

ORIGINAL

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

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Office of the Secretary

Mailing Online Service

Docket No. MC98-1

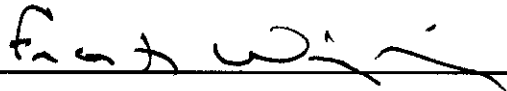
RESPONSE OF MAIL ADVERTISING SERVICE ASSOCIATION
INTERNATIONAL/PITNEY BOWES
WITNESS PRESCOTT TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE
(USPS/MASAPB-T1-28)

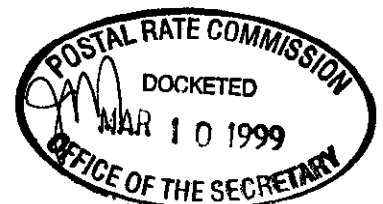
The Mail Advertising Service Association International/Pitney Bowes hereby provides the responses of Witness Prescott to the following interrogatories of the United States Postal Service: USPS/MASAPB-T1-28, filed on March 2, 1999.

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

Respectfully submitted,

By its attorneys:





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

USPS/MASAPB-T1-28. Please refer to page 32, line 12 to page 33, line 3 of your testimony, where you state that the advertising costs for PostOffice Online should be distributed based on the percentage of transactions for PostOffice Online, Mailing Online, and Shipping Online. Consider a hypothetical in which POL provides only two services, Shipping Online (SOL) and Mailing Online (MOL). During year 1, SOL had 25 transactions, and MOL had 50 transactions. During year 2, SOL has 50 transactions and MOL has 50 transactions. Based on your approach, which of the following methods should be used to distribute the advertising cost to SOL and MOL, for each of the scenarios (a), (b), (c), and (d) presented below?

- (1) 25/75 to SOL, and 50/75 to MOL, based on year 1 transactions?
- (2) 50/100 to SOL, and 50/100 to MOL, based on year 2 transactions?
- (3) all to SOL, based on the changes in transactions from year 1 to year 2 for SOL and MOL, respectively?
- (4) Another alternative?

Please explain your choice.

- (a) During year 1 the Postal Service spent \$1 million on a POL advertising campaign conducted during year 1;
- (b) During year 1 the Postal Service spent \$1 million on a POL advertising campaign that was conducted half during year 1 and half during year 2, at no additional expense in year 2.
- (c) During year 1 the Postal Service spent \$600,000 on POL advertising conducted during year 1, and during year 2 the Postal Service spent \$400,000 on POL advertising conducted during year 2.
- (d) During year 2 the Postal Service spent \$1 million on POL advertising conducted during year 2.

USPS/MASAPB-T1-28 Response

I assume based on the example that the \$1 million for advertising for the two services is determined to be the attributable advertising costs, then the distribution of advertising costs between the two services in each hypothetical example is as follows:

- (a) 25/75 to SOL and 50/75 to MOL;
- (b) 25/75 to SOL and 50/75 to MOL, although it appears illogical that the USPS would prepay for services to be incurred in a subsequent time period;
- (c) For the \$600,000 spent in year 1, 25/75 to SOL and 50/75 to MOL. For the \$400,000 spent in year 2, 50/100 to SOL and 50/100 to MOL; and,
- (d) 50/100 to SOL and 50/100 to MOL.

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: March 9, 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: March 10, 1999

Ian D. Volner
Ian D. Volner