

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

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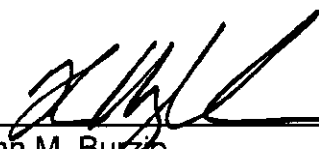
POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSES OF SATURATION MAIL COALITION
WITNESS BUCKEL TO INTERROGATORIES OF
ASSOCIATION OF PRIVATE POSTAL SYSTEMS (AAPS/SMC-T1-1)

The Saturation Mail Coalition hereby submits the responses of witness Buckel to interrogatories AAPS/SMC-T1-1, filed on June 16, 2000. Each interrogatory is stated verbatim and is followed by the response. Mr. Buckel's declaration will be filed on Monday, July 3rd.

Respectfully submitted,




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CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Thomas W. McLaughlin

June 30, 2000

RESPONSE OF SMC WITNESS BUCKEL TO AAPS INTERROGATORIES

AAPS/SMC-T1-1. You state at page 10, lines 18-20, that preprint advertisers have switched from mail to private carrier or to a combination of mail and private carrier, and at page 11, lines 1 and 2, you blame "rising costs for saturation mail" and an allegedly excessive pound rate.

- a. Please identify the advertisers to which you are referring and state when they made the switch that you suggest. (If the list contains more than twenty names, you may provide only the largest twenty.)
- b. For each advertiser identified in part (a), identify the private carrier to which the switch was made.
- c. Is it your contention that the costs of saturation mail have risen in the past three years?
- d. When is the last time that the postage for a saturation ECR mail piece weighing 6 ounces was increased, and what was the percentage increase?
- e. When is the last time that the saturation ECR pound rate was increased, and what was the percentage increase?

a-b. I do not have a list of advertisers or dates, but in the New York market every major preprint circular is now carried in private delivery or newspapers. The major private delivery operation in that area is Delivery Services of America. Their program is so filled with preprints, particularly heavier preprints weighing one to three ounces, that their packages frequently exceed 16 ounces in total weight. Shared mail is not competitive in this market, and mailed shoppers are basically confined to carrying very light weight preprints and single-sheet inserts. The cost disadvantage is significant. For a 12-ounce shopper including inserts, postage is \$406 per thousand (\$366 at the proposed rates), compared to a private delivery cost of around \$125 per thousand. This loss to private delivery has occurred over the last five or so years, and is due to the fact that the high pound rate makes saturation mail non-competitive except for light-weight pieces. Although we made efforts to entice several major retailers back into the mail, we were told that our rates were not close to those offered in private delivery.

In the Philadelphia market, preprints have been shifted out of the mail and into Advo's private delivery operations. Although most of this occurred several years ago,

Advo has within just the last six months started a substantial new private delivery operation in northern New Jersey, converting mailed preprints to private delivery. Advo has also converted preprints from mail to private delivery in the Cincinnati market in 1997. It is my understanding that these private delivery operations, which encompass about 2 million homes weekly, were undertaken primarily because of the high pound rate.

I would emphasize that the moderate reduction in the pound rate proposed by the Postal Service will not cause a major shift in the marketplace. Saturation mail would still be non-competitive for mid-size and heavier preprints. However, the lower pound rate would help at the margin to retain and compete for lighter weight preprints and also to encourage saturation mailers to stay in the mail.

c. Total costs have gone up. Although postage rates have not risen, I do not consider that to be a "stable" situation because the high pound rate is still as much out of sync with the marketplace as it was before, and will only encourage further shifts to non-postal delivery. I am not a cost expert but I believe the pound rate is also out of sync with costs. The rate for a 7-ounce saturation mailing is effectively double that for a 3.5-ounce mailing. In private delivery, the weight/cost relationship is only a fraction of that, and I cannot imagine that postal costs would be that much different.

d. 14.7 percent in 1995.

e. 14.5 percent in 1995.