

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 2000

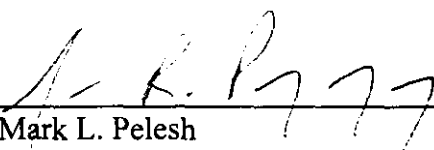
Docket No. R2000-1

RESPONSE OF ASSOCIATION OF AMERICAN PUBLISHERS
WITNESS STEPHEN SIWEK TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE
(USPS/AAP-T2-5-11)

The Association of American Publishers hereby provides the responses of witness Stephen Siwek to the following interrogatories of the United States Postal Service, filed on June 15, 2000.

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

Respectively submitted,



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RESPONSE OF ASSOCIATION OF AMERICAN PUBLISHERS WITNESS
STEPHEN SIWEK TO INTERROGATORIES OF
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USPS/AAP-T2-5

In your testimony at pages 4-7, you criticize the Postal Service's volume forecasts for BPM. Please identify where you have provided alternative TYBR and TYAR volume forecasts for BPM, and where you have provided complete documentation for those forecasts.

RESPONSE

It was not my purpose or my responsibility to develop an alternative TYBR and TYAR volume forecast for BPM. It is my understanding, that as a legal matter, it is the Postal Service that must justify its proposed rate increases to the Postal Rate Commission based on the Postal Service's own estimate of future volumes. The integrity of the Postal Service's rate increase proposals thus rests in part on the validity (or lack thereof) of the Postal Service's own volume forecasts. The integrity of the Postal Service's rate increase proposals does not rest on the validity of any alternative forecast that might be presented by a non-USPS party.

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USPS/AAP-T2-6

Please refer to the attachment to witness Kiefer's response to AAP/USPS-T37-23 (Tr. 13/5298-99), which you cite in your footnote 12.

- a. Please confirm that the attachment shows that BPM volume increased between GFY 1998 and GFY 1999.
- b. Please confirm that you neglect to mention this increase in your discussion on pages 4-5 of your testimony regarding recent volume trends.
- c. Please confirm that the attachment shows that, despite what you describe (page 5, lines 9-10) as a dramatic fall in BPM volume in 1998, BPM volumes remain higher than they were at any point prior to 1996.
- d. Please confirm that the attachment shows that, in contrast with the BPM volume decline in GFY 1998 of 33 million pieces (underscored in your testimony at page 4, lines 24-25), BPM volumes increased by 66 million pieces in GFY 1994, 51 million pieces in GFY 1995, 45 million pieces in GFY 1996, and 6 million pieces in GFY 1997.
- e. Please confirm that the attachment shows that BPM volumes have increased in each of the last six years except for GFY 1998, and that, in three of those years, the increases have been materially higher than the decline reported in GFY 1998.

RESPONSE

- a. Confirmed.
- b. Not Confirmed. I did not "neglect" to mention the FY 1999 data that you cite. I chose not to mention these FY 1999 data because I assumed that Mr. Kiefer's prefiled testimony (and presumably his opinions as to BPM rates) were based on his original version of Table 14 which did not include these FY 1999 data. Recall that the FY 1999 data included in Mr. Kiefer's response to AAP/USPS-T37-23 were not produced by the Postal Service to AAP until April 13, 2000.
- c. Confirmed.
- d. Confirmed.
- e. I confirm that the volume increases were higher.

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USPS/AAP-T2-7

Please refer to pages 6-7 of your testimony, where you discuss DOJ and FCC antitrust guidelines, and conclude that books and catalogs are “clearly” not in the same economic product market.

- a. Does this suggest to you that books and catalogs perhaps should be in separate subclasses? Please explain.
- b. In your opinion, was it a mistake to allow books into a subclass that was previously identified as “Catalogs”? Please explain.
- c. Have you attempted to model demand for the book and catalog components of the BPM subclass separately? Please explain.

RESPONSE

- a. My opinion is that books and catalogs are not in the same economic product market. I have not studied the question of whether books and catalogs should or should not be in separate postal subclasses.
- b. I have not studied the question of whether it was a “mistake” to allow books into a subclass that was previously identified as “catalogs.”
- c. I have not attempted to model demand for the books and catalog components of the BPM subclass separately. See also my response to USPS/AAP-T2-5.

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USPS/AAP-T2-8

Please refer to pages 5-7 of your testimony, in which you discuss the fact that the BPM subclass currently consists of both books and catalogs.

- a. Please confirm that the reason that books migrated from the Special Rate subclass (aka "Book Rate") to BPM was a (perfectly rational) desire on the part of book mailers to reduce their postage costs. If you do not confirm, please explain fully.
- b. Please confirm that if book mailers no longer perceive there to be rate advantages to mailing books via the BPM subclass, they have the option to switch back to the Special subclass. If you do not confirm, please explain fully.

RESPONSE

- a. I have not independently studied the reasons why books may have migrated from the Special Rate subclass to BPM. I am aware that in response to AAP/USPS-T37-3, Mr. Kiefer provided excerpts from the testimony of USPS witness Nai-Chi Wang in Docket No. R90-1 that addressed this issue to some extent.
- b. I have not studied the question of whether or not book publishers still retain the "option" to switch back to the Special subclass.

