL users?

- a. Would Express Mail tracking customers or Priority Mail delivery confirmation customers ever be attempting to communicate over the T3 Internet connection at the same time as the MOL or SOL users?
- b. If so, why haven't you determined the percentage of simultaneous usage for which Express Mail tracking users and Priority Mail delivery confirmation users would be responsible?

RESPONSE:

I am unable to answer these questions since they are beyond the scope of my testimony and therefore were unnecessary to consider when preparing my testimony.

See also my response to interrogatory OCA/USPS-ST9-3(f).

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST9-11. Please refer to your testimony at page 4 and 5, lines 25-26 and 1-3, respectively.

- a. Please confirm that time is an important element of costs of the Mailing Online help desk. If you do not confirm, please explain.
- b. Please explain the rationale for excluding the duration of calls received by the Mailing Online help desk as an element of the "cost driver" for Mailing Online help desk costs.
- c. Please confirm that the number and duration of calls to the Mailing Online help desk should form the "cost driver" for the Mailing Online help desk. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed that time is appropriately considered as an element of costs.
- b. Data generally are not available on the duration of calls, let alone data indicating the duration of MOL-related calls. It is my understanding that such data would be "difficult to collect and costly to compile." (Reply brief of USPS Regarding MOL Market Test, at 13.) Moreover, I understand that the Commission did "not require the duration of calls to be recorded, especially in light of the relative size of the costs." (PRC Op., MC98-1 (Market Test), at 50.) Therefore, I used the assumption that the duration of calls did not vary based on call type. This assumption was used in determining the cost driver for help desk costs.
- c. Confirmed. The number and duration of calls was used to form the "cost driver" for the help desk with the assumption that call duration does not vary based on type.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST9-12. Please refer to your testimony at page 10, lines 10-13, where it states that "MOL users . . . are therefore assumed to cause personnel, hardware, and software costs," and Exhibit E, "MOL/POL Help Desk."

- a. In Exhibit E, please identify the hardware costs of the MOL/POL help desk.
- b. Please confirm that there are telecommunication costs associated with the MOL/POL help desk. If you do not confirm, please explain.
- c. Please list the "personnel, hardware, and software costs," and the associated amounts, of the MOL/POL help desk that
 - i. are affected by the duration of calls to the Mailing Online help desk; and,
 - ii. are not affected by the duration of calls to the Mailing Online help desk.

RESPONSE:

- a. Hardware and software costs are included in Exhibit E, Item 18. Although the exact separation of software and hardware cost is not specified in the data collected, the general cost of the hardware would amount to approximately \$430,000.
- b. Confirmed. I have now updated my testimony to reflect all such telecommunications costs, specifically Tables 1 and 2, and Exhibits E and G. The appropriate revised pages are attached to this response.
- c. Since I assume that all calls have the same duration, I did not conduct the exercise of breaking the personnel, hardware and software costs into those affected and those not affected by ^{the} call ~~the~~ duration.

Revised 2/2/99

Table 1
Summary of Total Cost

	Systems Dev. & Imp.	Admin Mgmt & Maint	Help Desk	Print Shop	Table 5, Line 4	Table 5, Line 8	Table 5, Line 11	Table 5, Line 14	Total	Programs	Personnel	Services	Travel
1	\$2,959,346	\$0	\$0	\$0	\$1,219,789	\$350,000	\$0	\$0	\$1,702,256	\$0	\$1,890,000	\$0	\$6,420,991
2	\$0	\$0	\$0	\$0	\$32,424	\$0	\$0	\$0	\$32,424	\$530,000	\$1,539,957	\$0	\$3,917,568
3	\$152,826	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$152,826	\$0	\$0	\$0	\$2,102,381
4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,003,940
					\$1,753,293	\$382,424	\$0	\$0	\$1,753,293	\$2,410,000	\$3,679,957	\$0	\$22,955,272

Revised 2/2/99

Table 2
Summary of One-Time & Variable Costs

Description	Notes	Variable			
		One Time Cost	Program Year 1999	Program Year 2000	Total
Systems Dev. & Imp.	Exhibit G, Line 16	\$10,397,982	\$952,200	\$952,200	\$12,302,382
Administrative Mgmt & Maintenance	Exhibit G, Line 24	\$350,000	\$2,919,364	\$2,876,205	\$6,147,568
Help Desk	Exhibit G, Line 30	\$320,784	\$766,000	\$1,015,597	\$2,102,381
Print Sites	Exhibit G, Line 36	\$51,264	\$790,030	\$1,162,646	\$2,003,940
Total		\$11,120,030	\$5,427,594	\$6,038,648	\$22,586,272

Exhibit G
Derivation of One-Time and Variable Costs

Item	Description	Notes	One-Time	Variable		Total
			Cost	Program Year 1999	Program Year 2000	
1	Systems Dev. & Imp.					
2	MOL					
3	Hardware	Exhibit A, Line 30	\$1,912,547	\$0	\$0	\$1,912,547
4	Software	Exhibit A, Line 48	\$1,215,891	\$0	\$0	\$1,215,891
5	Telecom. & Networking	Exhibit A, Line 59	\$244,256	\$0	\$0	\$244,256
6	Services					
7	Certification & Accreditation	Exhibit A, Line 61 divided by 2 years	\$0	\$232,200	\$232,200	\$464,400
8	Enhancements - SW	Exhibit A, Line 62	\$600,000	\$0	\$0	\$600,000
9	MOL Application Development	Exhibit A, Line 63	\$5,120,671	\$0	\$0	\$5,120,671
10	MOL Application Test and Doc.	Exhibit A, Line 64	\$75,920	\$0	\$0	\$75,920
11	MOL/POL					
12	Hardware	Exhibit B, Line 32	\$1,046,799	\$0	\$0	\$1,046,799
13	Software	Exhibit B, Line 37	\$3,896	\$0	\$0	\$3,896
14	Telecom. & Networking	(h)	\$18,000	\$720,000	\$720,000	\$1,458,000
15	Services	Exhibit B, Line 47	\$160,000			\$160,000
Subtotal			\$16,377,982	\$972,200	\$972,200	\$18,322,382
17	Administrative Mgmt & Maintenance					
18	MOL					
19	Software	Exhibit C, Line 3	\$350,000	\$0	\$0	\$350,000
20	Personnel	Exhibit C, Line 6 divided by 2 years	\$0	\$940,000	\$940,000	\$1,880,000
21	Services	(i)	\$0	\$1,956,166	\$1,915,037	\$3,871,233
22	MOL/POL					
23	Services	Exhibit D, Line 6 divided by 2 years	\$0	\$23,166	\$23,166	\$46,332
Subtotal			\$350,000	\$2,919,366	\$2,878,203	\$6,147,569
25	Help Desk					
26	MOL/POL					
27	Software	Exhibit E, Line 9	\$32,424	\$0	\$0	\$32,424
28	Personnel	Exhibit E, Line 15 divided by 2 years	\$0	\$265,000	\$265,000	\$530,000
29	Services	(j)	\$286,360	\$501,000	\$750,597	\$1,539,957
Subtotal			\$320,784	\$766,000	\$1,015,597	\$2,102,381
31	Print Sites					
32	MOL					
33	Hardware	(k)	\$0	\$89,780	\$62,846	\$152,626
34	Telecom. & Networking	Exhibit F, Line 20	\$51,264	\$0	\$0	\$51,264
35	Services	(l)	\$0	\$700,250	\$1,099,800	\$1,800,050
Subtotal			\$51,264	\$790,030	\$1,162,646	\$2,003,940
Total			\$11,120,030	\$5,427,594	\$6,028,648	\$22,555,272

ATTACHMENT TO RESPON
 TO OCA/USPS-ST9-12
 Page 3 of 4

Exhibit E
MOL/POL Help Desk

	Description	Manufacturer	Notes	Help Desk ^A	Total Quantity	Unit Cost	Extended Cost	
1	Software							
2	Microsoft Publisher	Microsoft		14	14	\$90	\$1,260	
3	MS Office 97 Professional, Ed. Prof. Lt	Microsoft		14	14	\$104	\$1,456	
4	Quark V. 4.0	Quark		14	14	\$752	\$10,528	
5	PageMaker V. 6.5 win95/NT	PageMaker		14	14	\$525	\$7,350	
6	Corel Ventura V.8.0	Corel		14	14	\$469	\$6,566	
7	Corel WordPerfect Suite Prof. 8.0	Corel		14	14	\$378	\$5,284	
							Software Subtotal	\$31,424
							Rate Applied to Subtotal	\$32,424
10	Personnel							
11	Help Desk Mgr	USPS	(e)	1	1	\$200,000	\$200,000	
							Rate Applied to Subtotal	\$40,000
13	Technical Help Desk	USPS	(f)	1	1	\$490,000	\$490,000	
							Rate Applied to Subtotal	\$490,000
							Personnel Subtotal	\$530,000
16	Services							
17	Help Desk on-going cost	Compeq		1	1	\$6,016,462	\$6,016,462	
18	Help Desk one time	Compeq		1	1	\$1,441,800	\$1,441,800	
19	Help Desk Telecommunication Cost	Compeq		1	1	\$241,523	\$241,523	
							Services Subtotal	\$7,700,785
							Rate Applied to Subtotal	\$7,939,957
							Total	\$2,102,381

ATTACHMENT TO RESPONSE
TO OCA/USPS-ST9-12
Page 4 of 4

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF PITNEY BOWES**

PB/USPS-ST-9-1. At some places in the calculation of MOL extended costs in Exhibits A-G to your testimony a ratio of less than 100% is applied (e.g., Exhibit B, line 31). Please explain how each of the ratios of less than 100% was derived and produce all work papers calculating or displaying those ratios.

RESPONSE:

The reasoning and derivations of the ratios applied are described in Section III (Methodology), on pages 3 through 6 of my testimony.

**RESPONSE OF POSTAL SERVICE WITNESS LIM TO
INTERROGATORY OF PITNEY BOWES**

PB/USPS-ST-9-2. A comparison of the total information technology costs displayed in Tables 1, 2 and 5 of your testimony with the sum of one-time and variable information system costs reported in Tables 14 and 15 (as revised July 23, 1998) to Mr. Seckar's testimony shows an increase in information service costs from \$5,874,836 to \$22,507,966. Please confirm that these are comparable numbers. If you can not confirm, please explain why not. Please describe all changes in the operation of the MOL offering that resulted in this cost change.

RESPONSE:

Not confirmed. It is unclear what exactly is meant by 'comparable' in the above question. Assuming that 'comparable numbers' means that the Information Technology costs reflect the same cost components, but at different quantities or prices, then the numbers are not 'comparable'. The methodology used to derive the Information Technology costs includes various costs considered shared with the POL program. In addition, the architecture components of the systems have changed. The fundamental operations of MOL remain essentially the same.

1 COMMISSIONER LeBLANC: Does any participant have
2 any additional cross-examination for the witness?

3 [No response.]

4 COMMISSIONER LeBLANC: Then that being the case,
5 we will move on. Three participants have requested oral
6 cross-examination of Witness Lim, the Mail Advertising
7 Service Association International, the Office of the
8 Consumer Advocate, and Pitney Bowes. And I believe Mr. Bush
9 is not here, so then we will start, if you will, with Ms.
10 Dreifuss, if that is okay with you, Mr. Wiggins. Ms.
11 Dreifuss.

12 MS. DREIFUSS: Thank you, Commissioner LeBlanc.

13 CROSS-EXAMINATION

14 BY MS. DREIFUSS:

15 Q Good afternoon, Mr. Lim.

16 A Good afternoon.

17 Q Could you turn to your answer to OCA Interrogatory
18 Number 12, the one that you just mentioned a moment ago?

19 A Okay.

20 Q When you first prepared Exhibit E, which reflects
21 the ^{MOL/POL}~~MOL-POE~~ Helpdesk costs, I guess you left out the
22 telecommunications costs, is that right?

23 A That is correct.

24 Q And then we asked you if you had left them out,
25 and you agreed that you had, that is true, isn't it?

1 A I believe the question was please confirm that
2 there are telecommunication costs associated, and I
3 confirmed that question. I don't believe the question was
4 if I left them in or left them out.

5 Q Right. I guess I was extrapolating a little bit.
6 We asked you if had included them, and your answer was that
7 -- I'm sorry. We asked that there are costs associated and
8 you confirmed that there are.

9 A Yes.

10 Q And then you realized that had left them out.

11 MR. HOLLIES: Excuse me. Mr. Presiding Officer,
12 if you ask the witness to bring the mike a little bit closer
13 so that we all can hear his answers, that would be
14 appreciated.

15 COMMISSIONER LeBLANC: Mr. Lim, you are not the
16 only one. Our Chairman has that problem on occasion.

17 THE WITNESS: Okay.

18 CHAIRMAN GLEIMAN: I don't think it is a problem
19 that you and I have, Mr. Lim, I think it is a problem that
20 counsel has.

21 THE WITNESS: I have to agree with you.

22 BY MS. DREIFUSS:

23 Q You wound up agreeing with us that they ought to
24 be included, is that correct?

25 A That is correct.

1 Q And then you did add them into Exhibit E?

2 A That is correct.

3 Q And made conforming changes to other tables and
4 exhibits?

5 A Yes.

6 Q When we asked you about telecommunications costs,
7 did you know, from your own knowledge of costs, that those
8 should have been included, or did you have to check with
9 somebody at the Postal Service to see whether there were
10 telecommunications costs that should have been in Exhibit E
11 but were left out?

12 A I assumed for the Helpdesk that there would be
13 telecommunication costs that would be -- that would have to
14 be included. I did confirm it with them, with the systems
15 designers of the Helpdesk.

16 Q How is it that they didn't wind up ⁱⁿ ~~on~~ the exhibit
17 in the first place, since you assumed that there would be
18 telecommunications costs?

19 A It was a consideration, in looking at the Helpdesk
20 costs, I neglected to look into that one cost for that
21 Helpdesk.

22 Q Earlier in the proceeding a library reference was
23 filed. It's Library Reference Number 7, and it contains a
24 contract between the Postal Service and Cordant, Inc.

25 Are you familiar with that contract?

1 A No, I'm not.

2 Q Do you know whether the costs of that contract are
3 included in any of the costs that you've presented in your
4 testimony?

5 A I have no reference to the reference you have made
6 currently, so --

7 COMMISSIONER LeBLANC: Mr. Lim, I do apologize.
8 We are having a tough time hearing you up here.

9 THE WITNESS: I'm sorry about that.

10 COMMISSIONER LeBLANC: And sometimes these don't
11 pick it up all the time. You might have to even bring it on
12 you.

13 THE WITNESS: Okay.

14 COMMISSIONER LeBLANC: Thank you very much. Sorry
15 to bother you.

16 Sorry, Ms. Dreifuss.

17 BY MS. DREIFUSS:

18 Q So you've never seen a contract between the Postal
19 Service and Cordant, Inc. Is that right?

20 A That's correct.

21 Q And you've never even heard of it before, have
22 you?

23 A No, I have not.

24 Q It is a contract for \$760,000 and it appears to me
25 from reviewing it that Cordant was supposed to design

1 software to operate Netpost, just as an example. They were
2 supposed to, I guess, design network control and access
3 services. I'm reading directly from the contract at page 4.
4 Are you familiar with those -- that project that they
5 undertook?

