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POSTAL RATE COMMISSION
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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSE OF THE NATIONAL NEWSPAPER ASSOCIATION TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
(USPS/NNA-T1-1-4)**

(June 27, 2000)

The National Newspaper Association (NNA) hereby provides the responses of witness Heath to the following interrogatories of the United States Postal Service, which were filed on June 13, 2000: USPS/NNA-T1-1-4.

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

Respectfully submitted,

NATIONAL NEWSPAPER ASSOCIATION

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USPS/NNA T1-1 Please refer to your testimony on pages 14 (lines 23 &24) & 16 (lines 2&3) where you state, "But rather than extend that same logic to the DDU rate, the Postal Service has persisted in demanding that small newspapers either apply for additional entry or enter into Plant Verified Drop Shopping (sic) Agreements, which lead down the same path."

a. How do additional entry and PVDS lead down the same path? Please specify and explain fully the differences and similarities between (sic) PVDS, additional entry and exceptional dispatch from your perspective as a mailer.

b. Please confirm that under a PVDS agreement, an additional entry (which requires a fee when opened) is only required at the post office where classification, rate eligibility, preparation and presort are verified if that office is not also the periodicals original entry point (DMM P750.1).

c. Please confirm that a PVDS agreement does not require a mailer to establish a deposit account in each of the offices of destination entry or to provide marked copies and mailing statements at each of the destination entry offices.

d. Please confirm that under PVDS postage is paid at the post office where the copies are presented for verification (DMM P750.1.2(b))

RESPONSE:

a. The primary similarity among PVDS, additional entry and exceptional dispatch is that all three processes avoid costly transportation and processing steps within USPS. The primary difference between them is that the mailer is compensated for the work-sharing under PVDS and additional entry, but not for an identical amount of work in exceptional dispatch.

b. I assume the placement of "only" in this sentence is intended to imply that additional entry is required only where classification, rate eligibility, preparation and presort are verified. If that is correct, I cannot confirm the statement. I am not familiar with all of the Postal Service's practices in applying PVDS, but I am aware that for small newspapers, PVDS is not a practical option

due to time constraints in the publication and mailing process, and also because of lack of knowledge and equipment in many post offices for handling PVDS.

c. I have not reviewed all of the Postal Service's PVDS agreements and therefore am unable to confirm the statement.

d. In the situations with which I am familiar, I believe PVDS postage is paid at the post office where PVDS verification occurs, but most NNA members neither use PVDS nor do they have their mail verified with each mailing, whether or not they use PVDS. My work with many periodicals mailers--both newspapers and magazines--indicates that the Postal Service simply does not verify the piece or weight totals with each mailing in the great majority of circumstances when small publications have virtually the same mailing patterns from issue to issue.

USPS/NNA T1-2 Please refer to your testimony on Page 16, line 19 where you indicate, "little tolerance for an additional step."

a. Please confirm that "additional step" is verification of mail. If not please explain what is meant by "additional step."

b. Please confirm that logistically the only difference between exceptional dispatch and PVDS agreement is that with PVDS mail is verified by the Postal Service either at the origin DMU or the origin post office rather than after deposit at each exceptional dispatch office. Please explain any negative answer completely.

c. Please confirm that using PVDS would allow the mailer to obtain work-sharing dropship discounts with mail verification prior to dispatch entry offices as compared with exceptional dispatch (which places added administrative duties on postal personnel at each accepting office per Postal Handbook DM 701-section 2-8.7.6)

RESPONSE:

a. Not confirmed. I meant more than the simple act of verification, if the question means simply weighing a paper and confirming the presort status of the mail. PVDS is a time consuming process, involving precise scheduling and interaction with a USPS clerk, which may bog down the mailing enough to create deadline problems. Also many small post offices are not equipped to verify mail, nor do they have the expertise or staffing levels for doing so. The Postal Service's previous vows to improve the expertise and staffing knowledge have produced no change in the areas where our members mail. Also, most small newspapers do not have their own printing presses, but are scheduled for printing when their suppliers have the time to get them onto the press. These are among the reasons why PVDS is unrealistic for small newspaper mailers.

b. I am not sure I understand the question because PVDS is not permitted with exceptional dispatch nor do I have access to all of the Postal

Service's PVDS agreements. I have no way of knowing the variety of methods used to perform verification in PVDS, but I can confirm that within my knowledge, PVDS mail is verified by the Postal Service before the mail is accepted.

c. I cannot confirm the statement. I do not have a copy of the handbook referenced here, nor do I have any knowledge of "added administrative duties on postal personnel." I do know that many small post offices encourage exceptional dispatch as a method of correcting the problems of poor delivery of newspapers. In fact, I've known of postmasters who extended the DU rate even when it was not authorized because it made so much logical sense to them.

USPS/NNA-T1-3 Please refer to your testimony on page 8, lines 3-4, where you state, "In R97-1, NNA asked the Commission to recommend a discount equivalent to the DDU rate for periodicals volumes utilizing exceptional dispatch."

a. What is your estimate of periodicals volume that currently utilizes exceptional dispatch? What additional volume would use exceptional dispatch if your proposal is adopted. Please explain and document your estimates completely, showing all calculations. If you do not know the answers, please propose a method that would allow the Commission to estimate the volume.

b. How much of the exceptional dispatch volume identified in part (a) would take advantage of the DDU rate for periodicals volume utilizing exceptional dispatch.

c. What is your estimate of periodicals revenue that utilizes exceptional dispatch? Please explain and document your estimate completely, showing all calculations. If you do not know the answer, please propose a method that would allow the Commission to estimate the revenue.

d. How much of the exceptional dispatch revenue identified in part (c) would be lost because of any DDU rate for periodicals volumes utilizing exceptional dispatch.

e. How much of the revenue identified in parts (c) and (d) is in the In-County subclass?

f. What percentage of In-County revenue utilizes exceptional dispatch?

