

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

RECEIVED

JUL 3 1 59 PM '00

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF  
AISOP WITNESS ORLANDO BARO  
TO FIRST SET OF INTERROGATORIES OF  
ASSOCIATION OF ALTERNATE POSTAL SYSTEMS  
(AAPS/AISOP-T2-1-9)

Communications with respect to this document may be sent to:

Donna E. Hanbery, Esq.  
Executive Director  
Alliance of Independent Store Owners  
and Professionals  
3725 Multifoods Tower  
Minneapolis, MN 55402

June 30, 2000

AISOP WITNESS BARO RESPONSES TO AAPS

AAPS/AISOP-T2-1. For calendar year 2000 through May 3, what percentage of *The Flyer* copies were mailed at the piece rate?

**RESPONSE:**

See my answer to NAA/AISOP-T2-5b.

## AISOP WITNESS BARO RESPONSES TO AAPS

AAPS/AISOP-T2-2. (a) Please confirm that the May 31, 2000 edition of *The Flyer* that is marked "The Trail" and "908" weighs approximately 3.7 ounces, including inserts. (b) Please confirm that the base publication consists of 44 pages, nearly all of which is advertising, and that it measures approximately 7 inches by 11 inches. (c) Please confirm (or explain why you cannot confirm) that this edition contains the following inserts: (1) a four-page glossy for Navarro Pharmacies measuring approximately 8½ by 11 inches, (2) a one-sheet glossy with a pizza ad on one side and two separate home improvement ads on the other side, measuring approximately 8½ by 11 inches, (3) a one-sheet glossy with a Camis restaurant ad on one side and a Pearle Vision ad on the other, measuring approximately 8½ x 11 inches, (4) a four-page Amigo Supermarket ad, folded to measure approximately 9 inches by 11 inches, (5) a four-page Popular Discount glossy ad, measuring approximately 9 by 10½ inches, (6) a one-sheet glossy for Navarro Pharmacies promoting hair care products on each side, measuring approximately 8½ by 11½ inches, (7) a four-page Sedano's Supermarkets ad, folded to measure approximately 9 inches by 11 inches and (9) an ad for Best Look carpet and upholstery cleaners, measuring approximately 3¾ by 11 inches. (d) At what rate (*e.g.*, ECR saturation) was this publication mailed, and what was the per-copy postage?

### RESPONSE:

You requested of AISOP's counsel that I send you a "typical" copy of *The Flyer*. I did forward to you the May 31, 2000 zoned *Flyer* for the area known as "The Trail." I did not weigh the paper or measure the inserts in the publication before I sent it. The description and dimensions set forth in your question appear accurate but I cannot swear to each item as personal knowledge. I also forwarded a copy of the paper I sent to you to AISOP's counsel and this will be brought with me to Washington when I testify. The postal rate that this publication was mailed at would be the applicable ECR saturation rate for pieces entered at the DDU.

## AISOP WITNESS BARO RESPONSES TO AAPS

AAPS/AISOP-T2-3. You testify at page 2 that it is important to “maintain reasonable rates” for ECR mail. When was the last time that the rates for saturation ECR pieces like *The Flyer* were increased, and what was the percentage increase?

### **RESPONSE:**

January, 1995, 14.2%

The rates for saturation ECR flats did increase in January, 1999, but we were able to offset the increase by drop shipping our papers at the DDU.

## AISOP WITNESS BARO RESPONSES TO AAPS

AAPS/AISOP-T2-4. When you testify at page 3 that 75% of your business comes from customers with only one or two stores, does that percentage refer to the number of customers or to the amount of revenue?

### **RESPONSE:**

Approximately 75% of our revenue comes from customers with only one or two stores. If I was to calculate the number of our customers, including consumers, more than 95% of our customers are individuals, small businesses, or advertisers with no more than one or two stores.

**AISOP WITNESS BARO RESPONSES TO AAPS**

AAPS/AISOP-T2-5. You testify that ads for K-Mart, Wal-Mart and national grocers cannot be found in your paper. Can they be found in ADVO shared mail sets or other mailed products?

**RESPONSE:**

I have not seen K-Mart or Wal-Mart in the ADVO shared mail pieces that I receive. In my market, ADVO does carry some light weight pieces for Win Dixie, Publix, and Albertson's. I am more likely to see national grocers, or major or national retailers like K-Mart or Wal-Mart, in a newspaper insert or in a shared mail product offered by a newspaper TMC.