6 A No.

7 Q So it's possible that those costs are not included
8 in the costs that you present.

9 A I cannot comment --

10 Q In your testimony.

11 A On that. I do not know the reference that you're
12 mentioning at this time.

13 Q But those costs may not be presented in your
14 testimony; is that true?

15 MR. HOLLIES: Objection; asked and answered.

16 MS. DREIFUSS: I don't think I heard him answer
17 that particular question.

18 COMMISSIONER LeBLANC: Ms. Dreifuss, I believe I
19 did hear the answer. Maybe if you want to try to rephrase
20 the question, it may be better. My understanding is that he
21 did not have any knowledge about that. So if you want to
22 try to rephrase it.

23 BY MS. DREIFUSS:

24 Q Your answer is that you don't know whether those
25 costs are included in your testimony; is that correct?

1 A My phrase was that I do not know of that reference
2 that you are quoting at this time, and so I cannot comment
3 on them, provide an opinion on them.

4 Q So if the reference isn't familiar, it is possible
5 that you've not included these costs in your testimony; is
6 that correct?

7 A I think that could be extrapolated for everything.
8 If I'm not aware of it, you could say about -- if I'm not
9 aware of anything else, that they're not included in the
10 costs of my testimony. I would have to know what that
11 material is in order to provide an opinion on them.

12 Q Would it be helpful to you to look this over very
13 quickly and see the kinds of activities that were involved
14 on Cordant's part?

15 A If you feel that's necessary, I will --

16 Q Well, why don't you take a quick look at it. I'll
17 just -- I'll just have you look over the schedule of work at
18 pages 4 and 5 and see if you think that these costs are
19 included in the costs that you present in your testimony.

20 MR. HOLLIES: Mr. Presiding Officer, I would like
21 to object to the way this is being conducted. The witness
22 has stated that he does not have any familiarity with the
23 document, and accordingly cannot have an opinion as to
24 whether it is included in his testimony or not. I object to
25 his being asked to look at a subsection of it and

1 immediately conclude. This man is an expert, and should be
2 afforded an opportunity to study the thing in great detail
3 to the extent that he feels is appropriate, and only then
4 should he be asked to provide any opinion.

5 COMMISSIONER LeBLANC: Ms. Dreifuss, do you care
6 to comment before I rule?

7 MS. DREIFUSS: I think it's clear that he doesn't
8 know, and it looks like we're not going to get an answer
9 today on whether those costs are included. I guess I'll
10 just have to let it go at this point. If I want to pursue
11 it further, I'll do it in writing.

12 COMMISSIONER LeBLANC: Ms. Dreifuss, let me
13 suggest -- I can't make your case for you, but if that means
14 that much to you, you could put it in writing. I would try
15 my very best to look at it in a timely manner for you. If
16 there is something that you feel is that relevant about that
17 particular document, if you want to specifically try to make
18 a motion of your own, that's fine. But I believe the
19 witness has answered the question he is not familiar with
20 it, and for him to pick out a couple pages I think at this
21 particular point would be unfair under the circumstances.
22 So if you can, please move on.

23 MS. DREIFUSS: I agree. I don't think we can
24 pursue it any further today. And if I decide to do
25 something about it, I'll put it in writing.

1 BY MS. DREIFUSS:

2 Q The Office of the Consumer Advocate filed a motion
3 to ask that you be prepared to discuss the allocation of
4 Postoffice Online costs -- well, we asked that you be
5 prepared to discuss the allocation of Postoffice Online
6 costs to MOL and to other services. Are you familiar with
7 that motion that the --

8 A I'm familiar with the motion.

9 Q Yes. And do you know that the Presiding Officer
10 ruled on that motion and asked you to be prepared -- I'll
11 use the exact language -- prepared to distinguish between
12 those functional components that are affected by the
13 existence of MOL and those that are not. ^{Are} ~~We~~ you familiar
14 with that ruling?

15 A Yes, I received that last night.

16 Q Let me start by asking you about some costs that
17 may be common to Postoffice Online and Mailing Online that
18 are mentioned in the Commission's recommended decision on
19 the market test. Have you had occasion to read that? It's
20 the Commission's opinion and recommended decision on the
21 market test.

22 A No, I have not.

23 Q At page 48 of that opinion, the Commission said
24 that the joint costs that benefit Mailing Online should be
25 considered as potentially relevant to either the

1 attributable costs or the appropriate markup for Mailing
2 Online. They should be collected and reported to the
3 Commission on an accounting-period basis.

4 Have you presented the joint costs that benefit
5 Mailing Online in your testimony?

6 A I'm afraid I would have to either get a copy of
7 that quote that you just mentioned in order to comment on
8 the question that you have --

9 Q I think I may have an extra copy, so let me get
10 that for you.

11 MR. HOLLIES: Mr. Lim, if you could please stay
12 near the microphone.

13 COMMISSIONER LeBLANC: Ms. Dreifuss, so the record
14 is clear, this is referring back to the ruling that was
15 issued yesterday; is that correct? Specifically on the
16 market test.

17 MS. DREIFUSS: It covers the market test and the
18 experimental --

19 COMMISSIONER LeBLANC: Right.

20 MS. DREIFUSS: Phase of the proceeding.

21 COMMISSIONER LeBLANC: Just want to make sure the
22 record's clear. Thank you.

23 MS. DREIFUSS: Yes, sir.

24 BY MS. DREIFUSS:

25 Q I'm afraid I don't have an extra copy of this

1 particular page. Let me just point out the language that I
2 read to you a moment ago and let you look it over.

3 In fact, take as much time as you'd like to look
4 over that entire page. And there are two other pages I'm
5 going to ask you about from that opinion, and I do have
6 extra copies of those, and I'll give them to you now.

7 COMMISSIONER LeBLANC: Mr. Hollies, would you care
8 to approach the table and take a look at it with your
9 witness?

10 MS. DREIFUSS: Actually I realize I have the
11 entire market test decision with me. I'd forgotten. So
12 I'll just give you the whole decision and show you the pages
13 I was referring to.

14 For the record, I am telling the witness, I am
15 pointing out to him the sentence that I just read to him,
16 and I am also going to direct him to certain other pages
17 that I will be asking him about.

18 COMMISSIONER LeBLANC: Now to make sure that
19 everybody is on the same sheet of music here, do you have a
20 copy of that that you will be attesting to -- I mean asking
21 him to attest to or asking him questions from that?

22 MS. DREIFUSS: I will just be asking him questions
23 from the opinion.

24 COMMISSIONER LeBLANC: All right, thank you.

25 MS. DREIFUSS: And I do have extra copies for

1 myself.

2 BY MS. DREIFUSS:

3 Q I will be asking you about pages 48, 49, and 51.
4 It looks like 51 is missing from here. I'll get you that in
5 just a moment.

6 COMMISSIONER LeBLANC: I'm sorry to keep bothering
7 you, Ms. Dreifuss, but this is the actual test itself, the
8 market test?

9 MS. DREIFUSS: Right. This is the Commission's --

10 COMMISSIONER LeBLANC: Thank you --

11 MS. DREIFUSS: -- Commission's recommended opinion
12 on the market test.

13 COMMISSIONER LeBLANC: Good. Thank you.

14 MS. DREIFUSS: It was issued October 7th, I
15 believe. It would be on the cover of the ^{opinion}~~UPN~~ I just gave
16 Mr. Lim.

17 COMMISSIONER LeBLANC: Thank you.

18 BY MS. DREIFUSS:

19 Q I will ask you my question again, since there's
20 been some time since I asked it a couple^{of} minutes ago.

21 On page 48 of the Commission's opinion the Postal
22 Service was directed to collect and report to the Commission
23 on an accounting period basis joint costs that benefit
24 Mailing Online.

25 I am asking if that is what you have presented in

1 your testimony.

2 MR. HOLLIES: Objection. Calls for a legal
3 conclusion. The section of that decision is essentially
4 legal language from the Commission directing the Postal
5 Service in connection with the data collection and reporting
6 for market test information and that is not the subject of
7 this witness's testimony so it is also technically beyond
8 the scope of his testimony, so there are two bases for that
9 objection.

10 COMMISSIONER LeBLANC: Ms. Dreifuss, do you care
11 to comment?

12 MS. DREIFUSS: Yes. I am going to have to come
13 back with a question. You told me what his testimony is not
14 but could you tell me what his testimony is?

15 COMMISSIONER LeBLANC: Are you talking to me or
16 are you talking to Mr. Hollies?

17 MS. DREIFUSS: Mr. Hollies -- I'm sorry,
18 Commissioner LeBlanc. He just told me what⁷ he gave me his
19 legal -- presented a legal argument on what it is not, and I
20 would like to hear his legal argument on what it is.

21 MR. HOLLIES: I would submit, Mr. Presiding
22 Officer, that that is a fine question for the witness.

23 COMMISSIONER LeBLANC: Please -- Ms. Dreifuss?

24 MS. DREIFUSS: In that case, if it is up to the
25 witness to characterize his testimony, I would like him to

1 answer my question on whether he has presented the joint
2 costs that benefit Mailing Online.

3 COMMISSIONER LeBLANC: Mr. Hollies, that to me is
4 not a legal comment -- excuse me. That is not in my opinion
5 out of the scope of an answer coming from the witness. He
6 is an expert witness at this point.

7 MR. HOLLIES: Certainly he is an expert witness
8 and he is prepared to talk about the scope of his testimony.
9 If he is being asked to interpret the Commission's language
10 I would object to that. If she is asking the question
11 without quote marks and asking if that is what he did,
12 that's fine.

13 COMMISSIONER LeBLANC: That is my understanding of
14 the question, so at this point objection overruled. Move
15 on, Mr. Lim. Please answer the question.

16 Ms. Dreifuss, would you please repeat the
17 question.

18 BY MS. DREIFUSS:

19 Q Does your testimony present the joint costs that
20 benefit Mailing Online?

21 A I am not familiar with the terms joint cost and I
22 am not able to comment on that.

23 Q When you were -- when were you hired by the Postal
24 Service to present the testimony that you are presenting
25 today?

1 A I don't have the exact date but it was I believe
2 early in November.

3 Q Is there a written statement of work for you?

4 A As far as I know, nothing is written.

5 Q How did you receive instructions on what you were
6 supposed to be studying and presenting in the form of
7 testimony?

8 A Through oral communication with the people at the
9 Postal Service.

10 Q Could you tell me, and be specific and give me
11 details, what were you told to do?

12 A I was told to present the cost relating to the
13 Mailing Online program for the experimental phase, which is
14 the first two years of the program.

15 Q Were you given access to Post Office Online costs
16 in general?

17 A No, I was not.

18 Q What kinds of documentary material did you receive
19 when you got started on your effort to identify the costs of
20 Mailing Online?

21 A What I would like to actually do is, if you don't
22 mind, is to just go over the methodology that I went through
23 in order to gather the costs for my testimony.

24 I think that would present a clearer picture in
25 terms of -- and may resolve any other questions that you

1 have. I believe that was also posed in the motion that you
2 had filed.

3 MS. DREIFUSS: I don't have a problem with him
4 presenting a narrative.

5 THE WITNESS: I think what clearly defines what I
6 have done is the diagram presented in my testimony, Diagram
7 1 on page 3 of my testimony, and I do explain that further
8 on page 4, what I have done is to say that there is a
9 universe that includes all the POL system so this universe
10 that includes the POL system includes both MOL and SOL
11 programs.

12 In looking at the universe of components, of
13 areas, I asked a question which of these areas are affected
14 by the existence of the MOL program. In doing so, I
15 analyzed the areas that I would need to look at in order to
16 provide the costs that would be required for my testimony.

17 I do not break down those areas further down in
18 costs. I look at those areas which are affected by the
19 existence of the MOL program and result in two different
20 areas, which is one which is the area that is MOL-specific,
21 that is identified in the left side, my diagram, and those
22 areas which I considered shared, and in analyzing those two
23 areas I go then to analyze the costs that are associated
24 with a specific, MOL-specific, areas that I looked at and
25 then assign what I use as cost drivers to determine which

1 costs are caused by the MOL program and for those areas
2 which are shared.

3 In doing so I come up with a total cost for the
4 MOL Program which is shown in Step 5.

5 BY MS. DREIFUSS:

6 Q Did you want to add to that or are you finished
7 with your description?

8 A I am finished with my description.

9 Q What documentary materials did you refer to in
10 assessing the complete POL system, which is Step 1 on your
11 diagram?

12 A There were no documentary materials. What I did
13 was work closely with the system designers, specifically the
14 system designers for the MOL Program to determine with them
15 what areas would be affected by the existence of ~~the~~ or
16 caused by the existence of the MOL Program.

17 In doing so I identified those areas which were
18 specific to MOL, those which were basically solely for the
19 purpose of the MOL Program and those areas which were part
20 of the POL Program but were considered shared with MOL and
21 which some of those components and cost of those components
22 would have to be shared with MOL.

23 Q Did you consult with the POL designers?

24 A I have had, yes, interactions with the POL
25 designers also.

1 Q The POL designers then are different from the MOL
2 designers?

3 A That is correct. There are different systems
4 designers for POL as well as SOL as well as MOL.

5 Q Who are the designers for POL?

6 A Do you wish to get specific names?

7 Q Well, let me ask you first, are there some Postal
8 Service employees that you are categorizing or you would
9 characterize as POL designers or are they all outside
10 consultants?

11 A I would characterize them as outside consultants.

12 Q I don't need specific names. What is the
13 consulting firm. I won't ask the names of individuals.
14 Just give me the name of the consulting firm that did the
15 POL design.

16 A It would be Compaq.

17 Q How do you spell that, please.

18 A C-o-m-p-a-q.

19 Q Who are the MOL system designers?

20 Well, let me ask you the way I did before. Are
21 there any Postal Service employees that you are
22 characterizing as MOL system designers or are they all
23 outside consultants?

24 A In my characterization, I would say they are all
25 outside consultants.

1 Q What consulting firm designed MOL?

2 A It is the same company as I mentioned before,
3 Compaq. However, the group that does the development for
4 them are of a different group.

5 Q What is the Compaq group that designed the POL
6 system?

7 A Could you clarify that question?

8 Q Well, you said you worked with different groups
9 within Compaq. One group designed the POL system, a
10 different group designed the MOL system. Does that group
11 have a special department name or section name, or did it
12 just happen to be a different group of individuals that you
13 had in mind?

14 A I have no idea as to the department name or
15 section name. They were different individuals. I would
16 like to emphasize, too, that I worked closely with the MOL
17 designers and had less of interaction with the POL
18 designers.

19 Q And these different groups are mutually exclusive,
20 is that right? Different individuals in the POL design
21 group than were in the MOL design group, is that right?

22 A I really don't have the specifics as to what you
23 are asking for. My goal was to obtain the information that
24 I needed in order to cost-out the costs required for my
25 testimony. In terms of how the structure of those

1 contractors are structured and how they interact, I could
2 not comment on that.

3 Q Did you ever ask the POL designers whether the POL
4 system that they had designed had costs that were connected
5 to MOL?

6 A Could you rephrase that question again, or repeat
7 that question?

8 Q Did you ever ask the POL designers whether the POL
9 system had cost elements that were the result of providing
10 MOL service?

11 A I did ask the POL designers the same question I
12 asked myself in my methodology, which is -- Which areas are
13 caused by the existence of MOL? -- and reaffirmed the areas
14 that I identified.

15 Q And did the POL designers assure you that there
16 were no elements in the POL system that they had designed
17 that were not for the benefit of MOL?

