

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-T1-21-26)

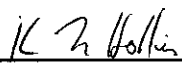
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Mail Advertising Service Association International/Pitney Bowes witness Prescott: USPS/MASAPB-T1-21-26.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

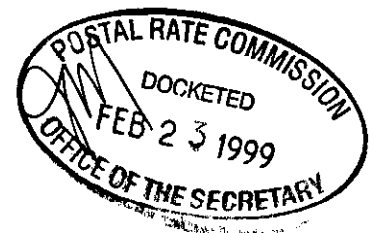
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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February 23, 1999



USPS/MASAPB-T1-21. Please refer to your testimony at page 15, lines 12 to 13.

- a. Do you understand the Postal Service plans to be limited to one printing company per location?
- b. Could the Postal Service requirements set forth in its printer statement of work (USPS-LR-11) be accommodated by a group of printers within a geographic area? Why or why not?

USPS/MASAPB-T1-22. On page 16 of your testimony you include a quotation from *A Dictionary of Economics*, which states in part, "if the winner of the original bid thereafter enjoys a sunk cost advantage, parity bidding at contract renewal intervals cannot be presumed."

- a. What is your understanding of how this applies to Mailing Online?
- b. What "sunk cost advantage" would inhere to original bid winners? Please explain fully.
- c. What is your understanding of the pace of change in the printing industry today?
- d. How long does printing equipment last?
- e. What is the expected lifespan of the print-on-demand equipment necessary for Mailing Online?
- f. If equipment necessary for a successful bidder to perform printing and related services for Mailing Online is available on a lease basis, with no up front capital cost reduction fee, would that bidder have a "sunk cost advantage" during subsequent bidding cycles? Please explain fully.

OCA/MASAPB-T1-23. On page 16, line 11 of your testimony, you use the term “true competition.” Please define this term and provide an appropriate reference supporting your definition.

- a. Does “true competition” apply at the national, state and other levels to the same extent? Please explain your response.
- b. What role, if any, does the necessity for printing contractors to meet performance deadlines that require entry of Mailing Online pieces to specific, geographically dispersed postal facilities play in your analysis of “true competition”.
- c. Do you believe that a printer bidding to become a Mailing Online contractor could have its physical plant located in New Mexico yet meet the performance deadlines in Florida?
 - i. If so, how could the printer expect to be competitive given the need to account for substantial transportation costs that printers in Florida would not need to incur?
 - ii. If not, how do you reconcile this with the statement, also on page 16 of your testimony, that “the second lowest bid in one geographic area would not receive any USPS business for Mailing Online because a higher bid, in a different geographic area, was selected by the USPS”?
- d. What is your background and experience in government procurement regulations. Please explain in detail.

USPS/MASAPB-T1-24. On page 15 of your testimony you state, “a small number of printers will have or make the investment in capacity needed to met the requirements for Mailing Online.”

- a. Do you mean that only successful Mailing Online bidders will have that incentive, or will unsuccessful or non-bidders have such an incentive. Please address the chapter that appears at Tr. 6/1489-1503 as part of your response.
- b. In qualitative or quantitative terms, or both, what proportion of the entire capacity of the print-on-demand industry do you believe Mailing Online contractors will generate purely to provide Mailing Online services?
- c. In qualitative or quantitative terms, or both, what proportion of the print-on-demand industry capacity do you believe Mailing Online contractors will generate to provide service other than for Mailing Online?

USPS/MASAPB-T1-25. Please confirm that the equipment required to prepare documents in accordance with the Mailing Online specifications is widely available.

USPS/MASAPB-T1-26. Do you contend that Mailing Online will lead to the development of proprietary printing technology that will constitute an entry barrier for would-be Mailing Online printers? Please explain fully any affirmative response.

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.



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