

RECEIVED

MAY 22 10 33 AM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
CRPA-1

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

POSTAL RATE AND FEE CHANGES, 2000

)
) Docket No. R2000-1

**DIRECT TESTIMONY OF JOHN C. STAPERT
On Behalf Of**

**The Coalition of Religious Press Associations
Alliance of Nonprofit Mailers
American Business Media
Dow Jones & Co., Inc.
Magazine Publishers of America
The McGraw-Hill Companies, Inc.
National Newspaper Association
Time Warner, Inc.**

**Stephen M. Feldman
Law Offices of Stephen M. Feldman
601 Pennsylvania Ave, N.W.
South Building STE 900
Washington, D.C. 20004
Tel. 202-463-4960
Fax 202-463-4965
E-Mail sfeldman@justice.com**

May 22, 2000

1 Direct Testimony of John C. Stapert
2 (CRPA-T-1)
3
4

5 AUTOBIOGRAPHICAL SKETCH
6

7 My name is Dr. John C. Stapert. I am appearing as a witness in this proceeding on behalf
8 of the Coalition of Religious Press Associations and on behalf of the group of publishers listed on
9 the front cover of my testimony, which in this testimony will be referred to as the "Periodical
10 Publishers".

11 From 1990-98, I served as executive director of the Associated Church Press (ACP). I
12 continue as a member of the ACP, currently serving on its Postal Affairs Committee.

13 Prior to my work for the Associated Church Press, I served for seventeen years as editor
14 and publisher of *The Church Herald*, a magazine which serves the members of the Reformed
15 Church in America. I was also among the founding editors of *Perspectives*, a theological journal
16 established in 1986; I served that publication as managing editor from 1986-1994. These two
17 publications were (and remain) members of both the Associated Church Press and the Evangelical
18 Press Association.

19 Representing the religious press, I was a member of the United States Postal Service's
20 Mailer's Technical Advisory Committee (MTAC) from 1978-1990. I brought testimony before
21 the Postal Rate Commission on behalf of the Coalition of Religious Press Associations (CRPA) in
22 Dockets R87-1, R90-1, R94-1, MC95-1, and R97-1.

23 My education is that of a clergyman and a research psychologist, with subsequent study in

1 clinical psychology. I earned a B.A. in psychology at Hope College in Holland, Michigan, (1963),
2 an M.Div. At Fuller Theological Seminary in Pasadena, California, (1966), and M.A. and PhD
3 degrees in psychology at the University of Illinois (1968, 1969).

4 I have taught psychology at the college level, including the teaching of research design and
5 statistics. On a part-time basis, I worked in psychiatric medicine at the psychiatric Medical Unit in
6 Grand Rapids, Michigan, 1991-1994. In mid-1994, I relocated to Arizona, where I now maintain
7 a clinical practice in Scottsdale.

8 INTRODUCTION, SCOPE AND PURPOSE

9 I am the coordinator of the eight-member Coalition of Religious Press Associations
10 (CRPA). CRPA is a broadly ecumenical and interfaith group whose members share a
11 commitment to contribute to the moral and ethical fiber of this nation. Appendix A provides a
12 summary of the postal activities of the association which have come together for the purpose of
13 assisting the Commission in evaluating the proposed postal rates for preferred-rate, Periodicals-
14 class mailers.

15 Taken individually, the periodicals in CRPA are small. More than half have circulations of
16 20,000 or less. Three-quarters have circulations under 50,000 copies per issue. Despite these
17 small circulations, many CRPA periodicals seek to serve readerships spread across the United
18 States; this means thin distribution rather than dense distribution of copies. Thus, in many
19 instances, CRPA's members are not in a position to take advantage of postal discounts designed
20 and used by high-density periodicals.

