

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

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POSTAL RATE COMMISSION
OFFICE OF THE CLERK

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
UNITED PARCEL SERVICE,
REDIRECTED FROM WITNESS ROBINSON
(UPS/USPS-T34-6, 9)

The United States Postal Service hereby provides its response to the following interrogatories of United Parcel Service: UPS/USPS-T34-6 and 9, filed on February 15, 2000, and redirected from witness Robinson. The Postal Service filed partial objections to these questions on February 25, and, although providing the attached answers, does not intend to thereby waive the objections previously asserted. The Postal Service and UPS are still engaged in informal discussion on these issues.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



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February 29, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UPS
(REDIRECTED FROM WITNESS ROBINSON)**

UPS/USPS-T34-6. Refer to the attachment (labeled Attachment to UPS/USPS-T34-6), which refers to the Postal Service's joint advertising campaign with Amazon.com and in which Postmaster General Henderson is quoted as stating that "The cost of the effort is 'several million dollars'"

- (a) Identify the cost segment in which the costs of this campaign are included.
- (b) Are all of the Postal Service's costs incurred in this campaign attributed to Priority Mail? If not, state (i) how those costs are attributed or assigned among the various classes of mail, and (ii) how much is attributed or assigned to Priority Mail for each fiscal year in which the program is in effect.
- (c) Provide the total costs to the Postal Service of this campaign, by fiscal year.

RESPONSE:

- (a) The costs will be included in the Advertising portion of Cost Segment 16.
- (b) Because these costs relate to FY 2000, and FY 2000 is still ongoing, it has not been necessary yet to determine how these costs will be allocated. It is reasonable, however, to expect that these costs will directly or indirectly be allocated to Priority Mail.
- (c) The Postal Service has objected that this type of detailed advertising cost information is proprietary, and because it relates to FY 2000, is not relevant to this proceeding.

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Tuesday September 28 12:36 PM ET

Amazon.com, P.O. Share Ad Campaign

WASHINGTON (AP) - The giant internet bookseller Amazon.com and the Postal Service are launching a joint advertising campaign.

The goal "is to position Amazon.com as the ultimate gift-giving destination and the U.S. Postal Service and Priority Mail as the preferred shipper of leading e-commerce companies," explained postal spokeswoman Judy deTorok.

Postmaster General William Henderson said the project was initiated during a meeting of the postal governing board in Seattle, when officials visited Amazon.com's headquarters to discuss common interests.

The cost of the effort is "several million dollars," a small part of the overall postal advertising budget, Henderson noted.

He said several other companies have approached the post office about similar projects and those discussions are in the early stages.

The campaign, announced today at a national postal convention in Chicago, is the latest of several cooperative efforts launched by the post office and major mail-order firms. Others include Eddie Bauer, Nordstrom and L.L. Bean.

While some television ads have already appeared, the Postal-Amazon.com campaign is scheduled to expand in mid-October, postal officials said.

They said the two sides share the costs of the ads and the cooperative effort will provide increased efficiency in advertising spending.

Tech HeadlinesMake a name
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Attachment to UPS/USPS-T34-6

http://dailynews.yahoo.com/h/ap/19990928/tc/amazon_postal_1.html

9/28/1999

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UPS
(REDIRECTED FROM WITNESS ROBINSON)**

UPS/USPS-T34-9. Refer to the attachment (labeled Attachment to UPS/USPS-T34-9).

(a) Provide the total cost to the Postal Service (including printing, postage, distribution, planning, design, and any other costs) of the program which resulted in Attachment to UPS/USPS-T34-9 being delivered to recipients, and state when those costs were incurred, and whether they were attributed /assigned in full to both Express Mail and Priority Mail, indicating the portion attributed/assigned to each. If all such costs were not attributed/assigned to Express Mail and Priority Mail, indicate the portion that was so attributed and state what classes or subclasses of mail were attributed /assigned the remaining costs.

RESPONSE:

The Postal Service has objected to providing specific cost information about specific advertising efforts. The attached advertisement was distributed as part of an advertising campaign conducted during the holiday season. Examination of the card reveals the myriad difficulties inherent in any attempt to allocate the cost of advertising to specific products based on an analysis of individual advertisements.

The front of the card is devoted entirely to service-wide messaging. It includes the Postal Service's logo, the "We deliver" slogan, and reference to the "Fly Like an Eagle" theme. There are no references to any specific products. The most focused target on the front of the card is people who are still engaged in "last-minute gift buying."

This target is even more focused on the back of the card, where customers "still searching for the perfect gift" are invited to consider the post office as the source of "great last-minute gifts." The products featured most prominently as suggested gifts on the back of the card are Money Orders and FIRSTCLASS PHONECARDS. Next most prominently featured are philatelic items ("Holiday and Collector's Stamps"). Last on

the list of prominently featured items are Retail items often on sale in postal lobbies ("Holiday Cards & Gifts"). Note that all of these "gifts" would be capable of being purchased and passed on to the recipient without any use of the mails. Only within the text does the card inform customers that Express Mail and Priority Mail are available to ensure timely arrival of those holiday gifts that might be mailed. The card also informs customers that they may call their local post office for its extended holiday hours, and provides the web address for the Postal Service's website.

Based on the pervasive theme of the local post office as a good source of a number of holiday gifts, the amount of helpful institutional information conveyed (e.g., that post offices will be open for extended hours during the holidays, the web address where large amounts of general information are available to customers), and the wide variety of products that are mentioned, the costs incurred to produce and distribute this ad cannot reasonably be traced to any product. Put in the more familiar terms of the incremental cost test, there is no reasonable basis to conclude that, if any one of the products mentioned were not offered, the Postal Service would have chosen not to incur the expenses related to this advertisement. While this statement is true with respect to all of the products mentioned, it is even more applicable with respect to Express Mail and Priority Mail, which receive only passing mention in the text. Moreover, to the extent that the focus of the ad is on actual, tangible "gifts" which can be given to another, Express Mail and Priority Mail are services which, by their nature, do not fit within this central message.

Therefore, based on this analysis, the Postal Service would not necessarily expect that the costs associated with this particular advertisement would be associated with any specific product or set of products.



Wrap up your last-minute gift buying. This holiday, Fly Like an Eagle.™

The holidays are right around the corner and you're still searching for the perfect gift. Well, look no further. Your post office has great last-minute gifts* like:

- Money Orders & FIRSTCLASS PHONECARDS™
- Holiday & Collector's Stamps
- Holiday Cards & Gifts

Send gifts Express Mail™ or Priority Mail™ to make sure they arrive on time. Everything you need is under one roof to help you fly through the holidays.

*Use section varies by location

Shop. Ship. Relax.

Call your local post office for their extended hours.
www.usps.com



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PRESORTED
FIRST-CLASS MAIL
POSTAGE & FEES PAID
USPS
PERMIT NO. G-10

POSTAL CUSTOMER

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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