18 A Yes.

19 MR. HOLLIES: Excuse me, Mr. Presiding Officer,
20 there were several negatives in that last question. I
21 wonder if we couldn't clarify that aspect of it.

22 COMMISSIONER LeBLANC: Ms. Dreifuss, you might
23 want to -- Mr. Hollies brings out a good point. You may
24 want to try to rephrase the question and let's see if we can
25 get a clearer answer with not as many negatives anyway.

1 MS. DREIFUSS: I apologize for too many negatives.

2 BY MS. DREIFUSS:

3 Q Did you ask the POL designers whether there were
4 any elements of MOL in their design of POL, and any elements
5 of MOL that -- I'm sorry, I am going to start again. Did
6 you ask the POL designers whether the POL system they
7 designed included elements that were for the benefit of MOL?

8 A I believe that, in essence, that is the same
9 question that I had asked them, which is, which areas are
10 caused by the existence of MOL? If I am -- if that is
11 correct, then, yes, I did ask them that question.

12 Q And if there was an area that didn't appear on
13 that list of things that involve MOL, then they said to you
14 these don't involve MOL, is that right?

15 A I think that is --

16 Q Or you just assumed that they didn't involve MOL
17 because they didn't appear on the list of things that
18 involve MOL?

19 A The areas that were -- the areas were identified
20 to me as areas which would be affected by the existence of
21 MOL.

22 Q Did you question them further, did you have doubts
23 about what they were telling you and you needed to question
24 them further about the information they gave you?

25 A I felt no reason to question them further. These

1 were the designers of -- the system designers of the MOL
2 program and in order for them to design out the necessary
3 requirements for that program, they would have to be aware
4 of all the areas that were affected by the existence of the
5 MOL program.

6 Q So you basically relied on their opinions, on what
7 -- on their opinions that the POL system they designed
8 really didn't have a direct connection to MOL, is that
9 correct, you relied on their opinions?

10 A Could you repeat that question again, one more
11 time, please?

12 Q Did you rely on their opinions that the POL system
13 that they designed didn't have any direct connection to MOL?

14 MR. HOLLIES: Objection as to the form of the
15 question. He has not testified that there was no
16 connection, and that is what this question assumes.

17 COMMISSIONER LeBLANC: Ms. Dreifuss, do you care
18 to comment?

19 MS. DREIFUSS: Did --

20 COMMISSIONER LeBLANC: Otherwise, I will have to
21 ask you to rephrase that question. Mr. Hollies is correct.

22 MS. DREIFUSS: All right.

23 BY MS. DREIFUSS:

24 Q Did the POL designers say that elements of the POL
25 system they designed did have a direct connection to MOL?

1 A The POL systems designers were there to design the
2 systems for the POL. Your question refers to the POL
3 designers designing components of the MOL system, which I
4 believe is incorrect.

5 Q Did the POL system they designed have to take into
6 account that MOL would be one of the services that would be
7 provided at the POL web site?

8 A Yes, that is correct.

9 Q I want to give you some background for a statement
10 that I am going to make next. I don't think you will have
11 this in front of you, but maybe you could just accept,
12 subject to checking, on what I am telling you, that this is
13 so. At one of the earlier hearings, on Wednesday, November
14 18th, and this is reflected in Transcript Volume 5, Chairman
15 Gleiman characterized the relationship of Post Office Online
16 and Mailing Online, and let me just read you two statements
17 that he made.

18 MR. HOLLIES: Excuse me, Mr. Presiding Officer, if
19 we could get a page cite, perhaps we could join counsel.

20 MS. DREIFUSS: Oh, I apologize. I am going to
21 read from page 1072 and 1073.

22 COMMISSIONER LeBLANC: Line number.

23 MS. DREIFUSS: Specifically, line numbers 4 and 5
24 of page 1072 and line numbers 24 and 25 of page 1073.

25 BY MS. DREIFUSS:

1 Q He stated, this is the end of a sentence, he
2 stated that "Post Office Online, which is the gateway to
3 getting to Mailing Online." Now, of course, that is not
4 grammatical because I read you only part of the sentence.
5 But, in essence, he seems to be saying Post Office Online is
6 the gateway to getting to Mailing Online. Do you believe
7 that is true?

8 A Well, the terminology "gateway" has a lot of
9 different meanings, even within technical terms, so, in
10 essence, I think what it is trying to say is that POL is --
11 if I could infer that POL is the -- sort of the first step
12 towards entering the MOL area, which is, I guess, in web
13 terms, you would go to the POL web page first, which would
14 then have a link to subparts which are specific to MOL, or
15 have specific information about MOL, or related to the MOL
16 program. So, in that sense, I would say I would agree with
17 that statement.

18 Q And at page 1073, lines 24 and 25, he said if you
19 don't have Postoffice Online, you can't have Mailing Online.
20 Do you agree with that?

21 A I'm not sure. I'm not sure which angle that
22 comment is made on. If it's on a functional basis, you
23 could have a standalone Mailing Online program without the
24 use of a POL program. So I'm not quite sure what aspects
25 that comment was made.

1 Q The way the website is currently configured, the
2 Postoffice Online website, is it possible to use any Mailing
3 Online services without entering by means of Postoffice
4 Online?

5 A I would say that's a difficult question in a way
6 to state, to ask. When you go to a website initially, you
7 are presented with the initial home page. And at the home
8 page, I assume there would be information about Postoffice
9 Online. There may be information about Mailing Online, and
10 there may be information about other things. But does that
11 constitute as being completely in the POL arena or
12 completely in the MOL arena? That is difficult to say. So
13 I'm not sure I can agree or disagree with that statement.

14 Q Can a customer obtain Mailing Online by calling up
15 the Postal Service and saying I'd like to order Mailing
16 Online?

17 A As far as I understand, it's a service being
18 offered over the Internet.

19 Q All right, can a customer write to the Postal
20 Service and say here's a diskette, I'd like to use Mailing
21 Online, please proceed with my order? Is that possible, do
22 you know?

23 A My understanding is that it's a service offered
24 only on the Internet.

25 Q What is the Internet web address for Postoffice

1 Online? Do you remember roughly what it is?

2 A My understanding if I recall it's
3 www.postofficeonline.com.

4 Q So a prospective user has to go to the Postoffice
5 Online web address in order to purchase Mailing Online; is
6 that correct?

7 A The fact that that domain name points to the main
8 home page which has the home pages for Postoffice Online and
9 Mailing Online, yes, that domain name would have to be used
10 in order to at least get to the main page, the main home
11 page.

12 Q Could you tell me what components of Postoffice
13 Online you decided not to include as Mailing Online
14 specifically or MOL/POL components?

15 A I tried to explain that. Maybe I wasn't very
16 clear. But in the methodology that I used, what I looked at
17 was the complete universe of the -- given the complete
18 universe of the POL/MOL/SOL program, what areas would be
19 affected, and then looked at the areas that were affected by
20 the -- or caused by the assistance of MOL and studied those
21 areas specifically. I did not look at the other areas which
22 I considered not relevant to the purpose of my testimony.

23 Q So you don't really know much about those elements
24 of POL that someone informed you were strictly POL; is that
25 correct?

1 A I had no reason to study those areas.

2 Q By the way, I asked you, or OCA asked you in
3 interrogatories, about Shipping Online, and you weren't able
4 to be specific. Let me ask you now.

5 MR. HOLLIES: Excuse me, Mr. Presiding Officer, if
6 counsel could be asked to identify that interrogatory again,
7 we could join her.

8 COMMISSIONER LeBLANC: Thank you, Mr. Hollies.

9 MS. DREIFUSS: Let me just go ahead with the
10 question. If it requires a cite, I'll be happy to give it
11 to you. It's a general enough question that I don't think
12 it's going to be necessary.

13 BY MS. DREIFUSS:

14 Q We had asked you a number of questions about
15 Priority Mail, delivery confirmation, and Express Mail
16 tracking, and we also asked you about Shipping Online. Do
17 you recall being asked questions about those elements?

18 A I do recall some interrogatories referring to
19 those.

20 Q In your diagram, Diagram 1, you separate POL costs
21 after the first step, or is -- the arrow just below the box
22 that's labeled "Step 1." Is Step 1 examining the complete
23 POL system? And then following Step 1, you divide
24 components into POL/MOL on the one hand and SOL on the
25 other?

1 A It's more of a representation of what was the
2 input to Step 2. I would view it more in that way. So as
3 a --

4 Q What we had asked you in interrogatories -- and
5 again if it's necessary to get a specific cite I will, but I
6 don't think it will be necessary -- you -- there's some
7 portion of POL costs that you view as SOL costs; is that
8 correct?

9 A Could you repeat that question again, please?

10 Q At Step 1 and just -- and the arrow that flows
11 down from Step 1 --

12 A Yes.

13 Q You seem to indicate that there's some portion of
14 complete POL systems costs that would be related solely to
15 SOL; is that correct?

16 A It seemed they would be things that are solely to
17 SOL that would be part of that complete universe of areas
18 which I would have to look at.

19 I'm sorry, let me rephrase it: the complete
20 universe of items in which I would ask that question of
21 which were affected by MOL.

22 Q Do you know whether SOL -- which stands for
23 Shipping Online, I believe -- do you whether that includes
24 Express Mail tracking and Priority Mail delivery
25 confirmation?

1 A I did not look into that specifically, because
2 that was again beyond the scope of what I needed to do for
3 my testimony.

4 Q So you're not really sure exactly what SOL is. Or
5 at least you're not so sure what everything^{is} that's included
6 under the rubric of SOL. Is that correct?

7 A That is correct.

8 Q If this Commission were to decide that some
9 portion of what you or system designers have determined are
10 strictly POL costs, if the Commission wanted to allocate
11 some portion of them to MOL, have you given the Commission
12 the means to do that in your testimony?

13 A I believe I've gone through that exercise, and
14 that was the purpose of my methodology, to identify those
15 areas that are again caused by MOL. In doing so there are
16 areas which are part of POL but are shared with MOL, and
17 I've identified those areas in my testimony and allocated a
18 proportion of those costs based on ratios that I felt were
19 the best estimates to define what costs were related to the
20 MOL program.

21 Q In response to OCA Interrogatory 3 to you, your
22 answer to Part F, if you could turn to that for a moment,
23 please --

24 A Yes.

25 Q Have you had a moment to look that over?

1 A Yes.

2 Q You state there that conceptually there would be
3 costs that are specific to POL that are not allocated to
4 either MOL or SOL, is that correct?

5 A That is correct.

6 Q And I want to talk about those costs right now
7 that are specific to POL. If the Commission decided that it
8 would be appropriate -- they didn't agree with you, in other
9 words or they did agree with you but they said we need to do
10 a little bit more -- we want to allocate the costs -- I'm
11 sorry -- we want to recover the MOL costs that you have
12 identified through MOL rates and in addition to that we
13 think that some portion of POL costs should also be
14 recovered in MOL rates.

15 Have you given the Commission the means to do
16 that?

17 A There are different terms that you have asked in
18 that question in terms of rates. I have not mentioned rates
19 at any point in my testimony. I don't believe that is
20 something I should provide an opinion on.

21 Furthermore, I just want to re-emphasize my answer
22 before that I believe I went through that exercise in terms
23 of looking at areas that are POL, however that some
24 proportion of those and those costs are part of MOL and I
25 have done that in my testimony.

1 Q Getting back to your answer to Part (f) of
2 Interrogatory 3, there are POL costs that are strictly POL
3 and they are not allocated to either MOL or SOL. Is that
4 correct?

5 A Conceptually, yes.

6 Q Well, let's talk about it conceptually. If the
7 Commission conceptually thought it was appropriate to
8 allocate some portion of these specific POL costs that have
9 not been otherwise allocated to MOL or SOL, have you given
10 the Commission the means to do so?

11 A I believe your question requires the Commission to
12 go through the process that I have done in my testimony and
13 undertake the study again. Is that your question?

14 Q You know, we are in agreement on that, because I
15 think either you or the Postal Service, I guess this isn't
16 going to be a question -- it's going to be a little speech.
17 I think either you or the Postal Service needs to give the
18 Commission access to the same information that you had in
19 concluding that these were the costs that ought to be
20 allocated to MOL so I do agree with you that that would be
21 appropriate, to give the Commission access to the same
22 information that you had access to.

23 A Not really the information but going through the
24 exercise again, it seems that that -- and your question
25 there is asking the Commission to go through the exercise

1 again of what I have conducted in my testimony to look at
2 the costs caused by MOL. Is that correct?

3 Q Yes. I agree with your statement. Yes.

4 COMMISSIONER LeBLANC: Ms. Dreifuss, to make sure
5 I am understanding your thought process, are you asking for
6 a separation from POL of what is only MOL cost-specific?

7 MS. DREIFUSS: Is that -- Commissioner LeBlanc,
8 what I would like to do and I think the Commission may want
9 to do this, would be to start at the same point that Witness
10 Lim started at, which is to have access to -- it may be the
11 system designers, maybe bring one of them in as a witness,
12 maybe bring in one of the POL system designers, perhaps
13 bring in one of the MOL system designers, maybe both, and
14 give us an opportunity to ask the kinds of questions that
15 Mr. Lim had the opportunity to ask so we can see whether we
16 agree with them.

17 We are being deprived of that opportunity today
18 because we only get to ask Mr. Lim about the products of
19 these conversations long after they have taken place.

20 COMMISSIONER LeBLANC: Well, let me ask if you
21 choose to do that you obviously have -- you can put that in
22 writing and I will rule on it as soon as possible, and so at
23 the risk of moving on, let's go ahead and you can either put
24 that in writing if you choose to. I will rule on it as soon
25 as I can but unless there is something specific that you

1 want outside of that, if we can let's move on with it.

2 MS. DREIFUSS: Yes, sir. When Witness Lim took
3 the stand today, I didn't know at what point he was involved
4 in the process. I didn't know whether he was the one, for
5 example, who may have started out with the POL system design
6 and then made the separation -- this is MOL, this is not
7 MOL.

8 I wasn't sure about that, but I think following
9 this discussion I can see that he got in at a fairly late
10 stage in the process, or at the very least, even if he
11 didn't, we have been, because all we see are the fruits of
12 his conversations in the form of his testimony.

13 COMMISSIONER LeBLANC: And the fruits of his
14 conversations in the form of this testimony -- you are
15 talking about, to make sure I am with you here --

16 MS. DREIFUSS: Yes.

17 COMMISSIONER LeBLANC: -- referring back to 22,
18 the POL breakout, if you will, of the MOL?

19 MS. DREIFUSS: Yes. I guess I haven't asked him
20 yet details about --

21 COMMISSIONER LeBLANC: I just want to make sure
22 that we stay within the bounds here of my ruling on Number
23 22, which comprehensively described the functional
24 components of POL that were determined not to relate to MOL
25 and why they were determined not to relate to MOL, so I want

1 to stay within that framework if we can.

2 Outside of that, if you choose to, obviously, put
3 it in writing and I will be more than happy to respond to it
4 as soon as we can, but let's stick to 22 where possible
5 here.

6 MS. DREIFUSS: Yes, sir.

7 COMMISSIONER LeBLANC: Thank you.

8 COMMISSIONER GOLDWAY: Could I interject
9 something --

10 MS. DREIFUSS: Of course.

11 COMMISSIONER GOLDWAY: -- that might help, I don't
12 know, since I am not a technical person, but our witness
13 seems to be rather familiar with computer programming and
14 processes.