21 Yet, the aggregate circulation of CRPA's member periodicals is substantial. The
22 American Jewish Press Association's periodicals reach 4.5 million readers. The Associated

1 Church Press' members have a combined, per-issue circulation in excess of 8.4 million readers.
2 The Catholic Press Association's publications go to 26.5 million subscribers. The Evangelical
3 Press Association's subscribers approximate 20 million. The Association of State Baptist Papers
4 counts a per-issue circulation of 1.7 million. The total yearly circulation of Seventh Day
5 Adventist periodicals is 46.2 million copies. Methodist conference papers' aggregate circulation
6 exceeds 24 million pieces.

7
8
9 SUMMARY OF TESTIMONY
10

11 CRPA, like all periodical mailers in this case, finds itself faced with significant rate
12 increases for the periodicals published by the religious organizations that it represents. Cost
13 increases in categories like mail processing, purchased transportation, and city delivery carrier
14 costs, among others, have driven the increases. For the combined subclass, Outside County,
15 proposed by USPS, the average increase is 12.7%, which follows an increase in January 1999 as a
16 result of R97-1. The postal cost increases exceed normal inflation during a period of time when
17 low inflation, as well as a healthy economy, characterized the U.S. economy.

18 The effect on nonprofit publications of these excessive and unacceptable cost increases is
19 two-fold: (1) Nonprofit organizations would have to budget for 20%+ increases in periodicals
20 postage, which is the tremendous amount many publications with high editorial content and low
21 weight would have to pay if the Commission does not stop the worsening trend of attributable
22 periodical costs which have, at best, tenuous connections to those costs and (2) the cost

1 explosion in the Periodicals class has caused anomalies, recognized by the Commission in MC99-
2 3, which resulted in some cases in regular rate postage's being less expensive than nonprofit
3 postage, and which (3) in this case has resulted in a USPS proposal, which relies on as yet
4 unrealized Congressional action to authorize the Commission to merge, for rate-making purposes,
5 regular, classroom, and nonprofit subclasses, and to create a 5% discount for classroom and
6 nonprofit periodicals within the new combined subclass, in order to cure the anomaly . Whether
7 the legislation passes by the time this case ends or not, the result for nonprofit periodicals under
8 the cost attributions of USPS is unjustified under either a merged subclass or distinct subclass
9 scenario.

10 CRPA supports the testimony of the MPA and of other periodical interveners which
11 exposes the relentless and unjustified escalation of costs supposedly caused by periodicals.
12 Removing these flawed attributable costs from periodicals is not only fair and equitable, but
13 correct allocation will put an end to the present absurd situation where periodicals contribute little
14 or nothing to institutional costs, yet pay some of the highest rate increases of any subclass. The
15 cost over-attribution has sharply circumscribed the discretion of the Commission to moderate
16 proposed increases for periodicals, because there is such a narrow margin between attributable
17 costs levels and the rates that periodicals pay. The flexibility of the Commission to moderate cost
18 coverages because of ECSI, for example, or other non-cost factors of sec. 3622(b)(3) of the
19 Postal Reorganization Act barely exists for periodicals.

20 At the same time, service for periodicals is inconsistent and unsatisfactory. Even if there
21 were a markup of significance for periodical mail, it should be lowered to allow for the actual
22 service received by this class. The USPS witnesses who addressed this question have conceded

1 that USPS does not monitor periodical service, and does not know whether or not periodical
2 service standards are met.

3 Moreover, there is little if any justification for a 2.5% contingency allowance of nearly
4 \$1.7 billion. USPS financial performance has exceeded expectations in recent years, and despite
5 the Internet expansion that began since the Commission's last omnibus rate decision, volume in
6 First class and Standard A continues to grow. Periodical volumes however, especially for
7 nonprofit publications, have declined. The proposed increase for nonprofit publications will drive
8 volume out of the Postal Service. The members of nonprofit organizations will have less
9 communication with each other and with the organizations they choose to support.

10 In the last rate case, USPS held out the prospect of savings for flats processing. These
11 savings have not happened, and USPS total factor productivity remains barely positive.