RESPONSE:

a. I do not have an estimate of the present use or projected use of exceptional dispatch since I do not have access to all periodicals' mailing records, but I assume that these figures are available to the Postal Service and can be produced if needed by the Commission. In my conversations with newspaper mailers, I regularly encounter the need for greater use of exceptional dispatch, but also I find some reluctance from mailers to shoulder additional cost without compensation, as well as incredulity that the Postal Service would expect a mailer to do his own hauling to get decent service in an adjacent area, but

would not compensate the labor. I do believe that within the broad scheme of periodicals mail volume, the likely impact upon postal revenues of extending the DU rate is minuscule. In some circumstances, like the several experimental cases recently proposed by the Postal Service, the only way to predict impact is to put a rate in place and to see how the market responds. If the Commission were to recommend a DU discount for exceptional dispatch and the discount were accepted by the USPS Board of Governors, I believe there would be ample opportunity for the Postal Service to recover from any incidental negative impact within a two year time frame if it intends to propose another rate increase for 2003, as I have been advised.

b. Please see my response to USPS/NNA T1-3(a).

c. Please see my response to USPS/NNA T1-3(a).

d. Please see my response to USPS/NNA T1-3(a).

e. Please see my response to USPS/NNA T1-3(a). I would point out that the Postal Service has testified in this case that it has no idea what mail comprises the In-County subclass. If the Postal Service does not know, I think it would be a safe assumption that the answer to that question is unknowable as a practical matter and that the only way to test the impact is to allow the DU rate for exceptional dispatch and to see how the market responds.

f. Please see my response to USPS/NNA T1-3(e).

USPS/NNA T1-4 Please refer to your testimony on page 8, lines 3-4 where you state, "In R97-1, NNA asked the Commission to recommend a discount equivalent to the DDU rate for periodicals volumes utilizing exceptional dispatch."

- a. How much of the volume identified in response to part (a) of USPS/NNA-T1-3 is in the In-County subclass?
- b. What percent of In-County volume utilizes exceptional dispatch?
- c. What is the average circulation of periodicals that use exceptional dispatch?
- d. Is it your testimony that all periodicals subclasses should be allowed to claim DDU discount when they use exceptional dispatch? Please explain completely.
- e. Do you believe that any DDU discount for exceptional dispatch volume should be limited to in-county publications? Please explain completely.
- f. Do you believe that any DDU discount for exceptional dispatch volume should be limited to publications with relatively small circulation?
- g. If your response to part (f) is affirmative, what circulation limit would you propose for the publications eligible for a DDU discount when they use exceptional dispatch?
- h. What percent of In-County revenue utilizes exceptional dispatch?

RESPONSE:

- a. Please see my responses to USPS/NNA T1-3(a) and (e).
- b. Please see my responses to USPS/NNA T1-3(a) and (e).
- c. Please see my responses to USPS/NNA T1-3(a) and (e).
- d. Inasmuch as the Postal Service proposes to wipe out two periodicals subclasses in this case, I assume the appropriate reference would be to "both" periodicals subclasses in the after-rates environment. I see no reason to distinguish regular rate from in-county rate periodicals for these purposes since small newspapers use both subclasses. Furthermore, I do not believe the impact

upon the Postal Service in extending the DU discount to both subclasses would be great given the logistics and expenses of exceptional dispatch and given the Postal Service's apparent belief that PVDS works well for mailers.

e. I should clarify that my references to DDU rate and to DU rate are synonymous. For reasons not clear to me, the DDU label refers generally to Standard A mail, while DU refers to periodicals, but in both cases, they involve mail drops to the delivery unit. I do not believe the DDU discount for exceptional dispatch should be limited to in-county publications. Many exceptional dispatch mailings are those that reach outside the county of entry and into an adjacent county where mailings would otherwise require a circuitous and time-consuming haul to an ADC or SCF before being returned to the region for delivery.

f. I believe the Commission may recommend such a limitation if it so chooses, but I believe the limitation I have already proposed in my testimony is adequate to protect the Postal Service from negative impact. However, I would point out that the Commission may wish to limit the exceptional dispatch volumes eligible for DU discounts to mail destined for Zones 1-2, rather than to elect to use the mileage limitation I proposed. The Zone 1-2 limitation may prove more practical for mailers and USPS.

g. I have not examined the question from the viewpoint of circulation limitations and am not competent to answer for the wide variety of publications that may use periodicals mail. But I see no logical reason to limit this discount on a circulation basis, however, because it's clear to me that for large publications, exceptional dispatch is not useful. Exceptional dispatch is realistic only for short

haul mail and is necessary only for periodicals with tight time constraints. These natural market forces would limit the use of exceptional dispatch to periodicals that must have it and are able to arrange for the transportation necessary to carry mail only short distances.

h. This question repeats USPS/NNA T1-3(f). Please see my response to that question.

DECLARATION

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

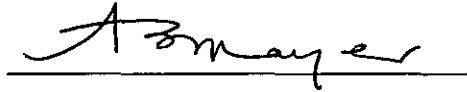
A handwritten signature in cursive script that reads "Max Heath". The signature is written in black ink and includes a long horizontal flourish extending to the right.

Max Heath

Dated: June 27, 00

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on 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 "A. Baden-Mayer", is written above a solid horizontal line.

Alexis Baden-Mayer

June 27, 2000