15 Could you ask him whether he could describe the
16 technical basis on which he made the judgment that the
17 information he was given about the MOL costs were adequate,
18 and he said he had no reason to question it, so perhaps if
19 he could explain that to us, then you might feel -- I don't
20 know if I could understand it but it seems to me -- or if he
21 is able to. Maybe he is not able to and then we will need
22 other people to explain it to us.

23 MS. DREIFUSS: That does sound like an excellent
24 starting point. Unfortunately, I am no more expert at
25 technical elements of putting together a computer network

1 than you are, but I will certainly do my best.

2 BY MS. DREIFUSS:

3 Q Can you explain in technical terms what the POL
4 system is comprised of and where you get to the point that
5 the MOL system is separate from it, and POL really doesn't
6 have a direct link any longer to MOL?

7 A Yes, I would like to do that.

8 My understanding is that a POL is an umbrella
9 program and that it provides services for registration for
10 the user and provides services for payment for the user --

11 Q May I stop you right there, just for a moment?

12 What you have described up to this point, has any
13 of that been allocated to MOL?

14 In other words, have any of the costs of what you
15 have just described been allocated to MOL?

16 A Well, functionally there are different,
17 functionally there are different components that tie into
18 what I have just described, which are more big, large more
19 conceptual areas that I have outlined.

20 I look at components like the database and have
21 allocated a portion of the hard drive space for the use of
22 MOL and the remaining portion, which is not used in my costs
23 for MOL, relate to those which are POL and SOL, and so --

24 Q Let me stop you right there --

25 A -- in the term I would say -- yes?

1 Q Conceptually what portion of the hard drive is
2 strictly POL and has nothing to do with SOL or MOL?

3 A The purpose of my exercise was not to look at
4 anything specific for POL and so I looked at the costs which
5 are specific to MOL and I have outlined the ratio that I
6 have used in allocating those hard drive space in my
7 testimony.

8 Q That was the 38 percent that you allocated to MOL,
9 is that correct?

10 A Yes.

11 Q And the remaining 68 percent -- that is shared
12 between --

13 A 62.

14 Q I am sorry, ⁶²66.

15 COMMISSIONER LeBLANC: 62 percent, to clarify the
16 record.

17 MS. DREIFUSS: 38-62 -- I apologize. I was
18 thinking 32.

19 BY MS. DREIFUSS:

20 Q Sixty-two percent -- that is shared between POL
21 and SOL?

22 A Yes, they were sort of the other, the other
23 bucket, you would say, of things which would include the
24 ^{POL and SOL}~~POL, SOL and OSO~~.

25 Q Do you know if any portion of that would be

1 considered strictly POL?

2 A That seems to be the same question you asked
3 before, and I stated that I did not look at -- I did not
4 look at anything specific to POL or specific to SOL. I just
5 looked at those pertaining to MOL and caused by the
6 existence of MOL.

7 Q So of the remaining 62 percent of hard drive
8 costs, and there are costs associated with this hard drive,
9 aren't there?

10 A There are costs associated with the hard drive,
11 yes.

12 Q If the Commission decided that some portion of it
13 that is strictly POL should be allocated to MOL in this
14 case, does the Commission have the means to make that
15 allocation?

16 A I think that is a hard question to answer. It is
17 asking the question of in essence redoing the exercise that
18 or going through an exercise of looking at specific costs to
19 POL which would require an analysis similar to what I have
20 done in order to look at costs related to MOL, so I think it
21 is a difficult question that you are asking there in terms
22 of what needs to be done and it would require extensive
23 analysis, I believe, to come up with I think the answer that
24 you are asking for.

25 Q Have you conducted that analysis at this point in

1 time?

2 A My analysis was strictly on the costs related to
3 MOL.

4 Q Have you conducted any analysis which would permit
5 you to separate strictly POL costs from SOL costs?

6 A I've not done any full analysis of that.

7 Q And since you haven't done it, you haven't
8 presented any analysis --

9 A That's correct.

10 Q Which gives the results of that separation; is
11 that correct?

12 A That is correct.

13 Q And if you haven't given the Commission the
14 information it would need to do so, do you know of any other
15 place the Commission could get the information to allocate
16 some portion of strictly POL costs to MOL?

17 A More research would have to be done in terms of
18 finding out where that information would lie.

19 Q I interrupted you. You were starting to talk
20 about the technical details of offering POL and then giving
21 users access to MOL. I don't know if you remember where you
22 left off, but if you do, could you continue, please?

23 A Sure. I described the two sort of big conceptual
24 functional areas that POL provides, which is the
25 registration of the users and the -- basically the handling

1 of the payment for those user accounts. The MOL components
2 I think we're all familiar is to provide the components and
3 functions to allow a user to upload a document and
4 eventually have that passed on to the print sites to be
5 printed.

6 Looking at that -- looking at those areas, I
7 think -- and looking at what areas, what components would be
8 required to perform those functions, it is easily identified
9 which are components specific to MOL. For example, the
10 connection to the print site, which are all required because
11 of the MOL program, would be all specific to the MOL
12 program. The router and the firewall that connects to the
13 print site would be specific to MOL. The various ^{Cubix}~~cubic~~
14 boxes which I've outlined in my testimony that does the
15 processing of each job that's submitted would be specific to
16 MOL.

17 Q Excuse me just for a moment. Are there ^{Cubix}~~cubic~~
18 boxes involved in providing POL generally or SOL
19 specifically, or do you not know?

20 A These ^{Cubix}~~cubic~~ boxes are used specifically for MOL,
21 and what they will do is have all the applications such as
22 Word and Quark Express loaded on each of these cards or
23 service and the MOL controller, which is a component listed
24 as one of the MOL components, would then pass on the job to
25 these processors that would then convert or process these

1 Word documents and so forth into a form that would be then
2 passed on to the print sites.

3 So if we look at those, I guess looking at that
4 large conceptual functional area I think it's easy to
5 determine that those MOL components, those components I just
6 mentioned, are specific to MOL. And looking at what areas
7 are affected by POL, affected by -- excuse me -- what areas
8 are affected by MOL, that are actually POL components, it
9 is -- I think you can say that the registration process will
10 still be there, and hence when I do look at the costs of the
11 data base server --

12 Q Let me interrupt you for a second. You said the
13 registration process would still be there.

14 A Yes.

15 Q If a customer went to the Postoffice Online
16 website and didn't find anything there, any services there
17 of interest, didn't find MOL, didn't find Shipping Online,
18 didn't find Priority Mail delivery confirmation, and didn't
19 find Express Mail tracking, do you think any customers would
20 want to register for anything at that point without some
21 service to be obtained as a result?

22 A That's a hypothetical question, and I'm answering
23 hypothetically. I would assume that a user that logs onto a
24 system that goes through a process of registration would
25 want some sort of benefit from it. The fact that what

1 you're saying is that no services would be offered or no
2 benefits would be offered I would understand that the
3 incentive would be very low, but my experience from the
4 Internet is that if you have something there, someone will
5 definitely use it. So I can only suspect there will be some
6 registrations also. But this is all hypothetical.

7 Q Right. But generally you would agree that most
8 people wouldn't care to fill out a registration form at
9 Postoffice Online unless there were some service or benefit
10 to be obtained at that site. Isn't that correct?

11 A Some benefit I assume would be -- would need to be
12 offered. What that is and what sort of benefit is required
13 for someone to register I cannot comment on.

14 Q Have you ever looked at the Postoffice Online
15 website?

16 A I've briefly looked at it; yes.

17 Q If a prospective visitor went to the website and
18 didn't see that they could obtain MOL service, found that
19 they couldn't obtain Shipping Online service, found that
20 they couldn't track any Express Mail packages, found out
21 that they couldn't confirm the delivery of any Priority Mail
22 packages, do you think that they'd be receiving a benefit
23 that they would want to register for at that site?

24 A Again I think this is a hypothetical question, and
25 I'm not sure it's the purpose of my testimony here today,

1 but I really cannot comment on what the benefits would be.
2 They may be benefits that the user finds of registering with
3 someone like the Postal Service, but --

4 Q Can you name some of those benefits?

5 A The fact that they are registered with the Postal
6 Service Postoffice Online may be a benefit. I mean, I
7 cannot comment, but that's a ^{fair} ~~far~~ hypothetical, and I would
8 assume, I mean, there are some benefits that someone would
9 think that that is of benefit just to be registered with a
10 program or Internet site that says Postoffice Online.

11 Q Do you think it's a high proportion of visitors
12 that would want to register without being able to obtain a
13 service or benefit at that site?

14 A I cannot comment on that.

15 Q Would you?

16 A Could you -- would I go if there were no services
17 offered under Postoffice Online?

18 Q Yes, would you register, fill in the form that's
19 involved if there weren't any benefits or services that you
20 could obtain there?

21 A If there were no benefits and no services that I
22 could foresee, being more of a rational person I would not.

23 Q I think you have answered this already, but let me
24 just make sure about that answer. If there^{are} any discrete
25 costs of Post Office Online not directly connected to

1 Mailing Online, or Shipping Online, and I think you do agree
2 that there -- conceptually, there are such discrete costs,
3 that would be in your answer to OCA Interrogatory 3-F.

4 A I don't -- let me just verify. I don't believe I
5 used the word "discrete" in any way in my response. I think
6 my response is, conceptually, there will be costs that are
7 specific to POL.

8 Q Right. You say in this answer that there will be
9 costs that are specific to POL that are not allocated to
10 either MOL or SOL. Do you think discrete would be an apt
11 way to describe such costs, the discrete costs of POL?

12 A I am not familiar with the term "discrete" that
13 you are using.

14 Q That's fine. How about if we just talk about
15 specific POL costs that are not allocated to either MOL or
16 SOL.

17 A Okay.

18 Q You agree that, conceptually, there are such
19 costs?

20 A Yes.

21 Q Now, the Presiding Officer's ruling asked you to
22 come prepared today, to the extent that you are able, of
23 course, to describe the functional components of POL that
24 were determined not to relate to MOL. Do you have any
25 specific details about such functional components today?

1 A No, I do not have specific details.

2 Q There is a list, a short list, at page 48 of the
3 Commission's Opinion and Recommended Decision. I gave you a
4 copy of the Opinion at the beginning of this oral
5 cross-examination, and I believe you still have that, don't
6 you?

7 A Is it in this folder?

8 Q Yes. If you could turn to page 48, please.

9 A Okay.

10 Q The reason I am mentioning this is I want to make
11 sure I don't leave anything out, so I am going to refer back
12 to this short list. I find it in the second paragraph of
13 that page. The phrase, "All set-up costs and ongoing
14 expenses for equipment, software, communications, and
15 processing activities that involve Mailing Online should be
16 collected and reported to the Commission." Now, there may
17 be some disagreement, legal disagreement, about what that
18 means. But, today, did you come with specific details about
19 the set-up costs for Post Office Online that are not
20 allocated to either MOL or SOL? Do you have any details of
21 those set-up costs?

22 A First, I would like to just clarify, this document
23 is regarding a decision on the market test?

24 Q Yes, it is.

25 A And it is pertaining to the market test, is that

1 correct?

2 Q It pertains to the market test and the kind of
3 information that the Postal Service would be collecting and
4 reporting to the Commission over the course of the market
5 test. That is my legal interpretation. If your counsel
6 disagrees, I guess he can speak up.

7 A Okay. I would just like to add that the scope of
8 my testimony was to look at just the phase of the experiment
9 which is the program years, the first two program years, and
10 these questions, or this document seems to pertain to
11 another area, which is the market test, which is before the
12 experiment. So, I don't believe I can provide an opinion
13 based on comments or questions based on what took place on
14 the market test.

15 Q Well, for those MOL costs that you do report, were
16 you looking at expenditures made throughout -- well, let me
17 back up for a minute. Were you aware that the market test
18 is going on right now?

19 A Yes, I am aware of that.

20 Q Did you look at any expenditures for MOL that are
21 taking place at the present time that would be used to
22 prepare the nation for the nationwide offering of the MOL
23 experiment?

24 A You said expenditures?

25 Q Expenditures, costs.

1 A Costs. I did not look at any costs for the market
2 test. The scope of my testimony was strictly for the
3 experiment period.

4 Q So you didn't look at any current expenditures to
5 prepare for the experiment?

6 A I did not look at any costs for the market test.

7 Q You were looking at costs for the experiment?

8 A I was looking at costs, yes, for the experiment.

9 Q Do you know whether any of those costs have been
10 incurred yet?

11 A My testimony was to provide the total cost over
12 the life of the experiment and I cannot comment on what cost
13 has been expended, that was not within the scope of my
14 testimony.

15 Q So you didn't look at expenditures made during the
16 market test. That wasn't the purpose of your testimony, to
17 look at expenditures that are being made now to prepare for
18 the experiment. Is that correct?

19 A Yes, the purpose of my testimony was to look at
20 all costs related to the experiment period, and not those
21 related to the period of the market test.

22 Q Again I'm going to refer to page 48 of the
23 Commission's market test decision. In the last paragraph
24 the Commission mentions the Fast Forward address checking
25 system. Would you know whether that's currently in place

1 for Mailing Online pieces?

2 A Currently in place for the market test?

3 Q Yes.

4 A I cannot comment on that.

5 Q Why is it that you can't comment?

6 A I did not actively go out to find the answer for
7 that. I do recall that it was mentioned during some of my
8 conversations. However, as to the status of it's ~~been~~^{being}
9 implemented, I cannot provide an answer.

10 Q And you weren't asked to look at the Fast Forward
11 costs that might be incurred during the course of the
12 experiment, were you?

13 A My -- the analysis that I did for the experiment
14 do include costs for the Fast Forward boxes.

15 Q For the Fast Forward boxes?

16 A Yes.

17 Q I'm not familiar with that expression. What are
18 the Fast Forward boxes?

19 A They are hardware components required to -- I'm
20 sorry, I'm just trying to find -- look at the portion where
21 it's mentioned, if you bear with me a moment.

22 Q Certainly.

23 COMMISSIONER LeBLANC: Mr. Lim, when you find it,
24 if you could give us a cite, too, it would be helpful.

25 THE WITNESS: Okay.

1 COMMISSIONER LeBLANC: Thank you.

2 MR. HOLLIES: Exhibit A, page 1 of 2, line I think
3 29 might be of some assistance.

4 THE WITNESS: Thank you. Yes, in Exhibit A, Item
5 29, I do have an item there that says Fast Forward, and
6 there's a quantity of five -- a total quantity of 21. And
7 my understanding of these are -- I call them boxes because
8 they are very high secure devices that no one can tamper
9 with, and so there's no way to provide extra programming.
10 There's very little, I believe two commands you can add --
11 and only receive two or three outputs from it. And it's
12 essentially a black box in which you don't know what the
13 components contain, and it's protected to be tamper-proof
14 because it contains sensitive information.

15 BY MS. DREIFUSS:

16 Q Do you know what was accomplished by the Fast
17 Forward boxes that you just described?

18 A My understanding is that they provide -- they have
19 information on address -- updated address corrections that
20 were made for addresses, so more current address information
21 for an address that may not be valid at that time.

22 Q So if a customer, a Mailing Online customer,
23 entered an address that was for somebody who had moved to a
24 new address, would the Fast Forward box then in effect
25 readdress the piece, or at least inform a customer that the

1 address being used is incorrect and this is the new address?