12 USPS' management failures permit USPS to request a bloated "contingency" of 2.5% of
13 the revenue requirement. This \$1.7 billion item, when combined with a \$268 million request to
14 cover prior- year losses, means that approximately two-thirds of the \$3 billion requested increase
15 has nothing to do with current service and delivery requirements. Periodicals will pay double-
16 digit rate increases in large part because USPS cannot budget expenses competently for a test
17 year, 2001, that begins in a little more than six months from now.

18
19 I. Attributable Costs Are Excessive For All Periodicals

20 Publishers have complained about the inexplicable and excessive increases in mail
21 processing and transportation costs for several past rate cases. The Commission, in Order 1289 in
22 this case, graphically illustrated the comparative escalation of periodical costs compared with

1 other flat-shaped mail, and with letters. The Commission has insisted that the Postal Service
2 explain this long-standing phenomenon. Periodical Publishers' witnesses Cohen, Glick, Stralberg
3 and Nelson review the history of this controversy, and offer thoughtful and informed alternatives
4 to the model used by USPS. Despite some tinkering with cost allocation, USPS has yet to solve
5 the cause of the supposed periodical cost growth, and legitimate questions about how USPS
6 ascertains attributable costs for periodicals remain unanswered. This state of uncertainty not only
7 causes almost predictable and cyclical litigation costs for the publishing industry, but more
8 importantly it results in the industry's spending tens, if not hundred of millions of dollars of
9 publishing revenues on postage which is calculated by unreliable costing methods. These expenses
10 could be otherwise spent on continued improvements in the dissemination of information to
11 subscribers.

12 II. Proposed Postal Increases Would Affect Nonprofit Periodicals Disproportionately

13
14

15 Periodical Publishers' and CRPA Witness Horton will present actual examples of how
16 proposed rate increases for nonprofit periodicals are far higher than the "average" increases stated
17 in USPS testimony, which combines nonprofit and regular rate publications into one subclass
18 (Outside County Periodicals). Witness Mayes, USPS-T-32, projects an average 12.7% increase
19 for the combined subclass.¹ Based on Witness Horton's testimony, USPS billing determinants,
20 (see, USPS Library Reference-LR-I-203, spreadsheets NP-A-N), and my own extensive
21 experience as an editor and as a nonprofit/religious publisher association executive, I would say

¹The submitted subclass is composed of approximately 7.5 billion pieces per year of regular-rate periodicals, 58.2 million classroom periodicals, and approximately 2 billion nonprofit pieces. Ex. USPS-32C, p.1 of 2.

1 that a typical nonprofit publication, including but not limited to members of CRPA, weighs about
2 4 ounces (or less), presorts more pieces to three-digit zip codes than to other presort categories,
3 (which are also used), and applies a barcode to qualify for automation discounts. It rarely carries
4 more than 20% advertising per issue. Non-local, national nonprofit publications generally use
5 only one postal entry point, with postal zones 4 and 5 representing the largest concentration of
6 volume, as measured by distance traveled. CRPA members and most other nonprofit
7 publications, are very small circulation periodicals, with circulations under 30,000 or even 20,000
8 copies per issue quite common. There are nonprofit and religious publications of large
9 circulations, e.g., over 200,000 copies per issue, but these are the exception, not the rule.

10 We used these assumptions to create a “composite” periodical which CRPA believes fairly
11 represents most of the publications that our members publish. Under current rates, that periodical
12 (zone 4, 3 digit barcode, 80% editorial, 4 oz.), pays 19.3 cents per copy; under the USPS Outside
13 County rate schedule (including the 5% discount), it would pay 23.5 cents per copy or an
14 increase of 21.8%, not the 12.7% “average” projected by USPS. Under the separate and
15 hypothetical nonprofit rate schedule produced in response to Presiding Officer’s Information
16 Request (POIR) No. 2, question 1, the publication would pay 24.4 cents per copy per copy or an
17 increase of 26.3%.

