

ORIGINAL

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

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U.S. DEPT. OF COMMERCE
WASHINGTON, D.C.

Mailing Online Service

Docket No. MC98-1

RESPONSE OF MAIL ADVERTISING SERVICE ASSOCIATION
INTERNATIONAL/PITNEY BOWES
WITNESS PRESCOTT TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE
(USPS/MASAPB-T1-14)

The Mail Advertising Service Association International/Pitney Bowes hereby provides the responses of witness Prescott to the following interrogatories of the United States Postal Service:

USPS/MASAPB-T1-14, filed on February 17, 1999.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

By its attorneys:

Frank Wagner



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

USPS/MASAPB-T1-14. Please refer to your testimony at page 23, lines 5 to 15, and footnote 17. On line 5 you refer to "USPS start-up costs", and in footnote 17 you state that "[t]hese costs included \$22.5 million in information systems costs for the experimental phase."

- (a) Please confirm that the information systems costs of \$22.5 million consists of \$11.1 million of "one-time" costs, and \$11.4 million of "variable" costs, as presented by witness Seckar at Tr. 8/1882. If you do not confirm, please explain.
- (b) Please confirm that witnesses Seckar and Lim consider the \$11.1 million of "one-time" costs to be "start-up" costs for Mailing Online. See Tr. 5/1050-51 (witness Seckar considers information systems fixed costs to be "one-time start up costs for the experimental period"); Tr. 8/1913 (Witness Lim states that he "share[s] Witness Seckar's views that one-time costs are essentially the start-up costs for MOL."). If you do not confirm, please explain.
- (c) Do you consider the \$11.4 million of "variable" information systems costs to be start-up costs for Mailing Online? Please explain any affirmative response.
- (d) Do you consider the \$11.4 million of "variable" information systems costs to be fixed costs regardless of the volume of Mailing Online? Please explain any affirmative response.
- (e) On page 23, line 9 of your testimony, you state that "[t]he average mark-up equals 0.88 cents per impression." Please confirm that the mark-up for Mailing Online is based on all printing costs, including paper, envelope, and insertion costs, as well as impression costs. If you do not confirm, please explain.

USPS/MASAPB-T1-14 Response:

- (a) Confirmed.
- (b) Confirmed.
- (c) I have not made an assessment as to whether or not the "variable" information systems costs should be considered start-up costs. However, the \$11.4 million quantified by the USPS' Witness Lim is a cost incurred by Mailing Online volume during the proposed experimental phase and should be recovered by Mailing Online.

- (d) Not confirmed. The mark-up for Mailing Online is based on the printing prices charged by the USPS' subcontractor and the USPS' charge for information systems.

DECLARATION

I, Roger C. Prescott, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Roger C. Prescott

Date: February 23, 1999

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served this document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

DATE: February 24, 1999

Ian Volner
Ian D. Volner