2 A In terms of the exact functionality, I don't
3 have -- I cannot comment upon. I did understand that there
4 would be a certain number of these boxes used in the
5 application for those purposes. As to the exact
6 functionality, I did not have to look at. So I'm --

7 Q On page 49 of the Commission's market test
8 opinion, if you could turn to that, please --

9 A Okay.

10 Q At the beginning of the first full paragraph, the
11 Commission states that the costs of advertising and
12 marketing that refer to Mailing Online are to be reported
13 even when they also refer to other services.

14 Do you include any of those costs in your
15 testimony?

16 MR. HOLLIES: Objection. Mr. Presiding Officer,
17 that's beyond the scope of his testimony. She's
18 identified -- counsel has identified those as advertising
19 costs, which are not part of the information systems cost
20 testimony.

21 MS. DREIFUSS: In effect then Mr. Hollies is
22 stipulating that these advertising and marketing costs are
23 not presented in Witness Lim's testimony. Is that correct?

24 MR. HOLLIES: My objection stands that this is
25 beyond the scope of his testimony.

1 COMMISSIONER LeBLANC: Ms. Dreifuss, it is
2 advertising. It is not -- can you rephrase the question?

3 MS. DREIFUSS: If it is beyond the scope of his
4 testimony, I assume it's a fair conclusion that he doesn't
5 present these costs in his testimony. I'll leave it at
6 that.

7 BY MS. DREIFUSS:

8 Q The phrase "systems architecture" has been used
9 several times throughout the day. I don't know whether
10 you've been in a hearing room when it's been used. Have you
11 been?

12 A Yes, I was sitting in the back.

13 Q Is it your understanding that the systems
14 architecture for Mailing Online changed very dramatically
15 from the time the case was first filed until the time that
16 your testimony is now being presented?

17 A The system architecture has changed; yes.

18 Q What are the components of the system
19 architecture?

20 A Is your question to --

21 Q Just in general terms what would that comprise?

22 A Specific to the MOL system architecture?

23 Q Yes, specific to ~~the~~ MOL.

24 A Well, I mentioned -- they're listed in the
25 exhibit, Exhibit A, which talks about the systems

1 development and implementation under hardware, and you do
2 see a listing of those components. They comprise mostly of
3 I guess the ^{Sun}~~sun~~ box, which is the MOL controller, and I
4 mentioned the ^{Cubix}~~cubics~~ boxes before, and the linkage to the
5 print sites through routers and fire walls. And in essence
6 that's the main hardware components for the MOL systems
7 architecture.

8 Q Is there any customized software which is part of
9 the systems architecture for MOL?

10 A There would be some applications that would be
11 developed for MOL.

12 Q Are the costs of that development presented
13 somewhere in your exhibits?

14 A Yes, they are.

15 Q Could you show them to me, please, or point them
16 out to me?

17 A They fall under the MOL in Exhibit A of my
18 testimony on page 2 under MOL system development and
19 implementation. They fall under services and are included
20 in the MOL application development cost, which is listed in
21 item 63.

22 Q At the beginning of our discussion, you mentioned
23 that Compaq was the consulting firm that designed MOL. Is
24 that correct?

25 A That's correct.

1 Q Are the costs of Compaq's services reflected in
2 your exhibits?

3 A Yes, they are.

4 Q Where would they be reflected?

5 A The costs of the development, although they are
6 stated here as the manufacturer's -- as Marconi for that
7 element, these are in essence costs that are -- will be --
8 that are associated with Compaq in the development of the
9 MOL software.

10 Q Could you give me a citation to a line, please?

11 A Sorry. It's the same citation I had before, which
12 is 63, the MOL application development, in which I have cost
13 there which you mentioned for development of applications,
14 and these are -- these costs or prices include the services
15 of Compaq.

16 Q Where did you get the \$5,120,671 figure?

17 A These were information provided to me by Compaq in
18 determining what would be required to develop the MOL system
19 and some of the applications.

20 Q Do you know if any portion of that has been paid
21 to Compaq yet?

22 A I do not know.

23 Q Was that their estimate of, in effect, the bill
24 that they are going to present the Postal Service by the
25 time MOL is fully developed?

1 A This was their estimates of the costs that would
2 be involved.

3 Q Do you know if there is -- if Compaq entered into
4 a contract with the Postal Service to provide the system
5 design?

6 A I'm sorry. Could you repeat that question?

7 Q Do you know if Compaq entered into a contract with
8 the Postal Service to undertake the system design and
9 development?

10 A Since they are the contractor to design the MOL
11 program, I assume they underwent some sort of contract with
12 the Postal Service, yes.

13 Q Did you have a chance to look at that contract?

14 A I had no reason to look at that contract.

15 Q What form did the information take that they gave
16 you that caused you to conclude that it was approximately
17 \$5.1 million for their work?

18 A There's a series of projections made based on the
19 number of resources that will be required to develop the
20 applications, some costs, from what I can recall, some costs
21 involved with their travel expenses and so forth.

22 MS. DREIFUSS: Commissioner LeBlanc, the Postal
23 Service provided similar information in Library Reference 7.
24 This was a contract between Cordant -- I believe I have that
25 name right, Cordant and the Postal Service to design what

1 was originally called Netpost, and I would like to ask that
2 if the Postal Service -- ask counsel for the Postal Service
3 to provide similar -- a similar set of contract information,
4 if such exists, including any updates or modifications to
5 the contract.

6 COMMISSIONER LeBLANC: You are talking about for
7 Compaq, though?

8 MS. DREIFUSS: For Compaq, yes. Well, actually, I
9 really should ask for it for the POL system design and for
10 the MOL system design.

11 COMMISSIONER LeBLANC: So, to make sure I am
12 understanding what you are asking for, you just want the
13 total POL and MOL breakout or design that came from Compaq,
14 and the cost involved?

15 MS. DREIFUSS: I would like to see the total --
16 the contract for the work that Compaq is performing, and
17 will continue to perform for the Postal Service, for the
18 development of POL and for the development of MOL. I would
19 like to see the total, and I would also like to see it
20 broken down, if possible, into MOL's specific design and
21 POL's specific design.

22 COMMISSIONER LeBLANC: So you want the contract
23 price and the contract breakout of what is in the design?

24 MS. DREIFUSS: Yes. I don't know exactly what
25 form that will take, and I don't think Mr. Lim knows either,

1 but, generally, that is what I would like.

2 COMMISSIONER LeBLANC: Mr. Hollies.

3 MR. HOLLIES: Well, I guess at the outset here, I
4 am inclined to wonder whether the discovery deadlines that
5 we have had in this case really have any meaning. This is
6 something that the OCA certainly could have requested
7 before. They have asked for contract information before,
8 and we have provided it before. In general, Witness Lim
9 worked directly with the providers and did not go examining
10 contracts, so that is why he is not able to answer those
11 questions.

12 I might also add that the request here is rather
13 specific. So my first response is that we would object on
14 the grounds of timeliness and would also point out that if
15 there are some specific contracts that are necessary to the
16 Commission's review of this request, we will certainly
17 endeavor to locate and provide those.

18 COMMISSIONER LeBLANC: With all due respect, Mr.
19 Hollies, you let me be the deciding factor as the discovery
20 and how the whole process runs, that is my choice and the
21 Commission's choice.

22 MR. HOLLIES: Absolutely.

23 COMMISSIONER LeBLANC: Second of all, Ms. Dreifuss
24 has a legitimate question. So, unless there is a major
25 problem here, I would tend to think that you ought to have

1 that on record. If you have got \$5,120,000 right here, that
2 you ought to have some way of checking out the Compaq
3 contract. So, unless there is a problem, I will expect it
4 from the Postal Service within seven days.

5 Is that a problem with anybody? If there is, Mr.
6 Hollies, please either contact our legal office, contact me
7 or put it in writing. We will be more than happy to look to
8 it and see where we go from there. But I would tend to
9 think that that should be, and I don't want to put words in
10 your mouth, but that should be something that should be
11 easily -- you could put your hands on fairly easily, but I
12 may be wrong. But I will leave that to you, within seven
13 days.

14 MR. HOLLIES: We will certainly take a look at the
15 transcript and see if we understand what is being sought
16 here and if we -- and we will work it out. We will do
17 something and find the right answer.

18 COMMISSIONER LeBLANC: And if there is a problem,
19 I want to make sure that you understand the seven day
20 process here.

21 MR. HOLLIES: I understand.

22 COMMISSIONER LeBLANC: Because we are trying to
23 keep the timetable, as I said earlier, to as tight a finish
24 as we can here.

25 MR. HOLLIES: I can appreciate that and,

1 certainly, if I have any trouble, I will be in contact with
2 the Commission staff.

3 COMMISSIONER LeBLANC: That's fine. Mr. Wiggins,
4 you look like you want to say something. Did you want to
5 make a comment?

6 MR. WIGGINS: You have ruled and I think you ruled
7 right.

8 COMMISSIONER LeBLANC: With all due respect, it is
9 still done, Mr. Wiggins. Moving right along -- just
10 teasing. Moving right along, Ms. Dreifuss.

11 MS. DREIFUSS: Well, I had some luck with my first
12 request, so I am going to go for a second, see if I can have
13 equal success. I know Witness Lim wasn't familiar with
14 Library Reference 7, that was the contract -- I think the
15 name is Cordant, for the Netpost system design. I would
16 like to know if that cost is reflected in the total
17 information systems' costs that Witness Lim presents in his
18 testimony. I just couldn't tell for sure whether it was or
19 not since he wasn't familiar with it. So I would like to
20 ask the Postal Service to tell us --

21 COMMISSIONER LeBLANC: So, specifically, you
22 are --

23 MS. DREIFUSS: Give us an institutional response
24 on whether the Library Reference 7 Netpost contract costs
25 are reflected in the total information systems' costs that

1 Witness Lim presents.

2 COMMISSIONER LeBLANC: Did you ask Mr. Lim that a
3 minute ago?

4 MS. DREIFUSS: I did it early on.

5 COMMISSIONER LeBLANC: If you did, his comment
6 was, as I recall, that you did not know, is that correct?
7 You asked it or he asked it -- she asked it earlier on.

8 THE WITNESS: Yes, I believe I said I did not
9 know.

10 COMMISSIONER LeBLANC: And is that still your
11 comment then? Before we give it to the Postal Service as an
12 institution, I want to make sure that you couldn't comment
13 on that.

14 THE WITNESS: I could not comment on it because I
15 did not have that information.

16 COMMISSIONER LeBLANC: Okay. Mr. Hollies.

17 MR. HOLLIES: I think I know, but I am not sure.
18 We can check and get back to you. I know that contract has
19 been completed, but that doesn't necessarily answer the
20 question. We can get back on that one.

21 COMMISSIONER LeBLANC: Let's stay within the same
22 seven day timeframe then. Ms. Dreifuss.

23 MS. DREIFUSS: Well, I really should go for a
24 third, but I am just --

25 COMMISSIONER LeBLANC: Don't push your luck now,

1 you --

2 MS. DREIFUSS: I am just out of requests, and I
3 don't have any other cross-examination.

4 COMMISSIONER LeBLANC: That will be fine. Mr.
5 Lim, you have been on the stand now a while. Are you doing
6 all right? Do you want to take a break here a minute?

7 THE WITNESS: Do you mind if I take a break?

8 COMMISSIONER LeBLANC: All right. Let's take a 10
9 minute break, and we will pick up with Mr. Wiggins in 10
10 minutes.

11 [Recess.]

12 COMMISSIONER LeBLANC: Let's go back on the
13 record. Mr. Wiggins?

14 MR. WIGGINS: Thank you, Mr. Presiding Officer.

15 CROSS EXAMINATION

16 BY MR. WIGGINS:

17 Q Mr. Lim, I'm Frank Wiggins and I am here for
18 Pitney Bowes.

19 You said that you were retained for this project
20 in November. I assume that is November of 1998?

21 A Yes.

22 Q And when did you conclude your work?

23 A The day I filed my testimony.

24 Q On the 14th?

25 A That's when I concluded my work of providing the

1 testimony, yes, on the 14th.

2 Q And were you employed full-time at this task
3 during that interval from November through mid-January?

4 A Pretty much yes.

5 Q You have in your testimony what I think of as six
6 substantive exhibits -- Exhibits A through F.

7 You have at page 4 of your testimony another but
8 not identical A through F called Functional Components. Is
9 there a relationship between those two sets of things?

10 A No. There are no relationships.

11 Q Why not? Why didn't you divide out the costs in
12 terms of the functional components that you have got listed
13 at page 4? Is there some reason for that?

14 A The exhibits and the items listed on page 4 are
15 completely different things. What I have listed on page 4
16 are those areas which I determined were shared and which a
17 cost driver was used to determine which costs were caused by
18 MOL.

19 The tables and exhibits which I provide in A
20 through F are broken down by the different areas which I
21 have identified, the functional areas that I have identified
22 in my -- the Functional Overview on page 7 and so that was
23 the framework in which I built to conduct the analysis that
24 I did, breaking down into those functional areas those four
25 areas and then across with those various cost categories

1 that I looked at, which is in essence what Table 3 sort of
2 summarizes.

3 Q And you say you developed those functional areas.
4 Did I hear that correctly?

5 A Yes. This is my -- the model that I used for my
6 testimony, yes, so I developed this model.

7 Q You created it? It wasn't given to you by the
8 Postal Service?

9 A That is correct.

10 Q You talked in your colloquy with Ms. Dreifuss
11 about various "areas identified" -- those were words that
12 you used recurringly.

13 Can you say to me in maybe a few more words what
14 you mean by that?

15 A Sure. What I meant by that were I would say the
16 functional areas that were identified. For example, the
17 area that -- the link to the print site is one area that I
18 would say would be an area, a functional area, and looking
19 at that area you could say that all those were costs
20 associated with MOL so --

21 Q I'm sorry --

22 A I'm sorry. An area to me would be something of
23 that nature, a print site, and then another area would be
24 the processing of the jobs that were submitted for -- to be
25 later printed by the print sites.

1 Q The areas identified are summarized on A through F
2 on 4, is that right?

3 A Could you repeat that? Page 4, did you say?

4 Q Page 4, Functional Components they are called
5 there, A through F. Do those correspond to the areas
6 identified?

7 A No. These areas which are listed A through F on
8 page 4 correspond to in essence or correspond to the Step 4
9 of my methodology, which is to look at the areas which are
10 shared, which are POL components which are shared by MOL and
11 therefore in identifying those areas assigning a proportion
12 of those costs to MOL.

13 Q So there are other areas that were identified that
14 did not entail shared costs, is that what you are saying?

15 A No. These were the areas that were identified as
16 areas that had shared costs with MOL.

17 Q I understand that, but did you identify other
18 areas where there were not shared costs, where there were
19 MOL-specific costs?

20 A In terms of identification, no. There was no need
21 to delve into the details of other areas, of other areas not
22 pertaining to MOL.

23 Q No, no -- areas other than the shared cost
24 areas --

25 COMMISSIONER GOLDWAY: Specific to MOL.

1 BY MR. WIGGINS:

2 Q -- that did pertain to MOL.? Did you identify any
3 areas such as those?

4 A There were areas, yes. I did not look into the
5 details of those areas and considered as an area that I did
6 not have to analyze.

7 MR. HOLLIES: Excuse me for interjecting here. Mr.
8 Presiding Officer, we might be able to move this along were
9 you to ask counsel to direct his attention to page 8 of his
10 testimony.

11 COMMISSIONER LeBLANC: Counsel, try page 8.

12 BY MR. WIGGINS:

13 Q Okay. Let's look at page 8. Do you have 8?

14 A Yes, I do.

15 Q How does this fit into your testimony concerning
16 identified areas? Does this disclose to me all of the areas
17 that you identified?