18 Because USPS has not been able to demonstrate credible causal relationships between its
19 costs and its pending rate package, and periodical rates as a consequence would soar, the
20 proposed solution has been the proposed extinction of the nonprofit subclass, assuming

1 authorizing legislation so passes.² Whether the discussed legislation passes or not, however,
2 either alternative, i.e., current rate design using USPS-developed costs or the new proposed rate
3 design relying on the same costs, results in a disaster for nonprofit and religious organizations.
4 This disaster will occur unless new analyses of cost allocation, like those presented by the
5 Periodical Publishers, are accepted. When the systemwide rate increase is 6.4%, the increases
6 that nonprofits face because of dubious costs, are unacceptable. The Commission must put an
7 end to years of USPS stalling and obfuscation on the problems of periodical cost increases. These
8 significant increases will accelerate the already steady decline of nonprofit periodical mail.

9 Witness Taufique considers impact of the rate design change for nonprofit publications in
10 terms of total pieces in the subclass, TR 17/7026; I instead look to how many mailers, i.e.,
11 churches, charities, universities, foundations, etc., are adversely affected by the pending Outside
12 County combined subclass. The subclass is made up primarily of smaller sized publications, and it
13 is the aggregate of the users which presents the argument that nonprofit mail, as Congress decided
14 in 1917 and thereafter, should have distinct rates and a distinct classification. Witness Taufique
15 and USPS unfortunately have no idea of how many publishing organizations, for-profit or
16 nonprofit, will be adversely affected by the large rate increase. TR.17/7028 . (“I have no way of
17 knowing what percent of these mailers are being affected by my proposal that I am going to take
18 to the Commission.”).

19 Once nonprofit rates are calculated in accordance with sound cost causation principles, as

²The Presiding Officer wrote an April 7, 2000 letter to the President of the Senate, Vice-President Gore, in which he stated that the USPS proposed rate design change prior to legislative action was “unprecedented”, and “seeming to create a nexus between the Commission’s administrative proceedings and the legislative process”. The Commission has to deal with the law as it is when the recommended opinion and decision is issued.

1 well as regard for the important editorial content they carry, these rates will stand again in
2 reasonable relationship with regular rate periodicals. At that time, which I hope will be the day
3 this Commission issues its opinion and the new rates will be implemented by the Governors,
4 Congress' intention that nonprofit publications pay one-half of the markup of comparable regular
5 rate periodicals can be fulfilled, and the existence of a separate nonprofit subclass would be
6 assured.

7 III. Purchased Transportation Is An Egregious Example of Overcharging Periodicals

8 Nonprofits, although high in editorial content, do have an interest in fair zoned advertising
9 rates. Witness Taufique's workpapers, LR-I-203 , spreadsheet NP-H shows billing determinants
10 for periodical nonprofit zones. Only 24.87% of advertising pounds are delivered by the publisher
11 to the SCF entry or to the DDU. On the other hand, 51.93% use zoned rates 4-8, with heavy
12 concentration in zones 4 and 5. Thus nonprofit periodicals are a very small subclass, about 1% of
13 total USPS mail volume. They cannot take up very much space in USPS transportation,
14 (especially at 4 oz. per average publication). Nevertheless, in the test year, after rates, USPS has
15 attributed \$60,977,000 of attributable purchased transportation costs to nonprofit periodicals,
16 which represent 15.4% of the volume-variable costs of these periodicals. Oddly, regular rate
17 periodicals, which do more dropshipping than nonprofits, and utilize DDU and SCF entries more
18 than nonprofits, pay 15.2% of their test year after rates volume variable costs to purchased
19 transportation, almost the same proportion as nonprofits which have a very different
20 transportation profile. Current data in the latest Financial & Operating Statements, A/P 8, PFY
21 2000, p. 8, show transportation costs (total mail volume) as 13.3% year-to-date above the same
22 period last year. This is many times over the year-to-date 2.5% volume increase over 1999.

