

**ORIGINAL**

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

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MAILING ONLINE SERVICE

Docket No. MC98-1

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL/PITNEY BOWES  
WITNESS PRESCOTT  
(USPS/MASAPB-T1-1-12)

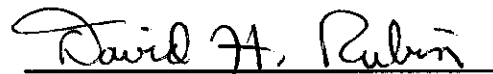
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Mail Advertising Service Association International and Pitney Bowes witness Prescott: USPS/MASA-T1-1-12.

Respectfully submitted,

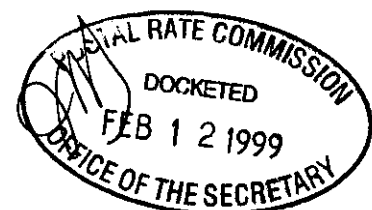
UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
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February 12, 1999



INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE  
TO MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL AND  
PITNEY BOWES WITNESS PRESCOTT

**USPS/MASAPB-T1-1**

On page 4, lines 4 through 6, you state that:

Many of MASA's members are letter shops, print shops and other mail preparation companies of varying sizes that could compete for the printing and production of the type of mail to utilize Mailing Online.

Please confirm that some MASA members could compete to become a Mailing Online printer under contract to the Postal Service. If you do not confirm, please explain.

**USPS/MASAPB-T1-2**

Please provide the source of the Aggregate Costs figures in your Table 1, on page 8 of your testimony. The listed source of Exhibit USPS-2A, page 10 provides only volume numbers.

**USPS/MASAPB-T1-3**

Please refer to your Table 2, on page 9 of your testimony. Please confirm that Mailing Online revenues of \$90 million would be less than 0.2 percent of total Postal Service revenues of about \$60 billion. If you do not confirm, please explain.

**USPS/MASAPB-T1-4**

On page 10, lines 7 to 10, you estimate a diversion from private business of \$121 million during the Mailing Online experiment. Please confirm that the \$121 million

estimate assumes that all existing mail which uses Mailing Online is currently using the mail preparation services of private businesses. If you do not confirm, please explain why. If you do confirm, please explain the basis for this assumption.

**USPS/MASAPB-T1-5**

On page 10, lines 11 to 12, you refer to the "potential economic impact on the competitive market for mail preparation services".

- (a) How do you define the "competitive market for mail preparation services?"  
Please specify how it corresponds to the approximately 670 companies that belong to MASA?
- (b) Please provide an estimate of the total amount spent per year on private mail preparation services. Please indicate whether your response is limited to MASA members.

**USPS/MASAPB-T1-6**

Please refer to page 12, line 3 of your testimony, where you state "when two (or more) functions in the stages of production are merged together under the control of one company, vertical integration occurs."

- (a) Please confirm that private printing companies will supply Mailing Online services under contract to the Postal Service, rather than being merged with the Postal Service. If you do not confirm, please explain.

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TO MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL AND  
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- (b) By the use of the word "control", do you mean that the Postal Service will forbid Mailing Online contractors from obtaining other printing and mailing business on their own? Please explain any affirmative response.

**USPS/MASAPB-T1-7**

Please refer to page 15, lines 7-9 of your testimony, where you argue that:

Mailing Online will not charge sales tax and the USPS does not pay corporate income taxes. Thus, the USPS may be able to offer lower prices than its competitors who are subject to sales and income taxes.

- (a) Please confirm that the Postal Service's fee proposal for Mailing Online calls for marking up the costs of private printers. If you do not confirm, please explain.
- (b) Please confirm that these private contractors are subject to sales and corporate income taxes. If you do not confirm, please explain.
- (c) Would you agree that in preparing bids for provision of MOL services, potential printing contractors would include sales and corporate income taxes in estimating their costs? Please explain any negative answer.
- (d) Do you believe that any sales taxes currently apply to the sale of products and services over the Internet? Please explain any affirmative answer.

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**USPS/MASAPB-T1-8**

On page 22, line 17 of your testimony you mention Pitney Bowes' DirectNET service. Please provide a price schedule for DirectNET.

**USPS/MASAPB-T1-9**

Please refer to Table 4 on page 28 of your testimony. In estimating the amount of revenue leakage due to migration of volume from First-Class Mail to Standard Mail (A), did you consider cost savings resulting from this migration? Please explain any affirmative response.

**USPS/MASAPB-T1-10**

Please refer to page 32, line 6 of your testimony, where you state that "Mailing Online will benefit from the advertising developed for POL."

- (a) In your view, does the fact that a product benefits from an expenditure justify distributing at least part of that expenditure to the product. Please explain your answer.
- (b) To the extent that Mailing Online makes it easier to use First-Class Mail and Standard Mail (A), and increases First-Class Mail and Standard Mail (A) volumes, will First-Class Mail and Standard Mail (A) "benefit from" the advertising of POL? Please explain any negative response.

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**USPS/MASAPB-T1-11**

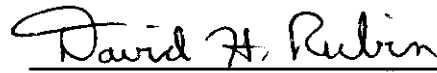
Please fully define the term "incremental" as you use it on page 32, line 7 of your testimony.

**USPS/MASAPB-T1-12**

Please refer to page 32, line 9 through page 33, line 3 of your testimony. Please assume that POL offers two services, MOL and SOL, and that over a given time period there are 60 MOL transactions and 40 SOL transactions, as you have defined transaction in this section of your testimony. Please further assume that over that same period, advertising costs for POL total \$100. Please confirm that the distribution approach described on page 33, lines 1 to 3 would distribute \$60 of advertising costs to MOL and \$40 to SOL. If you do not confirm, please explain.

**CERTIFICATE OF SERVICE**

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

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

David H. Rubin

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