

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  
NEWSPAPER ASSOCIATION OF AMERICA (NAA/SMC-T1-1-5)

The Saturation Mail Coalition hereby submits the responses of witness Buckel to interrogatories NAA/SMC-T1-1-5, filed on June 19, 2000. Each interrogatory is stated verbatim and is followed by the response.

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

July 3, 2000

## RESPONSE OF SMC WITNESS BUCKEL TO NAA INTERROGATORIES

NAA/SMC-T1-1. Please refer to page 10 of your testimony where you state that since your last appearance before the Postal Rate Commission, the “competitive scale has tipped against shared mailers and in favor of hand delivery options.” Please also refer to page 11 where you state that the “[r]ising costs for saturation mail, combined with the artificially contrived, excessive pound rate, have tipped the teeter totter to favor hand delivery.”

- a. What saturation mail costs have risen since your last appearance before this Commission?
- b. Please refer to the testimony of Roger Merriman (also testifying on behalf of the Saturation Coalition) at page 5 where he states “[t]he stable postal rates of the last five years have been beneficial to my business . . . [t]hese have been the years of the greatest circulation growth in our saturation mail base and growth in our requester circulation for distribution outside our saturation coverage area.” Do you believe that the “competitive scale” has tipped against his business in recent years?
  - a. See my response to AAPS/SMC-T1-1(c).
  - b. I cannot speak for him. However, his testimony does point out that in rural areas such as the region his company serves, private delivery is less of a competitive alternative than in metropolitan areas, which was the focus of my statements.

## RESPONSE OF SMC WITNESS BUCKEL TO NAA INTERROGATORIES

NAA/SMC-T1-2. Of the three categories of saturation mail that you describe ("shopper segment", "shared mail", and "cooperative coupon), please provide your best estimate of the proportion each comprises of total saturation commercial ECR mail.

I do not have specific information. Shoppers predominate in terms of total number of saturation mailers, with many serving relatively small market areas. In terms of saturation volumes, my best guess is that shoppers account for 35-40%, shared mail accounts for 40-45%, and cooperative coupons account for 20-25%.

There is another important segment of the saturation market discussed in my testimony that is not included in the "saturation commercial ECR mail" category that you ask about -- namely, newspaper nonsubscriber total market coverage (TMC) programs typically mailed at the ECR "high density" rate, used in conjunction with newspaper insert distribution to subscribers to achieve saturation coverage. Many of the nation's largest newspapers who are members of NAA -- like the *Washington Post*, *Chicago Tribune*, *Los Angeles Times*, *Boston Globe*, *Providence Journal*, *Baltimore Sun*, *Atlanta Constitution Journal*, *Miami Herald*, *Palm Beach Post*, *Orlando Sentinel*, *Dallas Morning News*, *Houston Chronicle*, and *Kansas City Star*-- offer mailed TMC programs. In addition, many smaller newspapers who are members of the National Newspaper Association have TMC programs mailed at the ECR high density rate, as well as free community newspapers mailed at the ECR saturation rate.

The mail volumes of these newspaper TMC programs are substantial. I am told that, according to Postal Service billing determinant data, the volume of ECR high density flats (most of which is likely TMC) is about 16% of the volume of ECR saturation flats (most of which is likely shoppers and shared mail), a proportion that is growing. High density flats also have a higher average weight than saturation flats

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and a substantially greater proportion of volume over the 3.3 ounce breakpoint. About 44% of high density flats pay the pound rate compared to 28% of saturation flats. Moreover, the USPS data indicate that the volume of high density flats paying the pound rate grew about 18% from 1998 to 1999, whereas the volume of saturation flats paying the pound rate declined by about 11%.

I would also note that under the Postal Service's proposed rates, newspaper TMC programs using ECR high density rates would receive smaller rate increases than shoppers and shared mail programs using ECR saturation rates, and would benefit from the proposed reduction in the ECR pound rate.

## RESPONSE OF SMC WITNESS BUCKEL TO NAA INTERROGATORIES

**NAA/SMC-T1-3.** Of the three categories of saturation mail that you describe ("shopper segment", "shared mail", and "cooperative coupon), please provide your best estimate of the extent to which each qualifies for destination entry discounts.

I do not have specific information. Virtually all saturation mail qualifies for some level of destination entry. My guess is that it varies somewhat by the geography of the markets. In metropolitan markets, I expect that most shoppers and shared mail are drop shipped to destination delivery units, whereas in rural areas there may be more going to destination SCFs or even BMCs. Cooperative coupons typically are not drop shipped to destination delivery units, and likely go to either destination SCFs or BMCs.

RESPONSE OF SMC WITNESS BUCKEL TO NAA INTERROGATORIES

NAA/SMC-T1-4. Please confirm that the saturation ECR pound rate has not increased since July 1996. If you cannot confirm, please explain why not.

Confirmed, but see my response to AAPS/SMC-T1-1(c).

RESPONSE OF SMC WITNESS BUCKEL TO NAA INTERROGATORIES

NAA/SMC-T1-5. Please confirm that the saturation ECR pound rate has declined in real dollars since July 1996. If you cannot confirm, please explain why not.

Confirmed, but see my response to AAPS/SMC-T1-1(c).