1 Nonprofit volumes of course are lower than last year, and will be lower still after a rate hike of the
2 magnitude that is under consideration. Amazingly, USPS **planned** to spend over 13% more this
3 year than last year for transportation, since these costs are 4.6% **below** plan (so rising fuel costs
4 this year can't be the reason). This is a system which is broken, and needs to be fixed. In the
5 meantime, small circulation publications, whether regular rate or nonprofit, which predominantly
6 rely on USPS for transportation, should not pay for the cost of this inefficiency. Magazine and
7 newspaper circulations are relatively stable and predictable because of the periodicals' stated
8 frequencies and the rate of subscription renewals, so large increases in USPS transportation
9 capacity cannot be traced to these volumes..

10 In its R97-1 opinion, Vol. I, pp. 215-18, the Commission noted several problems with the
11 sampling used to allocate purchased transportation, in particular highway transportation, to the
12 various subclasses. The TRACS system, as described by USPS Witness Xie, USPS-T-1, samples
13 containers and loose mail in trucks, and in rail. However the tests occur on portions of a truck's
14 route, for example, at a time when the contents of the truck could well vary from the contents by
15 class, and the space taken up in the truck, at another stop. In addition, the empty space above a
16 sack, pallet or bedloaded bundles or other containers is allocated to the mail directly below the
17 space, i.e., the empty space above the floor on which the mail is placed. Four-year contracts with
18 postal contractors, usually renewed, determine the routes served and the type of vehicle used.
19 These contracts (except for specialties like Priority Mail, Express Mail and Alaska air) are not
20 designed for the transport of any particular class of mail. The size of a truck for example is
21 determined by the peak day of the week during which the largest volume of some subclass or
22 subclasses requires transportation.

1 The relatively high attribution of transportation costs to periodicals, based on an
2 inadequate TRACS system,³ should be reconsidered by the Commission. This is a system which
3 does not record the actual utilization of space by different subclasses, especially by periodicals.
4 The data collectors of TRACS are not full-time statistical analysts, in fact, according to witness
5 Xie, “there is [sic] no TRACS data collectors” because these are individuals who are part-time
6 TRACS samplers, employees who also do IOCS tests, RPW samples, as well as temporary
7 employees. TR. 17/6824. I assume that the degree of knowledge about the difference between
8 subclasses and the ability to accurately identify subclasses by this eclectic group greatly varies.

9 CRPA agrees with USPS Witness Bradley, who calculated volume-variability for the
10 different subclasses based on the TRACS sample data, that there is a “mismatch” between his
11 statistical cost base and the TRACS system of allocating transportation space, and thus cost
12 responsibility, to different mail classes. USPS-T-18, at 54-5, also, TR 6/2524-5: “And, in fact, as
13 you said, TRACS often will take just one leg of HCSS. And that’s what I meant by the mismatch,
14 is that to do a volume variability analysis, we’d like to know the volume on the contract cost
15 segment, and all that TRACS can give us is one leg of that contract cost segment, at best.”
16 [testimony of USPS witness Michael Bradley].

17 USPS has no “customized computer or analytical models that it uses in transportation cost
18 management.” TR.21/8923.(MPA/USPS-17). Also, although Postmaster General Henderson
19 recently promised major cost reductions which would affect revenues within the next several

³When asked by CRPA counsel why TRACS sampling does not distinguish between nonprofit and regular rate periodicals, whereas other subclasses within a class are identified by transportation accounts, Witness Xie had no explanation other than “Yes. That’s in TRACS sampling we do not ask data collectors to record subclass level for periodical.” TR.17/6841.

