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

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Postal Rate and Fee Changes, 2000	Docket No. R2000-1

NEWSPAPER ASSOCIATION OF AMERICA
OBJECTION TO INTERROGATORY USPS/NAA 2(B)
August 21, 2000

The Newspaper Association of America ("NAA") hereby objects to section (b) of Postal Service follow-up interrogatory USPS/NAA 2(b), filed on August 11, 2000.

Part (b) of this interrogatory seeks newspaper-specific information confidential to certain NAA members and would require NAA to violate the terms under which the information was collected. NAA views that pledge of confidentiality as inviolable and will not violate its terms.

Argument

The sample that NAA annually collects on preprint insert volume is collected on a strictly confidential basis. Our pledge to our membership is not to release any data on any individual newspapers under any circumstances or to allow data to be reported in such a way as to enable an individual newspaper to be identified. Data is collected, aggregated and projected to represent the daily and Sunday newspaper industry, and we have thus agreed not to disclosure the data in a form other than the aggregated, extrapolated total.

The data NAA has in its possession is newspaper-specific and only a sample. Because the number of responding newspapers is far less than the total universe of newspapers, NAA extrapolates from the responses that it does receive to arrive at the total estimates that appear on the website. To perform this extrapolation properly, NAA must know which newspapers responded and the information that each provided. Thus the data is useless to anyone, unless they know the identity and characteristics of the newspaper submitting the data.

The explicit confidentiality pledge is necessary to ensure the largest possible number of respondents in order to enhance the likelihood of making reliable projections for this industry. If this pledge were violated, it would harm our ability to collect a sufficiently large representative sample to make industry projections. Newspapers are very sensitive—more than most industries—to disclosure of any financial information, *particularly* to the government. One reason for this is that, as the United States Supreme Court has noted, the government has in the past tried to hurt newspapers financially in order to influence newspapers' editorials and news coverage.[1]

As NAA anticipates explaining in its answer, to be filed soon, to other sections of the interrogatory, the initial collection of the 1998 data did not yield a good sample. A subsequent collection was undertaken this year and yielded a usable sample.[2] The 1998 projections from that data (as well as the 1999 projections) will be available in September and posted on NAA's web site.

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1 *Grosjean v. American Press Co.*, 297 U.S. 233 (1936)

2 The 1998 data to which the interrogatory refers were, for reasons that will be explained in response to interrogatory USPS/NAA 2(a), not adequate for developing the usual estimates.

Additional Points

In addition to the question of the confidentiality of member-specific data. NAA believes that it would have grounds for objecting to the entire interrogatory on grounds of relevance. It declines to do so, only because the Commission is perfectly capable of ignoring irrelevant data that find their way into the record.[3]

The amount of preprints carried by newspapers (or the rates charged) for that carriage is no more relevant than the amount of preprints carried (or rates charged) by Advo or other saturation mailers. What is relevant is that the Postal Service's own data show that reducing ECR rates would shift advertising out of newspapers and into the mail. Contrary to the apparent misunderstanding of several rebuttal witnesses, NAA is *not* claiming that the Postal Service is threatening the economic existence of the newspaper industry. These are good times for us, just as they are good times for our competitors.[4]

What NAA is claiming is that the Postal Service's own data show that postal rates have adversely affected newspaper advertising.[5] As a result, the American public has received less news and other editorial information.

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3 NAA also declines to object to the designations by the Postal Service and Val-Pak/Carol Wright of its response to VP-CW/NAA-T11(c) for much the same reason.

4 *See, e.g.,* the Advo news release taken from the web and attached to this motion.

5 As pointed out by NAA witness Tye, the Postal Service's volume forecasts for Standard A Enhanced Carrier Route mail are predicated, in part, on a measure of cross-elasticity between newspaper advertising and ECR volumes. *See* NAA-T-1 at 45 and Response of NAA witness Tye to Interrogatory USPS/NAA-T1-52. Witness Thress recently testified that his volume forecasts needed no readjustment in light of more current data. *See* USPS-ST-46.

For the foregoing reasons, NAA respectfully objects to interrogatory USPS/NAA-2(b).

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.

August 21, 2000

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ADVO Revenue Grows 13% For Its Third Fiscal Quarter

Revenue Growth Drives Record E.P.S.