18 A I have gone through and identified or described
19 the areas which are what I consider MOL-specific and then go
20 on to describe areas which I consider part of both MOL --
21 part of POL but are caused by MOL and talk about those
22 areas, yes.

23 Q And where on page 8 do I see the list of those
24 areas? Is it in the table at the top? Is it --

25 A It's a continuation of this whole section, which

1 is the Mailing Online functional overview in which those
2 functional areas are broken down into those, in the large
3 respects into those two components, MOL-specific and if you
4 look under B, the specific MOL/POL costs.

5 Q And this matches up to your exhibits, correct?

6 A No. The exhibits are completely a different area
7 and they -- in the sense that the functional areas
8 identified the MOL system's development and implementation,
9 the administrative management and maintenance, the help
10 desks and print sites. Yes, those -- that matches up with
11 the categorization I use in my exhibits.

12 I didn't mean to imply and I think there's some
13 confusion there if any of that A matches with A in any way,
14 even with your previous reference that you had to page 4, so
15 there's no link that way but --

16 Q They are not alphabetically linked --

17 A Yes.

18 Q -- but there is some analytic overlap, is that --

19 A Yes. That is the model that I developed to
20 analyze my costs.

21 Q And was there some -- you talk about cost drivers.
22 Talk to me about an analysis driver. Was there something
23 that compelled you or persuaded you to adopt the analytic
24 pattern that we see here?

25 Sort of run me through your thinking from the

1 minute you walked in through the door until you had settled
2 on the analytic structure that we see in your testimony.

3 A Well, again I am presented with the universe of
4 POL areas or looking at my methodology, the Step 1 explains
5 that I am presented with a universe of the complete POL
6 system which includes both MOL and SOL --

7 Q Let me ask you just to pause at that point. I'm
8 sorry to interrupt but just to clarify.

9 A Sure.

10 Q What actually did you see or what were you told to
11 give you that picture at the very top of your flow chart?

12 A Those were, I guess, more conceptual
13 understandings of what those programs would entail and what
14 those components would -- not components but the -- what
15 those programs would function, what sort of functions they
16 would perform.

17 Q And do you remember how that was conveyed to you?

18 A It was my understanding that -- in conversations I
19 had with various people that POL was the umbrella for the
20 various services and MOL was a component of that.

21 Q Okay, so I stopped you as you were running again
22 down your flow chart at page 3.

23 A Okay.

24 Q Where are we on the flow chart now? We have just
25 concluded Step 1 at the very top?

1 A Yes.

2 Q Okay -- and you then get down to two, which you
3 describe as areas of the complete POL system that are
4 affected by the existence of the MOL program. Tell me how
5 you performed -- what was your thinking in making that, in
6 concluding that step?

7 A Well, I had to figure out the best approach to
8 come up with which costs would be -- that I should include
9 in my testimony, and my thought was that that would be the
10 best approach to undertake in order to determine those
11 costs.

12 Q Was there some sort of a test that you formulated
13 in your mind as to how to make that distinction? Was there
14 a standard that you applied?

15 A To make this distinction --

16 Q Yes.

17 A -- that I do in Step 2?

18 Q The Step 2 distinction, correct.

19 A In essence -- yes. I mean the step would be to
20 ask that question which I explain in page 4 is what areas
21 are affected by the existence of the MOL Program, which is
22 at line 2 and 3. I mean in essence that was the question I
23 posed and that was the step I took.

24 Q And in determining the answer to that program --
25 to that question, that Step 2 question, was there a standard

1 that you applied that said okay, if this is the case then I
2 am going to determine that this is not affected by the
3 existence of the MOL Program?

4 A Could you clarify your definition, what the
5 standard means? I in essence applied this question and --

6 Q Sure. I understand applying the question but how
7 did you know what was the right answer?

8 A How did I know -- well, I used my -- knowing the
9 conceptual functions of the larger programs, I determined
10 that these were what were affected by the MOL Program.

11 Q Okay, but when you use relational words like
12 affected by, there can be a number of different standards.
13 You could have a standard that said I am going to determine
14 that it is not affected by the existence of the MOL Program
15 if it has utterly nothing conceivable to do with the MOL
16 program. That is a standard. That is high standard.
17 Or you could have a standard that said, well, I am going to
18 consider it not affected if it didn't have very much to do
19 with the MOL Program.

20 Can you place it someplace on that continuum and
21 describe what your standard was?

22 A That one extreme that you had, the first case,
23 where it is absolutely nothing to do with ^{MOL} ~~MO~~ program, I mean
24 that -- that standard obviously would be outside the range
25 of what this question asks, so that would be beyond -- I

1 mean that would be beyond the scope of my testimony.

2 In your second standard which you had, which was
3 there are some components or there may be some effect of
4 MOL, two of those areas are areas that I would have looked
5 at.

6 Q So that you determined that something would be
7 considered an MOL or at least parts of the cost of something
8 would be determined to be MOL-related if it had a reasonable
9 lot to do with MOL, is that what you are saying?

10 A Maybe a better phrase would be to say that it was
11 caused by MOL, that these requirements or these components
12 was caused by MOL.

13 Q And by caused you mean "but for" causation? --
14 "But for MOL, this cost would not have existed."

15 A Yes. If MOL were to go away these costs would not
16 exist.

17 Q Okay. When you were talking with Ms. Dreifuss
18 about the Marconi/Compaq contract, you said that the
19 answer -- the question that was being put to Compaq is what
20 would be required to do the MOL system. Do I remember that
21 correctly? Is that accurate? What do you believe that the
22 task represented by the \$5.1 million that you and Ms.
23 Dreifuss talked about was? What was the undertaking?

24 A Oh, the amount quoted in my testimony is the cost
25 of all the resources that would be required to develop the

1 MOL applications and the applications needed to make the MOL
2 program work.

3 Q And was that job of work included by the time that
4 you came on the scene in November?

5 A No, my understanding that the rollout date is
6 July, that that's when the start of the experiment will
7 begin, they did not complete all the development of the
8 system in November.

9 Q So that work is ongoing?

10 A Yes.

11 Q And you testified with Ms. Dreifuss that you were
12 aware of the fact that there had been a change to the MOL
13 system architecture at some point in time. Is that right?

14 A I believe the reference was to comments made by
15 the previous witnesses that were on the stand in reference
16 to the difference in the amount that is presented in my
17 testimony as reference to another amount presented by
18 previous testimony, specifically Witness Stirewalt. And my
19 comment was that the system had changed in respects to the
20 system that was presented by Witness Stirewalt.

21 Q You answered an interrogatory that I propounded,
22 Number ST9-2, with respect to what I believe to be an
23 element of that change. Could you get that in front of you?

24 A Yes, I have that.

25 Q And you say to me that you will not confirm that

1 the number 5874836 is comparable to the number 22507966. Is
2 that still your position?

3 A Yes, it is.

4 Q And you go on to say some things that I must say I
5 don't really clearly understand. Can you resummarize in
6 slightly different terms the point that you're trying to
7 make to me here?

8 A Okay. The point was that -- your question was are
9 these numbers comparable, and I just I guess intuitively
10 even from a mathematical standpoint when you have two
11 numbers and you ask if they're comparable, mathematically I
12 would say if they're not equal with the same numbers, if 1
13 is not 1 or 2 is not 2, then they're not comparable. So I
14 wasn't really clear on what you were trying to refer to when
15 you said comparable. And I tried to define what that word
16 might have meant, and try to provide an answer.

17 Q Let me say in slightly different words what I was
18 trying to get at, and maybe we can get to a common ground
19 here.

20 A Okay.

21 Q Am I right in thinking that each of those numbers
22 represents the sum of one-time and variable information
23 system costs?

24 A My testimony is the sum of one-time and variable
25 costs. I cannot comment if they are one-time or variable.

1 As far as I can recall, Witness Stirewalt may not have used
2 the same terminology, so I cannot say if he would view them
3 as the sum of one-time and variable costs.

4 Q Did you rely at all on Mr. Stirewalt's work in
5 doing your work?

6 A No, I was fortunate that I was able to work with
7 the system designers who had already formulated the
8 requirements for the system and developed an architecture
9 for it.

10 Q Okay. So you went to the system designer. And
11 did you say give me a list of all of the hardware and all of
12 the software that will be necessary to put this thing
13 together?

14 A In the perfect universe that would have been maybe
15 a nice thing to do, but in essence I was tasked to just look
16 at the cost for MOL and therefore given that complete
17 universe of complete components, I asked a question which
18 areas would be affected by MOL and then defined those costs
19 and did not get the complete bill of everything in the
20 universe.

21 Q So you didn't individually personally make the
22 judgment of what would be affected by MOL. You relied on
23 the judgment of others with regard to that, and then you
24 chased down the cost. Is that right?

25 A I worked with the system designers and did not

1 take everything in face value. I worked with them to define
2 their definitions and to make sure that I agreed, and there
3 were points that after conversations were actually added
4 based on my suggestions and we came to conclusions that
5 these were areas that would be areas affected by MOL.

6 Q So there were at least a few occasions on which
7 the system designers underdisclosed by your assessment, they
8 did not include as affected by MOL things that you thought
9 were affected by MOL. Is that what you've just told me?

10 A Yes, there were -- it was a series of
11 conversations, and so I don't have perfect recollection --

12 Q Sure.

13 A But there were components that I suggested would
14 be added and were, and I believe there were components that
15 were also taken away that were not affected by the MOL
16 program.

17 Q Do you remember just an example of the first kind
18 of thing, something where you thought something should be
19 included and then it was added to your consideration? Just
20 so we kind of get the texture of this process.

21 A Sure. Looking at the six areas, the initial
22 thought, if you refer back to page 4 of my testimony where I
23 identify A through F, the components shared by MOL and POL,
24 for example, component F, which is the T3 connection, the
25 Internet connection, initial thought was that maybe that T3

1 line would still have -- would not be affected by the MOL
2 program, that there still would have to be a T3 line to the
3 system, to POL. And further prodding by myself and
4 conversations with the designers we did conclude that at
5 least some portion of that cost would have to be allocated
6 to MOL, that probably not the full T3 line would be
7 necessary, but maybe a fractional of it, a fractional T3
8 would probably be the solution implemented if MOL were not
9 to exist. So that was a component that I believe was added.

10 Q Thank you. The difference between a T3 line which
11 you're talking about here and T1 lines, which one sees at
12 other places in your testimony --

13 A Yes.

14 Q Is capacity. Is that correct, the T3 has more
15 capacity?

16 A Essentially the T3 is about 28 times a T1
17 capacity.

18 Q And your thinking was that there will be some
19 volume added to the system by Mailing Online so that you
20 need a T3 where perhaps a T1 or two T1's would otherwise
21 have sufficed?

22 A Some fraction of a T3 maybe would suffice; yes.

23 Q You can fractionalize these things, can you not?

24 A Yes.

25 Q In your answer to Pitney-Bowes Interrogatory

1 Number 1 to you, we asked about the ratios that appear in
2 your testimony and in your tables to allocate costs that are
3 shared between MOL and not MOL; correct?

4 A Yes.

5 Q And you tell me, I say explain those numbers, and
6 you say, "Read my testimony, dummy. I've already done
7 that." Right?

8 A Uh --

9 Q You were more --

10 A Yes, I do --

11 Q You were more decorous by far than that, Mr. Lim.
12 And you tell me to start looking at page 4, and I see,
13 beginning at the bottom of page 4 and continuing over to
14 page 5, your explanation of how you come to the 20-percent
15 number for Helpdesk. And you say it's based on calls.
16 That's the number of calls, correct?

17 A That is correct.

18 Q Without regard to call duration, because you said
19 in answer to a question from the OCA that you didn't have
20 information on call duration.

21 A That's correct.

22 Q It would have been superior, wouldn't it? If
23 you'd had that information you would have used it?

24 A That is correct.

25 Q Okay.

1 MR. WIGGINS: If I might approach the witness, Mr.
2 Presiding Officer, I would like for him to look at these
3 papers.

4 [Pause.]

5 BY MR. WIGGINS:

6 Q Let me ask you first, what did you look at to
7 determine call volumes? What information was available to
8 you?

9 A There was some study that was done on the -- by
10 ~~Price Waterhouse, Coopers~~ ^{Price Waterhouse Coopers}, on the number of calls that were
11 received currently during the market test. In looking at
12 allocating these costs, I had to find the best cost driver
13 that I had at that time to allocate the costs, and the best
14 available information that I had were these numbers that I
15 received from a study that was actually done by ~~Price~~ ^{Price Waterhouse Coopers}
16 ~~Waterhouse, Coopers~~.

17 Q And you told me that it was based on actual
18 experience during some portion of the market test?

19 A Yes. I believe I have the date, from November the
20 7th to December the 25th.

21 Q Right. Now, what I have handed to you are copies
22 of three pages from three separate biweekly reports from the
23 Postal Service, and I have crudely labeled them up at the
24 top as Accounting Period 3, Weeks 1 and 2; Accounting Period
25 3, Weeks 3 and 4; and Accounting Period 4, Weeks 1 and 2.

1 Those are the intervals that corresponded most closely, and
2 what the Postal Service has given all of us, with the time
3 period during which you studied costs. You will see that in
4 the righthand -- the middle column, rather, in each of these
5 appendices, which are variously called Appendix 3.1 in the
6 first period, and then Appendix 3 in the second two.

7 Does the number of calls that you see here seem
8 consistent to you with the number -- not the total number,
9 but 20 percent of the number of calls that you saw in the
10 Price Waterhouse study?

11 A I would have to verify that.

12 Q Well, in the first two-week period, for example,
13 we see that there were 22 MOL related calls, which would
14 mean during that period you see a hundred calls all told.
15 Does that seem about right to you?

16 A I'm sorry. Could you specify where those numbers
17 came from again?

18 Q Sure. Look at the first page of what I have given
19 you, which says AP 3, Weeks 1 and 2.

20 A Okay.

21 Q Down at the bottom of that little table there is a
22 cell that says number of calls, and then there is a number
23 below that. Do you have that?

24 A Yes, 22.

25 Q And it says 22.

1 A Yes.

2 Q Now, I read this as saying there were 22 MOL
3 related calls during that two-week period, which mean, if
4 your percentage is right, 20 percent, there were just in
5 excess of a hundred total calls. And I am asking you
6 whether, you know, your recollection of what you saw from
7 the Price Waterhouse study was in that order of magnitude.

8 A Yes. I was -- I don't have -- I wasn't presented
9 the information in this form, as you have presented me here
10 today. And I am not sure if -- just looking at that
11 information that you have presented, that this is what it is
12 saying, that 22 is just for MOL. For the title, it says
13 Customer Helpdesk Calls, and I wasn't sure if this is just
14 for MOL or everything else, or something else. But I can
15 verify these numbers and verify if these were ~~these~~ the
16 numbers that I did use.

17 MR. WIGGINS: I would appreciate that, Mr.
18 Presiding Officer.

19 COMMISSIONER LeBLANC: Is there a specific
20 timetable we are looking at here, Mr. Wiggins? Is a couple,
21 two, three -- Monday, all right with you, too, seven days?