1 years, transportation will not be among the areas studied. See, OCA/USPS-99, TR.21/9153-6.
2 However, seemingly a seemingly contrary statement was made by USPS in its response to MPA-
3 17, above, when it stated, “The Postal Service has recently begun a study of transportation
4 utilization. It is expected that this study will lead to reductions in unutilized capacity.” It would
5 have been more useful if USPS had conducted this study, which its transportation witnesses failed
6 to mention, prior to this case. Certainly, this is not a new problem . Purchased transportation
7 costs for periodicals increased an average of 6.5% per year from 1995-8, USPS LR-I-217, p.3.
8 Publishers, like nonprofit and religious organizations, which use the USPS transportation system
9 for national distribution of their periodicals, require effective relief from this unfair burden now.

11 IV. Methods of Estimating Nonprofit Volumes Lack Important Data

12 Neither witness Tolley nor Thress included user costs borne by publishers in their
13 econometric equations used to predict periodical subclass volumes. First class and Standard A
14 user costs were measured, but not periodicals of any subclass. TR9/3613, (Tolley) and
15 TR9/3794, (Thress). *User costs are costs like mail presortation and other necessary steps to mail*
16 *a piece.* In Witness Thress’ words, “In the case of periodical mail, we were not asked by the
17 Postal Service to forecast periodical mail by presort of [sic] automation level, and, therefore, had
18 no occasion to do so.”, TR. 3794. Witness Thress then pointed out that “if you included user
19 costs in the price, then the effect of price would be higher, which means that independent of
20 changes in user costs, looking at a fixed point in time, for example, comparing before rates to
21 after rates in the test year, you would be starting from a higher before rates price because some
22 user costs added in.” Thus it appears that USPS econometric equations to calculate periodical

1 volumes did not include data that would have reflected even higher prices and lower volumes than
2 the declining volumes of nonprofit mail noted by Witness Tolley, USPS-T-6, p.96-7.

3 Nonprofit periodicals have an elasticity of -0.236, *id*, compared with an elasticity of -0.148
4 for regular rate periodicals, *id*, p.103. Witness Tolley testified that the proposed increase would
5 reduce nonprofit periodical volume over a five year period [assuming no further rate increase] by
6 2.25%.

7 The continuing decline of nonprofit periodical volume is not a “good” thing, but its
8 relatively higher elasticity than other periodicals and USPS’ probable underestimation of the full
9 effects of the proposed increase on periodicals presents another compelling argument for rooting
10 out unnecessary and doubtful costs from nonprofit periodical attributable costs.

11 Moreover, in his analysis, Witness Tolley assumed that periodicals receive “expeditious
12 distribution, dispatch, transit handling and delivery”. USPS-T-6, p. 84. However in response to a
13 CRPA interrogatory, Witness Tolley admitted that “No information on the extent to which the
14 Postal Service adheres to these provisions [in the domestic mail manual] was necessary for this
15 purpose and I have none.” TR.9/3609. Other USPS witnesses also admitted that USPS has no
16 evidence as to whether USPS achieves service goals for periodicals. Witness Mayes, USPS’
17 pricing witness, admitted that she had no idea if actual service monitoring studies for periodicals
18 existed. TR. 11/4582, and that her assumptions about the intrinsic value of service for periodicals
19 were based not on actual performance by USPS, but by service targets created by the Postal
20 Service. *Id*. Witness Taufique responded to an interrogatory by the Professional Football
21 Publication Association that USPS does not currently maintain any ongoing objective
22 measurement of Periodicals delivery performance, as it does for First class mail. TR. 17/7000.

1 Should the Commission determine that USPS' attribution of costs to periodicals is inordinate, and
2 thus the Commission reduces those costs, the resulting cost coverage which would then be
3 calculated from a lower cost base should not be increased on the assumption that periodicals have
4 a high intrinsic value of service.

