

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

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Postal Rate and Fee Changes, 2000

Docket No. R2000-1
OFFICE OF THE SECRETARY

**RESPONSES OF NEWSPAPER ASSOCIATION OF AMERICA
WITNESS WILLIAM B. TYE TO INTERROGATORIES OF
ADVO. INC. (ADVO/NAA-T1-1-8)
July 3, 2000**

The Newspaper Association of America hereby provides the responses of witness William B. Tye to the following interrogatories of Advo, Inc. (ADVO/NAA-T1-1-8), filed on June 19, 2000. Interrogatory number ADVO/NAA-T1-2 has been withdrawn orally by counsel. Each interrogatory is stated verbatim and is followed by the response. A declaration is attached.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

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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.

July 3, 2000

William B. Baker
William B. Baker

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE TO
INTERROGATORIES OF ADVO, INC.

ADVO/NAA-T1-6. At page 36, you claim that the Postal Service has overstated Test Year ECR revenues, and at page 37, you criticize witness Moeller for "assuming that mailers will not increase the average weight of pieces" as a result of the proposed rate changes. If mailers, in fact, will increase the average weight of pieces, wouldn't that have the effect of increasing ECR revenues compared to witness Moeller's assumption? Please explain any negative answer.

RESPONSE:

See my response to USPS/NAA-T1-7.

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ADVO/NAA-T1-5. At pages 20-21, you criticize the Postal Service for proposing a pound rate decrease for Standard A ECR but a pound rate increase for Standard A Nonprofit ECR, and characterize this as "conform[ing] to a pattern of a [sic] 'stealth' competitive reductions."

- (a) What are the current pound rates for Standard A Nonprofit ECR mail by drop shipment tier, and how does [sic] those pound rates compare with the current pound rates for Standard A (commercial) ECR?
- (b) Are you aware of the pound rate that the Postal Service proposed for Standard A Nonprofit ECR in Docket R97-1, and how that proposed pound rate compared with the pound rate recommended by the Commission? If so, please state your understanding of the difference between the USPS proposed and Commission recommended pound rate, including the respective pound rates after discounts for DBMC, DSCF, and DDU drop shipment.
- (c) In light of the commercial and nonprofit ECR pound rates in part (b) above, is it still your contention that the Postal Service's proposal to increase the nonprofit pound rate while decreasing the commercial pound rate "conforms to a pattern of a [sic] 'stealth' competitive reductions." Explain any affirmative answer.

RESPONSE:

- (a) The current Nonprofit ECR pound rates are \$0.290 for None, \$0.211 for BMC, \$0.190 for SCF, and \$0.164 for DDU, which are all lower than the comparable current pound rates for commercial ECR.
- (b) Yes. Witness Moeller in Docket No. R97-1 proposed Nonprofit ECR pound rates of \$0.350 for None, \$0.278 for BMC, \$0.262 for SCF, and \$0.240 for DDU, which were all higher than the pound rates recommended by the Commission. The differences are \$0.060 for None, \$0.067 for BMC, \$0.072 for SCF, and \$0.076 for DDU.
- (c) Yes. The Commission's rationale for nonprofit ECR rates is not germane to my discussion.

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ADVO/NAA-T1-1. At page 11 of your testimony, referring to witness Daniel's unit costs by weight increment, you state that all of the Standard A subclasses show "rapidly increasing costs at the highest weights."

- (a) Please confirm that this statement refers to the last 15-16 ounce increment within the Standard A subclasses. If you cannot confirm, please explain over what weight range these "rapidly increasing costs" occur, and provide all data and analyses upon which you base this statement.
- (b) Does this statement apply to ECR high-density and saturation flats? If so, please provide all data and analyses that show "rapidly increasing costs at the highest weights" for ECR high-density and saturation flats.

RESPONSE:

- (a) Not confirmed. Visual examination suggests rapidly increasing costs onset at different weights. See the figures in my direct testimony at page 13.
- (b) Witness Daniel's response to ADVO/USPS-T28-13, revised 4/12/00 (Tr. 4/1358-1359) shows that costs are also rapidly increasing for ECR high-density and saturation flats.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE TO
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ADVO/NAA-T1-3. At page 14, you cite witness Daniels' statement that:

"The shape, origin/destination combination, cube, and level of presorting and dropshipping of mail can affect the cost of the mail."

You then claim:

"Even when [witness Daniel] attempts to control for worksharing and Basic/High Density/Saturation differences (at Tr. 4/1209-20 and 1351-59), she cannot sufficiently control for the other factors that vary across weight."

Please identify the "other factors that vary across weight" that you are referring to.

RESPONSE:

I was thinking primarily of the factors cited in your first quote. There may be other factors.

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ADVO/NAA-T1-4. At page 10, you discuss the thinness of IOCS tally data for ECR mail above 7 ounces. Is it your position that thinness of data is, by itself, a sufficient reason to reject any reduction in the pound rate for ECR mail?

RESPONSE:

Thinness of data is certainly one factor. But I also show that other possible justifications are not valid as well. See my direct testimony, pages 4-22.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE TO
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ADVO/NAA-T1-7. At pages 18-19, you state that the implicit cost coverage comparison used by witness Moeller for Standard A ECR mail would, if applied to Standard A Regular mail, require an increase in the Regular pound rate. Is it your position that this relationship between the ECR and Regular implicit cost coverages justifies maintaining an ECR pound rate that is nearly identical to the Regular pound rate? If so, please explain why.

RESPONSE:

No.

DECLARATION

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

William B. Tye
WILLIAM B. TYE

Dated: July 3, 2000

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE TO
INTERROGATORIES OF ADVO, INC.

ADVO/NAA-T1-8. Please provide the ECR rates (including rate elements) and percentage rate changes that would result from adoption of your rate proposal recommendations.

RESPONSE:

My rate proposal recommendations would depend on the Postal Service's updates using FY1999 cost data, which have not yet been provided by the Postal Service, and on the consequences of this data under the Commission's approved attribution methodology.