22 MR. WIGGINS: That is just fine, yes.

23 COMMISSIONER LeBLANC: Is that going to be a
24 problem for you, Mr. Lim?

25 THE WITNESS: No. No, it won't be a problem.

1 COMMISSIONER LeBLANC: Okay. Fine. We will be
2 talking no later than seven days then in response.

3 THE WITNESS: And a written response is how --

4 COMMISSIONER LeBLANC: That is correct.

5 THE WITNESS: Okay.

6 COMMISSIONER LeBLANC: I mean unless you want to
7 come back and testify about it.

8 THE WITNESS: Well, I just wanted to be sure of
9 that.

10 MR. WIGGINS: Oh, no, thank you.

11 COMMISSIONER LeBLANC: Okay. So seven days in
12 writing.

13 THE WITNESS: Okay.

14 COMMISSIONER LeBLANC: Thank you.

15 MR. WIGGINS: And with that, Mr. Presiding
16 Officer, I have nothing further.

17 COMMISSIONER LeBLANC: Thank you, Mr. Wiggins. Is
18 there any follow-up? Ms. Dreifuss? I believe -- I know I
19 have got some questions, and I think Commissioner Goldway
20 does. We will start with her this afternoon.

21 COMMISSIONER GOLDWAY: Thank you. I want to
22 follow-up on the issue of these Helpdesk phone calls. I am
23 a bit confused because it did seem to me in your earlier
24 testimony you said that you did not rely on any of the
25 market test operational performances to base your

1 projections of what costs would be. Is that right, did I
2 understand you correctly?

3 THE WITNESS: I would just like to clarify. I
4 believe it was pertaining to the costs of, and costs related
5 to the -- during the market test. And these were numbers,
6 not cost numbers, but studies that were done on the current
7 operation of the Helpdesk during the market test. Again,
8 based --

9 COMMISSIONER GOLDWAY: So, you did say -- you did
10 use the market test data to determine that 20 percent of
11 future Helpdesk calls should be charged to this program, to
12 the MOL?

13 THE WITNESS: That is correct, the data was used.

14 COMMISSIONER GOLDWAY: But you didn't look at the
15 market test to see what percentage of the rest of the system
16 was being used for MOL versus the other operation, Shipping
17 Online or Post Office Online, to determine what percentages
18 might be used in the future in terms of volume, or
19 maintenance, or other kinds of operational issues? You just
20 used it for the Helpdesk?

21 THE WITNESS: That is correct.

22 COMMISSIONER GOLDWAY: You didn't look at the cost
23 of the equipment for the market test in terms of what was
24 planned and what was expended to determine what might be the
25 current -- a realistic pattern for costs versus real

1 expenditures in the experimental test, did you?

2 THE WITNESS: I did not look at costs for the
3 market test.

4 COMMISSIONER GOLDWAY: Did you even include the
5 costs of the expenditures for the market test when you
6 estimated the costs for the experimental test? In other
7 words, this first contract that the OCA mentioned, or any of
8 the expenditures that were made on market test equipment
9 that are going to be phased out when this system
10 architecture is all up and running. Did you include any of
11 those costs?

12 THE WITNESS: No, I did not. My understanding was
13 that the experiment phase architecture components would, in
14 essence, replace whatever is existing there.

15 COMMISSIONER GOLDWAY: So any of the one time
16 costs to set up the program, from your point of view, don't
17 include the market test part?

18 THE WITNESS: No, they are just specific to the
19 experiment.

20 MR. HOLLIES: Excuse me. If Mr. Lim could be
21 advised to speak up so that the rest of us could hear him, I
22 will try to -- I apologize.

23 COMMISSIONER GOLDWAY: Yes. I can hear him
24 because I am right next to him, it is easy.

25 THE WITNESS: I apologize.

1 COMMISSIONER GOLDWAY: And then, finally, there is
2 this sort of gateway you talked about with the POL, and you
3 do say that 20 percent of the calls were related to MOL.
4 Did you get any information about registration? I mean I
5 asked Witness Plunkett, in terms of registration, how many
6 people have registered for MOL versus POL, versus SOL, and
7 he said he didn't really know, but it was about half and
8 half. Did you ever get any of that information about the
9 market test?

10 THE WITNESS: No, this was just for the Helpdesk
11 and the calls that they were receiving.

12 COMMISSIONER GOLDWAY: Okay. And then other
13 question I had was, I believe OCA has asked for information
14 on the service contract with Compaq for systems development,
15 but there is also a big item in your exhibit, if I can find
16 the page, for the Helpdesk and maintenance, which is a
17 Compaq contract, as I read it here. Let me see if I can
18 find it. Yes, it is Exhibit E, line 17.

19 THE WITNESS: Yes.

20 COMMISSIONER GOLDWAY: Well, and then line 18 as
21 well. That is a major expenditure with Compaq, and in my
22 simple mind I can see the telephone operators answering the
23 phone and that, I assume, is the personnel in line 10. I
24 don't quite understand what the services are for an ongoing
25 system, and I wondered if we could get the same kind of

1 information that we are getting for the systems development
2 part of the Compaq operation for this part of the operation.

3 Mr. Chairman, do you think we could?

4 COMMISSIONER LeBLANC: Mr. Hollies, do you
5 understand what Commissioner Goldway is asking?

6 MR. HOLLIES: I am not sure that I do, but let me
7 try. It sounds like you are asking for employee hours.

8 COMMISSIONER GOLDWAY: No, I am asking for what
9 this contract, or this arrangement with Compaq is relating
10 to ongoing services as opposed to the systems development.

11 MR. HOLLIES: Well, they are running a Helpdesk.

12 COMMISSIONER GOLDWAY: And what -- yes, well, are
13 they people? Are those employees?

14 MR. HOLLIES: Well, we have a contract with Compaq
15 to run the Helpdesk.

16 COMMISSIONER GOLDWAY: Okay.

17 MR. HOLLIES: Go ahead, I am missing something.

18 COMMISSIONER GOLDWAY: I guess I want to see that
19 contract or whatever we can with regards to -- yes, I guess
20 I want to see if there is this outside contract for --

21 MR. HOLLIES: We did previously take a homework
22 assignment regarding the Compaq contract, and if this is a
23 different contract, we will subsume your request under that
24 one.

25 COMMISSIONER GOLDWAY: Thank you.

1 MR. HOLLIES: And if it is the same contract, we
2 will try and make that ~~evidence~~ ^{evident}.

3 COMMISSIONER GOLDWAY: Thank you. That's what I
4 wanted to clarify. Okay.

5 And, finally, I still have this question about
6 usage of the market test versus the experimental test, and I
7 wondered whether you could, from a technical point of view,
8 explain to me why you think that there is going to be much
9 more volume usage in the experimental as opposed to what we
10 currently have under the market test? Is this new system
11 that is being put in place going to somehow facilitate more
12 use than we seem to be having right now?

13 THE WITNESS: The focus of my testimony was
14 strictly on the experiment, but from my just general
15 understanding is that the market test was limited to various
16 markets. This experiment phase is a national rollout, and I
17 think that's a completely different audience and user base.
18 So that might -- I believe that would account for difference
19 in volume projections.

20 COMMISSIONER GOLDWAY: Is it going to go faster?
21 Are people going to be able to get the information faster on
22 their screen, or, I mean, is it a speedier program? Is it
23 easier to see? Is it different? Does the screen look
24 different from the current one?

25 THE WITNESS: I believe some changes will be made

1 in the development of the Web pages, that you do have a
2 different system in place also, and so there's a lot of
3 caretaking in ensuring timeliness of delivery and making
4 sure that it functions well.

5 So I think, not knowing the system that's in place
6 now accurately, I could assume that it would be a better
7 service in some way, that it would be probably maybe a
8 little faster in some way. I do know that the Web pages
9 would be updated too to reflect new information and so
10 forth. So there will be changes going on with the
11 experiment.

12 COMMISSIONER GOLDWAY: Okay. Thank you.

13 COMMISSIONER LeBLANC: Commissioner?

14 Mr. Lim, just a followup on what Commissioner
15 Goldway was asking you. Do you know whether those costs,
16 those Helpdesk ongoing costs, the situation, are they
17 directly -- do they vary with the volume? Are they incurred
18 regardless of the number of MOL mail pieces? Or do you
19 know?

20 THE WITNESS: I do not know.

21 COMMISSIONER LeBLANC: Do you know who might know?

22 THE WITNESS: The effects of volume of mail pieces
23 to the --

24 COMMISSIONER LeBLANC: No, no. In other words, do
25 those costs vary with volume?

1 THE WITNESS: Volume of mail pieces.

2 COMMISSIONER LeBLANC: Right.

3 THE WITNESS: Just some of my thoughts --

4 COMMISSIONER LeBLANC: I mean, if you don't know,
5 that's okay. I just thought you may -- you said you don't
6 know, but I just wondered whether or not you knew anybody
7 who did know that you had dealt with possibly.

8 THE WITNESS: I'm not aware of anyone.

9 COMMISSIONER LeBLANC: That's fine.

10 Now a little quick housekeeping matter before we
11 move on, Mr. Hollies. In my really number 22, very end, and
12 it was talked about with Ms. Dreifuss, I asked about Witness
13 Lim is directed to be prepared to comprehensively describe
14 all functional components of POL that he concludes are not
15 related to MOL and the reasons for those conclusions at the
16 hearings today.

17 Now I understand it caught him at short notice and
18 I believe his response was he didn't know or whatever it may
19 be. Can you check into that for us and get back with us in
20 seven days?

21 MR. HOLLIES: Yes, I can even make a statement
22 right now. As I believe Mr. Lim explained, his analytical
23 methodology did not require that he examine the total
24 universe of Postoffice Online. Rather, his focus was what's
25 caused by Mailing Online and if Mailing Online went away,

1 would these costs also go away. And he's done a very
2 comprehensive job of that.

3 The OCA at times has appeared to be interested in
4 the total pool of POL costs, and those have simply not been
5 examined on that order of scale. We have not taken a
6 top-down focus on those costs. We believe we have provided
7 the information that is fully appropriate. We believe we
8 have identified all of those components of MOL which are --
9 excuse me, those elements of POL which in any way have
10 MOL-derived costs, and we have provided those entire pools
11 to the Commission plus our allocation factors.

12 This last -- one of the recent lines of
13 questioning about the number of calls to the Helpdesk which
14 were MOL-related as opposed to POL-related focus on one of
15 the allocation factors Witness Lim used. Indeed, an
16 extension of his analysis might suggest that the proportion
17 of calls seen over a larger segment of time during the
18 market test might be a basis for using a different
19 allocation factor. So we believe we have given to the
20 Commission that pool of costs which might be amenable to a
21 further allocation using factors other than those chosen by
22 Witness Lim.

23 Now if we had to go back and examine POL for its
24 entire pool of costs, we would be talking about -- I've been
25 told not to use the words "order of magnitude" -- we would

1 be talking about a significant further effort that in my
2 personal estimation would require somewhat more time than
3 Witness Lim required to prepare his testimony. So this is
4 not a small undertaking.

5 So that I can tell you right now. I think we've
6 given you the pools of costs that in some sense are shared
7 with MOL, and we also are going to be providing some
8 additional information as part of the reporting
9 requirements, for example, the advertising that you asked
10 for. That information will be forthcoming, and with those
11 two sets of costs, I believe the Commission has everything
12 that would be -- would go away if MOL went away, or
13 conversely that are caused by MOL's existence.

14 CHAIRMAN GLEIMAN: First off, would you repeat
15 that all if the Presiding Officer got you to stand up and
16 raise your right hand and swear you in?

17 MR. HOLLIES: I'm not prepared to take the stand.
18 No. It's not what I've been asked to do.

19 CHAIRMAN GLEIMAN: So that really wasn't -- that
20 really wasn't testimony then. It was just --

21 MR. HOLLIES: It was a response to his question.

22 CHAIRMAN GLEIMAN: It was just rebuttal. Okay.
23 You just did the rebuttal for your witness. Okay. I just
24 wanted to make sure that I understood that you weren't
25 giving testimony that was going to be relied on by anyone.

1 Do I understand correctly that what you just said
2 means that you gave more or that the witness here has
3 provided more than just the incremental costs associated
4 with MOL? I understood you to say that basically you
5 provided the incremental cost and then you provided some
6 other information out here on the periphery.

7 MR. HOLLIES: Well, I believe you're aware we've
8 taken the position that the advertising costs are those of
9 POL and ought not be allocated if that's the other stuff,
10 but as soon as we start getting into the words of art in
11 postal costing, to wit, incremental costs, I'm afraid I
12 would need to defer to more experienced personnel.

13 There is one other thing I could provide for the
14 benefit of the Commission. No, this is not testimony
15 either, Mr. Chairman --

16 CHAIRMAN GLEIMAN: Well, let me ask Mr. Lim one
17 question then.

18 Do I understand that the costs in your study
19 represent the cost that would disappear if MOL disappeared
20 or was not offered?

21 THE WITNESS: Yes.

22 CHAIRMAN GLEIMAN: Okay. So then the costs that
23 you presented are the incremental costs of MOL. That's a
24 term of art, and if you don't feel comfortable with it,
25 that'll be fine, I'll withdraw the question. Your last

1 answer I think told me what I wanted to know.

2 Okay. I'll just stop there, I think.

3 Thank you, Mr. Presiding Officer.

4 COMMISSIONER LeBLANC: That will answer that part.

5 Let me shift gears on you, Mr. Lim. Your
6 testimony increased the cost presented by Witness Seckar
7 quite a bit, did it not?

8 THE WITNESS: Witness Seckar?

9 COMMISSIONER LeBLANC: Yes. I say the name wrong
10 every time. I apologize if he's -- yes, there he is.

11 THE WITNESS: Sorry, could you repeat that
12 question?

13 COMMISSIONER LeBLANC: Your testimony seems to me
14 to increase the cost that Mr. Seckar comes up with quite a
15 bit. Is that a fair characterization?

16 THE WITNESS: Yes, I understand he uses my costs
17 which I present to him, and so those have changed based on
18 previous numbers that were presented by a previous witness.

19 COMMISSIONER LeBLANC: Can you explain then what
20 changes in the system development are reflected in your
21 testimony that are not in his?

22 THE WITNESS: Yes. In essence I think the system
23 has changed to allow for I think better service.

24 COMMISSIONER LeBLANC: I'm sorry, I didn't hear
25 that. Better what?

1 THE WITNESS: Better service. That it allows for
2 more redundancy, more failover capacity. It allows for
3 better, more efficient processing of jobs. I haven't done a
4 detailed study of what was presented before, but in terms of
5 the architecture too I assume it's -- my understanding is
6 it's a different architecture in terms of the way the jobs
7 are processed. It's not centralized, but in effect
8 distributed across different processes that are set up. And
9 there is failover and redundancy to allow for any
10 contingency as part of the contingency plan. So --

11 COMMISSIONER LeBLANC: Whose contingency plan?
12 You said a contingency plan? The Postal Service's
13 contingency plan?

14 THE WITNESS: No, if the -- if, say, the San Mateo
15 site were to fail, then Raleigh would take over as the
16 backup site.

17 COMMISSIONER LeBLANC: Oh.

18 THE WITNESS: And so a line for those
19 capabilities -- I think in general you're talking -- looking
20 at a better service, and the system architecture has changed
21 to reflect that.

22 COMMISSIONER LeBLANC: And whose idea was it to do
23 this? I mean, did this evolve? Was it a management
24 decision? Was it your decision as to contractor? I mean,
25 who made these decision changes?

1 THE WITNESS: I believe it was the job of the
2 contractors to come up with the design of the system.

3 COMMISSIONER LeBLANC: Does your testimony then
4 reflect a change in the capacity requirements of the MOL
5 system at all?