5
6 V. The Proposed Contingency Allowance Is Not Required

7 CRPA endorses the testimony of William Morrow of Crain Communications, an ABP and
8 MPA member, on behalf of the Periodical Publishers in connection with the proper amount and
9 the application of the contingency allowance. Therefore I will make but several additional
10 observations about the facts concerning the contingency which struck me as particularly peculiar.
11 Basically, USPS witness Tayman was unable to articulate, why USPS needs nearly \$1.7 billion in
12 a contingency allowance at a time when USPS continues to collect revenues in excess of costs.
13 On pp. 43-44 of his testimony, he stated that "the outlook for the future is even more challenging"
14 to justify the test year contingency, and he then stated that "The Postal Service's financial
15 performance is under much greater pressure and is subject to substantially greater risks than it was
16 at the time of the last two omnibus rate cases." In response to DMA/USPS-T-9-47, Mr. Tayman
17 conceded that the latter statement is "subjective and intuitive", and that he did not "perform any
18 studies relative to greater risk in this rate case than in the last two rate cases." A glance at the
19 results of the last two omnibus cases is instructive: Witness Tayman's Ex.USPS-9L shows
20 cumulative positive earnings of \$15,653,000,000. Hopefully USPS will take the same "risk" in
21 this case as it did in those cases insofar as a low contingency is concerned.

22 Another matter that makes me doubt that USPS needs all the money it requests, especially

1 a contingency, is my reading of the latest USPS financial and operating statement through
2 Accounting Period 7, which reports that year-to-date, USPS has generated \$1,069,500,000 of
3 revenue in excess of cost. Total revenue and total expense are both 3.5% above last year's figures
4 (year-to-date.) While revenue is somewhat below plan, and expense is higher than plan, it may be
5 that the plan is deficient, not the financial condition of USPS.

6 It should be remembered that it was only 15 months ago that higher rates went into effect.
7 Nonprofit mail also absorbed an increase in October, 1998, when the final revenue foregone
8 subsidy ceased, and nonprofit publishers also absorbed significant additional software, fulfillment
9 and printing costs in 1997, as a result of "reclassification" in MC96-2. The impact of all those
10 rates and costs are just being fully absorbed. In reality, the contingency sought by USPS is for
11 "many uncertainties" (unnamed), USPS-T-9, p.44. The contingency is a cash account which will
12 be spent, regardless of cost or revenue conditions in the test year. See, Answer of Witness
13 Tayman to ANM/USPS-T-9-29, "In both the before and after rate scenarios, it is assumed that the
14 amount included for the contingency provision is spent... As reflected in the Postal Service's cash
15 flow forecast (LR I-127 p.232) *the contingency is reflected as a test year expense and cash*
16 *requirement.*" [Emphasis supplied]. It is a certainty that USPS will spend every dime it can get,
17 which hardly promotes efficiency. Hard-pressed nonprofit publishers should not be required to
18 fund this unnecessary expense.

1
2
3
4
5
6
7
8
9
10

CONCLUSION

CRPA supports the alternative costing models presented by the various experts of the Periodical Publishers. These alternatives will properly reduce the tremendous increase for nonprofit and other periodicals. This result in turn will permit the Commission again to take full account of the ECSI factor and other ratemaking factors which are vitiated when cost alone determines a rate. Adoption of the USPS periodical rate schedule will ensure the continued volume decline of nonprofit publication volume, and will discourage the commencement of new journals and periodicals. I strongly request needed and justified rate relief for the nonprofit and religious press from the exorbitant USPS propounded periodical rates.

**APPENDIX A
DESCRIPTION OF COALITION MEMBERSHIPS
COALITION OF RELIGIOUS PRESS ASSOCIATIONS (CRPA)**

American Jewish Press Association

The American Jewish Press Association (AJPA) represents more than 175 member periodicals with a combined readership of 4.5 million. Between 65 and 70 percent of AJPA's members are not-for-profit, and they send their periodicals as Periodicals-class, preferred-rate mail.