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USPS/AAP-T2-9

Please refer to pages 5-6 of your testimony, where you cite an interrogatory response from Dr. Tolley to show that the latest available (1998) Household Diary Study information on BPM indicates that 63.7 percent of the subclass material covered by that Study were identified as books.

- a. Please confirm that the same interrogatory response (Tr. 9/3596) shows that the corresponding figure for 1997 was 44.1 percent, for 1996 was 41.7 percent, for 1995 was 41.9 percent, for 1994 was 66.0 percent, and that the 1994-1998 average was 50.7 percent.
- b. Do the members of AAP have any information available that would provide another source of information on the portion of BPM volume that consists of books? If so, please provide that information. If not, would you recommend that such information be collected by the industry, in light of your apparent belief in the importance of this information? Please explain fully.

RESPONSE

- a. Confirmed.
- b. No. AAP does not have a study and has not assembled information which shows the portion of BPM volume that consists of books. Once again, it is the Postal Service's responsibility to present data that justifies its rate increase proposals.

Hence, I believe that it is important for the Postal Service to gather this information so that the USPS can follow the nine criteria of Section 3622(b) of the Act in developing its proposed rates. If the USPS cannot gather the information that is required under the Act to develop rate proposals for BPM, the Postal Service can always choose to forgo any rate increase for this subclass.

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USPS/AAP-T2-10

Please refer to page 7 of your testimony, lines 11-16, where you *discuss the difference in the range of substitution possibilities* between book mailers and catalog mailers in the event that the BPM subclass were to receive a rate increase. Please confirm that your discussion neglects to mention that book mailers have the option of switching back to the subclass designed for their use (the Special subclass), and catalogs mailers do not have the option to switch to the Special subclass. If you do not confirm, please explain fully.

RESPONSE

As noted in my response to USPS/AAP-T2-8 (b), I have not studied the question of whether or not book publishers still retain the “option” to switch back to the Special subclass. I have also not studied the extent to which catalog mailers may or may not be able to switch to the Special subclass. For these reasons, I can confirm that my discussion at lines 11-16 of page 7 did not mention this possible additional difference in the BPM substitution possibilities that are faced by catalog mailers as compared with the substitution possibilities that are faced by book mailers. To the degree that the interrogatory’s reference to the Special subclass as “designed” for book mailers implies that BPM is not “designed” for books, I disagree with the premise of the interrogatory. The Postal Service proposed, the Commission recommended, and the Governors

accepted that books are eligible to be mailed as BPM. Thus, it is "designed" for book mailers use just as much as the Special subclass and deserves the rate treatment discussed in my testimony.

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USPS/AAP-T-2-11

Please refer to page 31 of your testimony where you state that your workpapers make use of the spreadsheet workpapers of Postal Service witness Kiefer.

- (a) Please identify each of the changes you made to witness Kiefer's workpapers to produce the workpapers in Attachment 7 of your testimony, supporting the rates contained in Attachment 6 of your testimony. For each of these changes, please state whether the change was made to data, a formula, or to another component of witness Kiefer's workpapers.
- (b) Please identify each of the changes you made to witness Kiefer's workpapers to produce the workpapers requested in interrogatory USPS/OCA-T2-3, (sic) supporting the rates contained in Attachment 4 of your testimony. For each of these changes, please state whether the change was made to data, a formula, or to another component of witness Kiefer's workpapers.

RESPONSE

- a. The workpapers contained in Attachment 7 were developed by adjusting Mr. Kiefers workpapers as follows: In WP-BPM-1, Input Note 2 was changed from 117.62% to 104.92%. In WP-BPM-1, Input Note 13 [b] was changed to \$0.190. In WP-BPM-1, Input Note 13 [c] and [d] were both changed to \$0.0. In WP-BPM-15, Presort Bound Printed Matter, the values in column [D], rows [j] through [w] and in column [J],

rows [j] through [w] were changed to the values that appear in Attachment 7 at WP-BPM-15.

- b. No workpapers were provided by AAP in response to USPS-OCA-T2-3. I assume that your question refers to workpapers provided in response to CSPA-AAP-T2-3. The workpapers that were provided in response to USPS-AAP-T2-3 were developed by adjusting Mr. Kiefer's workpapers as follows: In WP-BPM-1, Input Note 13 [b] was changed to \$0.190. In WP-BPM-1, Input Note 13 [c] and [d] were both changed to \$0.0. In WP-BPM-15, Presort Bound Printed Matter, the values in column [D], rows [j] through [w] were changed to the values that appear in the workpapers for Attachment 4 at WP-BPM-15.

DECLARATION

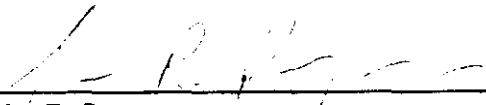
I, Stephen Siwek, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

SA S/mwA

Dated: 6/29/00

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.



John R. Przepyszny

Washington, D.C.
June 29, 2000