6 THE WITNESS: The requirements that was used by
7 the systems designers and design of the architecture was
8 that there would be 5000 sessions for MOL and 5000
9 concurrent sessions for POL and SOL.

10 COMMISSIONER LeBLANC: With all due respect, I
11 don't think you answered the question. Does your testimony
12 reflect a change in the capacity requirements?

13 THE WITNESS: I did not analyze the capacity
14 requirements for the previous system but it is my general
15 understand that there is a change in the capacity, yes.

16 COMMISSIONER LeBLANC: But you didn't analyze it
17 to see what changes to the system were made to increase the
18 capacity in other words?

19 THE WITNESS: That is correct.

20 COMMISSIONER LeBLANC: Do you have any knowledge
21 about the cost of incorporating a rebate system into the MOL
22 service?

23 THE WITNESS: No, I do not.

24 COMMISSIONER LeBLANC: Does your testimony reflect
25 any expenses made to increase the batching capacity of the

1 MOL system?

2 THE WITNESS: Batching capacity --

3 COMMISSIONER LeBLANC: Are you not familiar with
4 that term?

5 THE WITNESS: Could you clarify that?

6 COMMISSIONER LeBLANC: All you have to say is if
7 you are not familiar with the batching term, which is
8 pulling the stuff together, so in effect you are not
9 familiar with how that operates then?

10 You didn't look at that when you came up with
11 you --k

12 COMMISSIONER GOLDWAY: It's at the printer end.

13 THE WITNESS: My understanding is that the jobs
14 would be sent to the print sites --

15 COMMISSIONER LeBLANC: Correct.

16 THE WITNESS: -- and they may be sent in batches.

17 COMMISSIONER LeBLANC: I think that's all I've
18 got. Are there any other further questions from the bench?

19 [No response.]

20 COMMISSIONER LeBLANC: Any follow-up based on the
21 questions from the bench? Mr. Wiggins?

22 MR. WIGGINS: No, I do not have follow-up. I was
23 going to offer the numbers that I showed to the witness for
24 the sake of the clarity of the record and ask that they be
25 transcribed.

1 COMMISSIONER LeBLANC: You don't want to have that
2 as a cross examination witness --

3 MR. WIGGINS: I have marked it as a cross
4 examination exhibit. I am not asking that it be admitted
5 for the truth of what it contains.

6 COMMISSIONER LeBLANC: Oh, okay. Fine. Any
7 objection, Mr. Hollies?

8 MR. HOLLIES: Fine.

9 THE REPORTER: Would you like it transcribed in?

10 COMMISSIONER LeBLANC: Please. I'm sorry -- thank
11 you.

12 [Cross Examination Exhibit
13 PB-Lim-XE-1 was received into
14 evidence and transcribed into the
15 record.]

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Appendix 3.1

Customer Helpdesk Calls
November 07 to November 20 1998

AP 3 w 20 1 + 2



Category of Inquiries	Inquiry Specifics	Number of inquiries relating to each category	
		Number of Calls	Number of Tickets
Gul	Other		2
Prepare Mailing	Address Verification		1
Prepare Mailing	Cost		2
Prepare Mailing	Name Mailing		4
Prepare Mailing	PDF View		1
Prepare Mailing	Upload Document		4
Prepare Mailing	Upload Mail List		8
Print Options	Mall Back		1
Print Options	Paper Selection		2
Quick Calculator	Calculating		1
Service	Other		1
Service Failure	Not to Order		1
Service Failure	Print Quality		1
Software	MS Word		1
Other	Other		4
Total		22	34

Note: The third column adds to more than the second column because each call can pertain to multiple tickets

PB-LIH-CX-1



Appendix 3

Customer Helpdesk Calls

November 07 to November 20 1998

AP 3 w2a 3 + 4

Category of Inquiries	Inquiry Specifics	Number of inquiries relating to each category	
Adjustment	Credit-PO Mail	1	1
File Cabinet	Manage Documents	3	3
Prepare Mailing	Cost	3	3
Prepare Mailing	Upload Document	2	2
Prepare Mailing	Upload Mailing List	7	7
Print Options	Paper Selection	6	6
Quick Calculator	Calculating	3	3
Other	Other	2	2
	Number of Calls	3	27
Total			

Note: The third column adds to more than the second column because each call can pertain to multiple tickets



PRICEWATERH

Appendix 3

Customer Helpdesk Calls
December 05 to December 18 1998

AP4 whs 1.+2

Category of Inquiries	Inquiry Specifics	Number of Inquiries relating to each category	
Gui	Other		2
Prepare Mailing	Address Verification		1
Prepare Mailing	Cost		2
Prepare Mailing	Name Mailing		4
Prepare Mailing	PDF View		1
Prepare Mailing	Upload Document		4
Prepare Mailing	Upload Mail List		8
Print Options	Mail Back		1
Print Options	Paper Selection		2
Quick Calculator	Calculating		1
Service	Other		1
Service Failure	Not to Order		1
Service Failure	Print Quality		1
Software	MS Word		1
Other	Other		4
	Number of Calls	Number of Tickets	
Total	19		34
	Number of E-Mails		
	16		

Note: The third column does not equal the second column because each call can pertain to multiple tickets or one customer can call multiple times with the same issue



1 MR. HOLLIES: Mr. Presiding Officer, I have a
2 further piece of information which I believe will be
3 well-received regarding the language in Presiding Officer's
4 ruling and what I now understand I can make as an offer by
5 way of homework.

6 The last sentence of the body of the Ruling 22
7 states, "Witness Lim is directed to be prepared to
8 comprehensively describe all functional components of POL
9 that he concludes are not related to MOL, and the reasons
10 for those conclusions" -- it then goes on to say at the
11 hearings on February 5, 1999.

12 I am informed that the Postal Service is capable
13 of and prepared to, on a one-week turn-around schedule take
14 a homework assignment and identify those functions for the
15 Commission.

16 COMMISSIONER LeBLANC: Well, you took the words
17 right out of my mouth, Mr. Hollies, because I was coming
18 back to that. That is exactly what I was going to ask you
19 to do, so let's give it the seven days and that one-week
20 turn-around that you talked about.

21 Since there is no follow-up from the questions on
22 the bench, do you need some time with your witness?

23 MR. HOLLIES: I do. I would like 15 minutes.

24 COMMISSIONER LeBLANC: You've got it. We will
25 come back in 15 minutes. We'll go off the record, Mr.

1 Reporter.

2 [Recess.]

3 COMMISSIONER LeBLANC: Mr. Reporter, we will go
4 back on the record now, if you will.

5 Before -- Mr. Hollies, I want to make sure that we
6 had a complete understanding on my Ruling 22. We are
7 talking functional components and not costing data.

8 MR. HOLLIES: Absolutely.

9 COMMISSIONER LeBLANC: Okay. I just wanted to
10 make sure there at the end, because I had it to come back
11 to, and, again, I wanted to make sure that it was not the
12 costing side which you alluded to before, so I wanted to
13 make sure of that.

14 MR. HOLLIES: Right. We are looking at the
15 functional components of Post Office Online that are
16 basically excluded and, necessarily, therefore, it would be
17 a qualitative description of them.

18 COMMISSIONER LeBLANC: Correct. All right. I'm
19 sorry, you can go ahead.

20 MR. HOLLIES: We do have a few redirect questions.
21 This will be quite brief.

22 REDIRECT EXAMINATION

23 BY MR. HOLLIES:

24 Q Mr. Lim, do you recall that during your
25 cross-examination there were some questions about

1 registration costs?

2 A Yes.

3 Q Are any registration costs allocated to MOL in
4 your testimony?

5 A Yes. The registration -- the database I mentioned
6 and the hard drive space allocated will contain data that is
7 necessary for usage by the registration application.

8 Q Is the development effort for the MOL experiment
9 already underway?

10 A Yes, it is.

11 Q Are any of the costs reflected in your testimony
12 incurred during the market test period?

13 A Yes, they are.

14 MR. HOLLIES: I have no further questions.

15 COMMISSIONER LeBLANC: I may have one.

16 Commissioner Goldway. Excuse me.

17 COMMISSIONER GOLDWAY: I thought I had asked
18 about --

19 COMMISSIONER LeBLANC: Commissioner Goldway,
20 excuse me moment. Mr. Wiggins, do you have any -- I'm
21 sorry.

22 MR. WIGGINS: Just one.

23 COMMISSIONER LeBLANC: Did the redirect generate
24 any recross here? Before we ^{get} ~~go~~ to the bench.

25 MR. WIGGINS: Just one and it is short.

RECROSS-EXAMINATION

1

2

BY MR. WIGGINS:

3

4

Q You and I talked a little bit before about the cost of the T3 line.

5

A Yes.

6

7

Q That brings Internet traffic directly to San Mateo and Raleigh, is that correct?

8

A Yes.

9

10

Q When you were allocating the cost of that T3 line, did you think about registration traffic?

11

12

13

14

15

A The cost allocation that I used was the concurrent session requirements that were provided to me. What that means is -- what a session is is essentially anyone logging on to the system, using the system, for what purpose, it is not specified, but for any purpose, a session is a session.

16

Q Including the registration session?

17

A Yes.

18

19

MR. WIGGINS: Thank you. I have no further questions.

20

COMMISSIONER LeBLANC: Commissioner Goldway.

21

22

23

24

25

COMMISSIONER GOLDWAY: Yes. I thought when I asked you about the differences between market test expenditures and costs and the experimental test, that you said you hadn't included any of those and you weren't aware of them. So I think this question now was -- that you

1 answered, was that there are some costs and expenditures in
2 the market test phase already that will -- that are -- that
3 carry over and are also part of the experimental development
4 cost. Is that what this question and answer that you had
5 with Mr. Hollies means?

6 THE WITNESS: What I believe the question was, was
7 if any of that development that has taken place for the
8 experiment, if that is taking place during the time period
9 of which the market test is ongoing? And the answer was
10 yes. So it is within that.

11 COMMISSIONER GOLDWAY: Okay. So is still some --
12 but there are some discrete cost pools, but the time is
13 overlapping. You were talking about the timing of it.

14 THE WITNESS: We were just talking about the
15 timing of it.

16 COMMISSIONER GOLDWAY: Okay. All right. Thank
17 you.

18 THE WITNESS: Okay.

19 COMMISSIONER LeBLANC: Anything further? Chairman
20 Gleiman.

21 CHAIRMAN GLEIMAN: To follow-up on Commissioner
22 Goldway's question to you, the question was, any of the
23 costs incurred during the market test, and your answer was
24 yes. Any implies an amount or range of amounts anywhere
25 between zero plus a discrete, infinitesimally small amount

1 and the total cost. Would you care to tell us just what
2 percentage or dollar amount of any of the cost is incurred
3 during the market test as opposed to the experimental phase?

4 THE WITNESS: I am afraid I don't have any of that
5 dollar amount of what has been expended to date. I do know
6 that the development is ongoing because I have talked with
7 the system developers and they are working to develop the
8 system. So, I assume some costs have been expended, but
9 what that amount is, I don't have a number on.

10 CHAIRMAN GLEIMAN: Do you have any sense of the
11 timeframe in which the total amount will be expended?

12 THE WITNESS: For the experiment?

13 CHAIRMAN GLEIMAN: For those "any" of the costs
14 incurred during the market test, the "any," which is a cost
15 pool. Is it all going to be spent during the market test?

16 THE WITNESS: To get --

17 CHAIRMAN GLEIMAN: You don't know how long the
18 market test is going to run, so the question then becomes do
19 you know how long before the pool of costs that make up the
20 "any" is going to be expended? Is it going to be another
21 month, another two months, another three months, next week,
22 two years?

23 THE WITNESS: My understanding, I mean the
24 development is to create a system ready for the experiment
25 phase. So it is my understanding that the market ^{test} ends and

1 the experiment begins thereafter. It would have to -- the
2 development of the systems and implementation of systems
3 would have to occur before the experiment begins.

4 CHAIRMAN GLEIMAN: So it is not "any," but all of
5 the costs then will be incurred during the market test?

6 THE WITNESS: Maybe a closer definition would be
7 those one time costs that I mentioned, which is, by
8 definition, costs that occur before the onset of the
9 experiment.

10 CHAIRMAN GLEIMAN: Thank you.

11 COMMISSIONER LeBLANC: Any follow-up from the
12 bench questions? Ms. Dreifuss?

13 MS. DREIFUSS: I do have a question about the
14 timing of the expenditures.

15 FURTHER REDIRECT EXAMINATION

16 BY MS. DREIFUSS:

17 Q Are you saying that, generally, the fixed
18 information systems' costs will be expended prior to the
19 initiation of the experiment?

20 A My statement was that the one time -- my
21 definition of the one time cost, which I have provided in my
22 testimony, refers to the costs that occur before the onset
23 of the experiment in order to initiate the experiment.

24 Q Are there any fixed costs of adding new print
25 sites that will be expanded as the experiment proceeds

1 rather than before the onset of the experiment?

2 A I did not use your term "fixed costs," and the
3 only terms I used is one time and ongoing, and I have put
4 costs in the ongoing -- I'm sorry. The only costs I used is
5 one time and variable, and the only costs that I allocate
6 for the print sites are in the variable costs.

7 Q I see. So any print site related expenditures,
8 past the time of the initiation of the experiment, would be
9 in the variable cost category?

10 A That's correct. Yes.

11 Q The variable costs will continue throughout the
12 course of the experiment, won't they, the variable
13 information systems' costs?

14 A Yes.

15 Q Have any of them been expended yet, prior to the
16 onset of the experiment?

17 A No. By definition, the variable costs are costs
18 that occur after the onset of the experiment.

19 MS. DREIFUSS: I have no further questions.

20 COMMISSIONER LeBLANC: Mr. Wiggins?

21 MR. WIGGINS: No questions.

22 COMMISSIONER LeBLANC: Mr. Hollies?

23 MR. HOLLIES: No questions. I think that that
24 will do it. Thank you very much.

25 COMMISSIONER LeBLANC: I believe we do have one

1 housekeeping matter to straighten out before we close out
2 today.

3 MR. HOLLIES: Yes, indeed. When the testimony of
4 Witness Lim was submitted to the Reporter, it did not
5 apparently at that time actually have the exhibits attached.
6 Now, we had considerable discussion about some of those
7 exhibits during his oral cross, and I would at this point
8 like to give these -- two copies of these to the Reporter
9 for inclusion in our record.

10 COMMISSIONER LeBLANC: Any objections?

11 MR. WIGGINS: No, Your Honor.

12 COMMISSIONER LeBLANC: Ms. Dreifuss?

13 MS. DREIFUSS: No, sir.

14 COMMISSIONER LeBLANC: Thank you very much, Mr.
15 Hollies.

16 [Exhibits for the Direct Testimony
17 of Chong Bum Lim were received into
18 evidence.]

19 COMMISSIONER LeBLANC: Any other further
20 housekeeping or problems we need to clear up?

21 [No response.]

22 COMMISSIONER LeBLANC: That being the case, Mr.
23 Lim, we appreciate your appearance here today and your
24 contributions to our record, and if there is nothing
25 further, you are excused.

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THE WITNESS: Thank you.

[Witness excused.]

COMMISSIONER LeBLANC: This concludes our hearing today, ladies and gentlemen. Transcript corrections for this hearing are due February 19th. This hearing is adjourned. Thank you very much. Have a nice weekend.

[Whereupon, at 4:07 p.m., the hearing adjourned.]