Associated Church Press

The Associated Church Press (ACP) has approximately 175¹ member periodicals located in thirty-one states and the District of Columbia. Their combined per-issue circulation exceeds 8.4 million. ACP member periodicals produce 130,000,000 issues per year. Fully 60 percent of the ACP's members have circulations of 16,500 or fewer, and an additional 22 percent have circulations between 16,500 and 50,000 per issue. Thus, although a few ACP members have large circulations, more than 82 percent of the ACP's member periodicals have circulations of 50,000 or fewer. All but a few ACP members are not-for-profit. The ACP's members are primarily magazines and newspapers that use Periodicals-class mail, but some members use Standard A mail—both at preferred rates

1. One member, a news service with 20,000,000 subscribers—mostly electronic—has been excluded from the ACP's figures because its use of the Postal Service is relatively small and because the inclusion of its data significantly distorts the general picture of ACP members.

Association of State Baptist Papers

The Association of State Baptist Papers (ASBP) consists of thirty-nine Baptist state papers ranging in circulation from 2,000 to nearly 300,000 and with a combined per-issue circulation of 1.7 million. Most of these papers are weeklies. Twenty-two of the thirty-nine have circulations of 20,000 or fewer. The average circulation is between 40,000 - 45,000 per issue. ASBP publications place nearly 80,000,000 copies of their newspapers the mail stream each year, all at nonprofit rates in Periodicals or Standard-A class. These Baptist papers are the principal means through which more than 14 million Southern Baptist Church members are informed of their mission work and benevolent ministries.

Catholic Press Association

The Catholic Press Association (CPA) includes some 600 Catholic newspapers, magazines, and newsletters in the United States with a combined per-issue circulation of 24.3 million. The average circulation per publication is just under 43,000 per issue. Almost all CPA members are not-for-profit. Many of the CPA's newspaper-members are diocesan (locally circulated), but most of the CPA's 250 U.S. magazines are mailed nationwide.

Evangelical Press Association

The Evangelical Press Association (EPA) consists of approximately 300 member periodicals and 100 individual writers. The periodicals have a combined, per-issue circulation of approximately 20 million. EPA members are located in thirty-five states and

the District of Columbia. The EPA's circulation profiles resemble those of other religious press associations: Well over half have circulations of 20,000 or fewer per issue; three-quarters have circulations of 50,000 or fewer. All but a few EPA members are not-for-profit. Its members primarily use Periodicals-class mail, but some members use Standard A-class—both at preferred rates.

Episcopal Communicators

The Episcopal Communicators Association's membership is 178 individuals, most of whom are editors, writers, or public-information officers of various Episcopal dioceses or institutions. Their publications are all not-for-profit and use either Periodicals- or Standard-A-class mail.

Seventh Day Adventist Press

The Seventh-day Adventist Publishers (SAP) are comprised of two North American facilities: Review and Herald Publishing Association in Hagerstown, Maryland, and Pacific Press Publishing Association in Nampa, Idaho. They jointly produce sixty-five Adventist periodicals. The most prominent publications are the *Adventist Review* with a weekly circulation of 45,000 (mailed Periodicals class) and an additional monthly distribution of 300,000 (mailed Standard A class); *Signs of the Times* with a monthly circulation of 216,000; *Liberty* magazine with a bimonthly circulation of 300,000; and *Ministry*, which is mailed monthly to 16,000 Adventist clergy and additionally to 70,000 non-Adventist clergy bimonthly. The total yearly circulation of SAP periodicals is 46.2 million copies; 39.5 million are mailed Periodicals class and 6.7 million are


mailed Standard A class, and all qualify for preferred rates.

United Methodist Association of Communicators

The United Methodist Association of Communicators represents some 60 annual conference (i.e. geographically regional) publications whose circulations range from 2,500 to 45,000. Publication frequencies range from weekly to monthly, but the combined annual volume of these regional Methodist publications exceeds 24 million pieces.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document in accordance with Section 12 of the Rules of Practice this 22nd day of May 2000

A handwritten signature in black ink, appearing to read "Stephen M. Feldman", written over a horizontal line.

Stephen M. Feldman