

ORIGINAL

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

RECEIVED
FEB 19 3 30 PM 1999

MAILING ONLINE SERVICE

Docket No. MC98-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
OFFICE OF THE CONSUMER ADVOCATE WITNESS CALLOW
(USPS/OCA-T100-1-8)

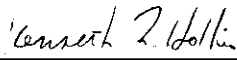
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Office of the Consumer Advocate witness Callow: USPS/OCA-T100-1-8.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Kenneth N. Hollies

POSTAL RATE COMMISSION
DOCKETED
FEB 19 1999
OFFICE OF THE SECRETARY

OCA/USPS-T100—1. Please refer to your statement on page 7, lines 6-7, "For Mailing Online, a rebate system removes any competitive advantage on the part of the Postal Service vis-a-vis competitors for small-volume mailings."

- a. Please identify each Postal Service competitor to whom you refer, regardless of whether each is a small part of a larger firm, a single firm, a group of firms or an industry.
- b. For each competitor identified in response to part (a), please identify all factors upon which you rely in concluding that they constitute competitors.

OCA/USPS-T100—2.

- a. Under your pricing formula, what existing mail category would be used to classify a batch consisting of a single mailpiece that the customer intends to enter as Standard (A) Mail?
- b. Would your answer to part (a) change if instead of a batch consisting of a single mailpiece, it consisted of:
 - i. 100 pieces?
 - ii. 201 pieces?
 - iii. 350 pieces?
 - iv. 501 pieces?

OCA/USPS-T100—3. If a customer wishes to enter 100 pieces as Standard (A) Mail, how would the Mailing Online postage rate be determined using your pricing formula?

- a. To what extent, if any, is your answer based upon consideration of the service standard preferred by a Mailing Online customer?

- b. To what extent, if any, is your answer dependent upon the degree of batching attained by the Mailing Online system? Please explain your response fully.

OCA/USPS-T100—4.

- a. Please confirm that the Postal Service's proposed use of the basic automation presort categories requires both waiver of volume minimums and forbearance from still deeper discounts.
- b. Would your pricing approach involve a waiver of the volume minimums, at least during the first period when automation basic rates apply? Please explain.
- c. Does your pricing formula diminish the impact of the waiver of volume minimums as the weight of actual experience overcomes the starting points. Please explain your response fully.
- d. Please confirm that your pricing formula would eliminate the forbearance from deeper discounts.
- e. Would elimination of the forbearance from deeper discounts constitute a competitive advantage, or competitive disadvantage, for Postal Service competitors. Please explain your answer fully.
- f. If elimination of the forbearance from deeper discounts constitutes a competitive advantage for the Postal Service, how do you reconcile this conclusion with your assertion that "setting postage charges for Mailing Online on the basis of actual experience eliminates ... any anti-competitive effect of waiving minimum volume requirements" Please explain your answer fully.

OCA/USPS-T100—5. Please refer to your statement on page 16, lines 6-8: "No competing provider is able to consistently offer a lower price unless the competitor has

lower costs or is willing to accept less than a 25 percent profit margin" [footnote omitted].

- a. Please confirm that the Postal Service is using contractors to provide printing services for Mailing Online.
- b. Please confirm that any such contractors hoping to make a profit on their Mailing Online print jobs must build a profit margin into the price with which they bid on a Mailing Online contract.
- c. Please confirm that, as a result of the need to build a printer's profit margin into contract prices, the total mark-up on the printer's costs (as opposed to contract prices) is greater than 25 percent.
- d. Please confirm that at least some potential Mailing Online competitors (e.g. Pitney Bowes or some MASA members) should be able to provide printing services from an internal rather than an external source.
- e. Please confirm that a Mailing Online competitor may be able to realize profits greater than 25 percent while still keeping pre-mailing prices below the proposed Mailing Online fees.

USPS/OCA-T100—6.

- a. Please confirm that the Postal Service fees and postage for Mailing Online pieces, as proposed, mean that the price of the first mailpiece (within shape, weight and print characteristic groups) is the same as the 500th, or 5000th.
 - i. Please confirm that under the Postal Service pricing proposal, a job submitted on day ten of the experiment would be priced the same as it would be if submitted on day 100 (assuming no change in underlying printer contracts).

- ii. Please confirm that under your pricing formula, a job submitted on day ten of the experiment would not be priced the same as it would be if submitted on day 100 (assuming no change in underlying printer contracts).
- b. Please confirm that the Postal Service justifies its approach, in part, by the flat rate pricing typical of digital printing. See, e.g., Tr. 2/147; Tr. 7/1668, 1701, 1727.
- c. Please confirm that your pricing formula for Mailing Online postage does not preserve this characteristic of flat rates over time (assuming no change in underlying printer contracts).
- d. Of two otherwise identical Mailing Online jobs, one consisting of 20 pieces and one consisting of 2000, would respective job sizes have any impact on per-piece handling costs? Please explain your answer fully.

USPS/OCA-T100—7.

- a. Please confirm that it would theoretically be possible to establish one or more rate categories unique to Mailing Online.
- b. Please confirm that your pricing formula for Mailing Online postage would likely end up charging customers postage rates that do not correspond exactly with any existing mail categories.
- c. Please explain whether you believe your proposal, if adopted, would constitute the establishment of one or more rate categories unique to Mailing Online. Identify all factors that you rely upon in formulating your opinion. If you considered any factors only to reject reliance upon them, please identify those and explain your reasons for rejecting them.

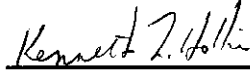
- d. Please confirm that rate categories unique for Mailing Online could conceivably be established in this Commission proceeding, or in a later one.
- e. Please compare and contrast the respective pluses and minuses of establishing unique mail categories for Mailing Online in this proceeding as opposed to any request for a permanent Mailing Online service.

USPS/OCA-T100—8.

- a. Under your pricing formula for Mailing Online postage, could one outcome be use of saturation rate categories for some pieces? Please explain your answer fully.
- b. Would use of saturation rate categories be a competitive advantage or disadvantage for the Postal Service or any other providers?

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.



Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083; Fax -5402
February 19, 1999