## AISOP WITNESS BARO RESPONSES TO AAPS

AAPS/AISOP-T2-6. You testify at page 4 that you are your customers' partner. If the Postal Service's proposed rates are approved, by how much will you reduce the advertising charges your customers pay?

### **RESPONSE:**

If the Postal Service's proposed rates are approved, our basic piece rate for saturation mail delivered to the DDU would increase by 5.3% and we would see a small reduction in the rates we pay for pieces weighing more than 3.2985 ounces. Based on these changes, I would not assume that we would reduce all of our advertising charges as implied by your question. Our advertising charges would need to be adjusted to reflect changes in our costs of postage, as well as other costs and competitive conditions.

It is likely that the modest reduction we would receive for heavier pieces would allow us to be more competitive with some of our major accounts for the distribution of their insert advertising. I know that some of the most favorable rates proposed by the Postal Service in this case are for Enhanced Carrier Route high density mailers that enter at the DDU. Our daily newspaper competitors that offer a mailed TMC program would see a rate increase of only .8% in their basic rate under the Postal Service proposal, as compared to our rate increase of 5.3%. This would allow our newspaper competitors to offer very favorable pricing to all of their customers and I am certain we would reflect these competitive conditions in our advertising charges.

**AISOP WITNESS BARO RESPONSES TO AAPS**

AAPS/AISOP-T2-7. You testify at page 5 that you are dependent upon the Postal Service's "keeping its basic saturation rate affordable." (a) Would that rate cease to be affordable if it were to increase no more rapidly than the CPI? (b) Is it your testimony that saturation rates never should be increased?

**RESPONSE:**

(a) It could. CPI may or may not reflect the competitive conditions that we face in the marketplace.

(b) No.



## AI SOP WITNESS BARO RESPONSES TO AAPS

AAPS/AISOP-T2-8. You testify at page 5 that significant price increases hurt small businesses. By how much would you be required to raise your prices to small businesses if the current saturation postage rates remain unchanged for the next three years?

### RESPONSE:

I do not know. Certainly, postage rates are a big part of *The Flyer's* expense budget. Approximately 27% of our revenues are paid to the post office. If current postage rates remained unchanged, we might not need to raise our prices for small business. But the prices we offer our smallest customers depend on other competitive conditions and our costs. If, for example, we continue to lose some of our larger customers to other media, we might need to raise all of our prices including the prices paid by small business to make up for the loss of revenue. This is one of the reasons why I hope the Postal Rate Commission approves the reduction in the pound rate so that we can retain more of the business of our successful and growing small business customers. Under the current rate scheme, it is frustrating for me to develop a small business customer into a successful, medium to large business only to have that customer then become a desirable target for my competitors.

## AISOP WITNESS BARO RESPONSES TO AAPS

AAPS/AISOP-T2-9. If, as you state at page 5, your customers are offered attractive deals by nonpostal competitors, why doesn't *The Flyer* shift to nonpostal delivery?

### RESPONSE:

See my answer to AAPS/AISOP-T2-8. I am not stating that all of our customers are offered attractive deals by our nonpostal competitors. It is our large customers that are fought for in the marketplace by other media and nonpostal competitors.

*The Flyer* prefers to have the Postal Service as its delivery provider so that we can focus on being publishers and advertising and market consultants and not a door hanger or delivery company. In my experience in attending meetings where other free papers are involved in both publication and delivery of their paper, the focus is split. Much of the energy and talent of management and business goes into growing the delivery business--seeking new and different customers other than traditional advertisers in the paper (like sample delivery, directories, etc.). Once you build the delivery machine, there is the compulsion to fill it and your management focus and company mission are divided.

As I hope is demonstrated in my testimony, *The Flyer* does an excellent job of providing cost-effective advertising services for individuals and small business. The sales force I supervise has a passion for this business. It is our primary mission. If we can continue to work on what we do best, and have the Postal Service be a cost-effective distribution supplier for us, this is the best solution for us and our customers.

DECLARATION

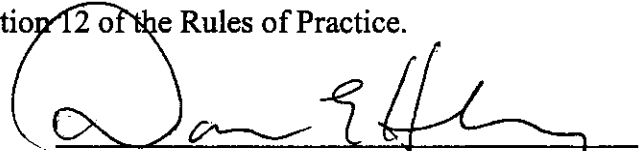
I, Orlando Baro, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Orlando Baro

June 27, 2000

CERTIFICATE OF SERVICE

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



---

Donna E. Hanbery

June 30, 2000