

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

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OFFICE OF THE SECRETARY

EXPERIMENTAL "RIDE-ALONG"  
CLASSIFICATION CHANGE FOR PERIODICALS, 1999

Docket No. MC2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS SCHWARTZ TO INTERROGATORIES OF  
COX TARGET MEDIA, INC. AND COX CONSUMER SAMPLING  
(CC/USPS-T2-12-17  
AND CC/USPS-T1-1 REDIRECTED FROM WITNESS TAUFIQUE)  
AND MOTION FOR LATE ACCEPTANCE OF REDIRECTED INTERROGATORY

The United States Postal Service hereby provides the responses of witness Schwartz to the following interrogatories of Cox Target Media, Inc. and Cox Consumer Sampling: CC/USPS-T1-12-17, filed on November 23, 1999; and CC/USPS-T1-1, filed on October 27, 1999, and redirected from witness Taufique.

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

The Postal Service moves that the response to the redirected interrogatory be accepted late. The delay was due to the need for the witness to gather the information needed to respond. In light of continuing settlement efforts, the Postal Service does not believe that any party would be prejudiced by this delay.

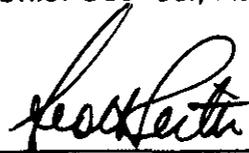
Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
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December 1, 1999



Scott L. Reiter

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHWARTZ TO  
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CC/USPS-T2-12.

In your response to CC/USPS-T2-6, you state that

No Conde Nast publication has ever carried two separate inserts in a single edition. In fact, advertisers have only rarely asked us to carry even one such advertisement, because of the expense of the postage. (Emphasis added)

- a. Please define the term "rarely" as you use it in this response.
- b. In your response to CC/USPS-T2-5, you define "inundated" as a synonym for "flooded" and state that by the mid-1990s you were "receiving approximately 200 requests per year from advertisers to carry these types of advertisements." Please reconcile these two responses. In particular, explain how your being "flooded" with requests, at an average rate of about 4 requests per week, is consistent with only "rarely" being asked "to carry even one such advertisement."

RESPONSE:

- a. The term "rarely," as used in my response to CC/USPS-T2-6 is used to describe the following scenario: Conde Nast publishes 15 monthly magazines, one bi-monthly magazine, and one weekly magazine, resulting in a total of approximately 232 separate magazine issues in any calendar year. Of those, in 1998, only 10 carried the type of advertisement at issue in the experimental "ride-along" case.
- b. A "request" from an advertiser for a quote does not mean an *order* from an advertiser. As I stated in my Direct Testimony: "Starting at some time in the mid-1990s we became inundated with requests for these types of innovative advertisements. However, the additional postage above that for normal Periodicals pound-rate postage was so high that only a handful of advertisers

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*could afford to pay the premium.*" (USPS-T-2, at page 1, ll. 12-15; emphasis added). Conde Nast is "flooded" with "requests" from advertisers who are *interested* in the type of specialized advertisement now at issue in the "ride-along" case. These advertisers, however, have been deterred from actually *placing an order* for this type of advertisement by the expense of the postage.

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**CC/USPS-T2-13.**

**In response to the hypothetical posed in CC/USPS-T2-6, you state that**

**In some cases, of course, as, for example, where the two inserts together weighed less than 3.3 ounces, the postage would be calculated using current rates (rather than the "ride-along" rate) because this would result in less postage expense. (Emphasis in original)**

- a. Please define "current rates" as you use the term here. That is, to which Standard (A) rate schedule (or schedules) are you referring?**
- b. Based on Conde Nast's experience, if you had two (or more) inserts whose combined weight were less than 3.3 ounces, what would be the average Standard (A) rate for all inserts combined?**
- c. Assuming two such inserts, what would be the average rate per insert?**
- d. Assuming three such inserts, what would be the average rate per insert?**

**RESPONSE:**

- a. The Standard (A) rate schedule to which I referred in my answer to CC/USPS-T2-6 was the Standard A nonletter sized rate schedule — either regular, or enhanced carrier route, as applicable in the individual circumstance.**
- b. The average Standard A rate for all Conde Nast inserts is approximately \$.1985. (See USPS-T-2 at page 3, line 22).**
- c. Assuming two such inserts, the average rate per insert would be 1/2 of \$.1985, or approximately \$.09925.**
- d. Assuming three such inserts, the average rate per insert would be 1/3 of \$.1985, or approximately \$.06617.**

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**CC/USPS-T2-14.**

Please refer to your response to CC/USPS-T2-1, in which you state that ten issues of Conde Nast periodicals in seven different publications carried inserts in 1998.

- a. What was the frequency of publication of each of the seven different publications?
- b. What was the weight of each of the 10 inserts?
- c. In view of the fact that you have been "inundated with requests for these types of innovative advertisements" (see your response to CC/USPS-T2-5), what has precluded you from carrying more than one insert in a single issue of a magazine?

**RESPONSE:**

- a. Each of the seven different publications was a monthly.
- b. Each of the inserts weighed less than 3.3 oz.
- c. Conde Nast has been "precluded . . . from carrying more than one insert in a single issue of a magazine" because Conde Nast's *advertisers* have been *unwilling to pay the additional postage for such advertisements. When quotes are given, advertisers assume the piece will pay the full Standard A rate.*

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**CC/USPS-T2-15.**

In your response to CC/USPS-T2-7, you refer to "the fact that some inserts are (and will be) engrained in a magazine advertisement and therefore simply could not be mailed alone."

- a. Please define or explain what you mean by the term "engrained" as you use it in your response.
- b. Please cite examples of inserts that are (or have been) engrained in magazine advertisements.
- c. According to your response to CC/USPS-T2-1, ten issues of Conde Nast periodicals carried inserts in 1998. Under your definition of engrained, how many of those ten inserts could be said to have been "engrained" in the advertisements?

**RESPONSE:**

- a. The requests made to Conde Nast from its advertisers are for advertising inserts. Some of these have a sample included as part of a multi-page advertisement. In the case of *any* insert, at least two pages of advertising are involved (the back and front), and, in some cases, many more pages. Thus, for example, a cosmetic sample pacquette is not just dropped in between random pages of a magazine, it is "engrained" in a larger advertisement, which is part of a magazine.
- b. An example of an insert that was engrained in a magazine advertisement was a sample *Biore Pore Perfect* strip, which was attached to, and made a part of, a *two-page advertisement*.

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- c. *All* ten of the inserts I described in my answer to CC/USPS-T2-1 were "engrained" in multiple-page magazine advertisements, because each was part of a "supplied" insert that was delivered ready-made to Conde Nast.

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**CC/USPS-T2-16.**

- a. During 1998, what was the maximum number of "eligible" inserts printed on paper stock that was heavier than the stock used to print the pages of the magazine itself (e.g., designed to meet mailing requirements for post cards) that were bound into a single issue of a Conde Nast periodical?**
- b. In your opinion, do these "eligible" inserts tend to (i) clutter up a magazine, or (ii) have a negative impact on editorial content, or (iii) distract readers from editorial content, or (iv) lead readers to confuse the single issue with an edition of a catalogue?**
- c. If you answer to the preceding question is anything other than unconfirmed affirmative, is there any number of eligible inserts (larger than the maximum number actually put into a Conde Nast publication during 1998) that would have such an effect? If so, in your opinion what would be a threshold range for that number of eligible inserts?**

**RESPONSE:**

- a. Conde Nast does not compile this information during the normal course of business, and I do not know the answer to this question.**
- b. No.**
- c. As a general rule, the volume of "'eligible' inserts printed on paper stock that was heavier than the stock used to print the pages of the magazine" do not cause problems at Conde Nast.**

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**CC/USPS-T2-17.**

- a. In your opinion, do "eligible" inserts on heavier weight paper stock that are bound into a magazine either (i) tend to clutter up the magazine, or (ii) have a negative impact on editorial content, or (iii) distract readers from editorial content, or (iv) lead readers to confuse the issue with an edition of a catalogue any more than "ineligible" inserts printed on cloth, leather or any other non-paper material?**
- b. In your opinion, do "eligible" inserts on heavier weight paper stock that are bound into a magazine either (i) tend to clutter up the magazine, or (ii) have a negative impact on editorial content, or (iii) distract readers from editorial content, or (iv) lead readers to confuse the issue with an edition of a catalogue any more than "ineligible" inserts such as pacquettes of hand cream, compact disks, or other similar product samples bound into a magazine?**
- c. In your response to CC/USPS-T2-11, you stated that you "do not believe that the inclusion of both a cosmetic product insert and a CD-ROM in a single issue of a magazine would 'clutter up magazines.'" Is there some number of such inserts that, in your opinion, would clutter up magazines? Realizing that it may not be possible to respond to this question with a single number, please provide a range (your own best estimate) on the maximum number of such inserts that a magazine could contain before you would consider it to be "cluttered up."**

**RESPONSE:**

- a. No.**
- b. No.**
- c. I do not believe that magazines want to become "test vehicles" for every advertiser's products. As to the "maximum number" of inserts that "a magazine could contain before" I would "consider it to be 'cluttered up,'" and serving as such a "test vehicle," however, I do not know. I think that such a decision would be better made by editorial and consumer marketing staff of Conde Nast, as well as by our readers.**

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REDIRECTED FROM WITNESS TAUFIQUE**

CC/USPS-T1-1. Your testimony at page 2 states that "in some instances, one may find a product sample in the newsstand copy, but a mailed copy to a regular subscriber may not include the same enclosure."

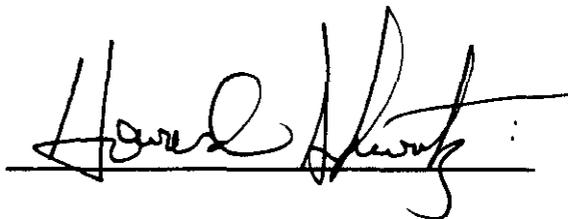
- a. For 1998, please indicate every instance of which you or the Postal Service are aware where product samples were found in newsstand copies but were not contained in any copies mailed to regular subscribers. If you are not aware of any such instances, please cite all facts and other information upon which you rely to support your statement.
- b. Please indicate the nature of the insert and, to the extent you know, whether the inserts in newsstand copies would have met the eligibility requirements described in your testimony.

**RESPONSE**

- a. To the best of my knowledge and information, newsstand copies of the February, April and September editions of *Glamour* contained product samples that were not included in copies of the magazine that were mailed to regular subscribers.
- b. Domestic U.S. newsstand copies of the February issue of *Glamour* contained a pacquette cosmetic sample from L'Oreal. Domestic U.S. newsstand copies of the April issue of *Glamour* contained a powder sample from Revlon. Domestic U.S. newsstand copies of the September issue of *Glamour* contained nail enamel and lipstick samples from Revlon. Each of these inserts would have met the eligibility requirements described in witness Taufique's testimony.

**DECLARATION**

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

A handwritten signature in cursive script, appearing to read "Howard Schwartz", is written over a horizontal line. The signature is fluid and somewhat stylized.

Dated: 12/1/99

## 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 black ink, appearing to read "Scott L. Reiter", is written over a solid horizontal line.

Scott L. Reiter

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December 1, 1999