July 18, 2000

Windsor, CT -- ADVO Inc. (NYSE: AD) reported strong revenue growth and record profits for its third fiscal quarter, ended June 24, 2000. Revenues were at record levels for the quarter, at $295.8 million, an increase of $33.8 million, or 12.9% versus the prior year period. Diluted earnings per share were $0.71 versus $0.58 for the prior year period, an increase of 22.4%. Operating income of $28.2 million exceeded the prior year period by $4.4 million, or 18.4%. As anticipated, operating income was reduced by a charge related to the realignment of the Company's sales and marketing areas and their supporting functions. This charge amounted to $4.2 million, or $0.13 per share. Excluding the charge, operating income would have been $32.4 million, up 36.3%, and diluted E.P.S. would have been $0.84, up a significant 44.8% versus the prior year period.

Core shared mail revenue grew substantially versus the prior year period, as third quarter shared mail revenues were up 10.6%, and all three components of shared mail revenue showed strong growth. Third quarter packages distributed were 783.4 million, up 2.0% versus the prior year period. Revenue per thousand pieces was $39.25, up 3.8%, and pieces per package were 8.75, up 4.6%.

The Company continued to post record margin results as well. Third quarter gross margin as a percentage of revenue of 29.8% improved 1.1 percentage points over the prior year period. SG&A was $59.9 million, up $8.5 million including the $4.2 million charge. Excluding the charge, SG&A was up only $4.3 million, or 8.3%. Third quarter operating income of $28.2 million increased 0.4 percentage points as a percentage of revenue versus the prior year period, to an all-time third quarter high of 9.5%. Excluding the charge, however, operating income as a percentage of revenue was 11.0%, up a full 1.9 percentage points.

Fiscal 2000 year-to-date revenue was also a record at $832.4 million, an increase of $48.2 million, or 6.1%, versus the prior year nine-month period. Year-to-date operating income was $69.4 million, or 8.3% of revenue, versus the prior year nine-month operating income of $57.3 million, or 7.3% of revenue. Reported year-to-date diluted E.P.S. of $1.69 increased $0.39, or 30.0%, over the prior year period. However, excluding the $4.2 million third quarter charge, as well as the $2.2 million charge taken in the first quarter related to the expensing of a consulting agreement between ADVO and its former Chairman, year-to-date diluted E.P.S. would have been $1.89, an increase of $0.59 or 45.4% over the prior year period.

Gary Mulloy, ADVO's Chairman and Chief Executive Officer said, "We are pleased to report our sixteenth consecutive quarter of record earnings. Particularly gratifying is our strong revenue growth this quarter, as our focus on growth is delivering significant improvements in our top-line results. We are also extremely pleased with our continued record margin results, and are on-track to exceed our 8% operating income margin goal this year, a year ahead of schedule." Mr. Mulloy continued, "Looking forward, we are very confident that we will meet current E.P.S. expectations for our fourth quarter. We expect our momentum to continue into fiscal 2001, and as a result, we are also confident with current E.P.S. expectations for next year."

ADVO is the nation's largest full-service targeted direct mail marketing services company with annual revenues of over $1 billion. ADVO specializes in shared and solo direct mail

services and provides Microtargeting® solutions at an affordable price for its clients' print advertising needs. The Company's core shared mail program is distributed nationally to approximately 60 million households weekly. Approximately 30 million additional households can be reached, on a shared mail basis, through ADVO's National Network Extension (A.N.N.E.). ADVO's wholly owned subsidiary, MailCoups, Inc., produces Super Coups, a cost-effective, direct mail-based advertising solution for local neighborhood businesses which utilizes an envelope format. ADVO has 20 mail processing facilities and 65 sales offices nationwide. ADVO's corporate headquarters are located at One Univac Lane, Windsor, Connecticut 06095.

The forward-looking statements in this report are based upon current information and expectations and are subject to risks and uncertainties in the Company's operations and business environment. Such risks and uncertainties include, but are not limited to, changes in customer demand and pricing, the possibility of consolidation throughout the retail sector, postal and paper prices, the efficiencies achieved with technology upgrades, and other general economic factors.

ADVO, Inc.

Results of Operations (Unaudited)

Three and Nine Months Ended June 24, 2000

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	June 24, 2000	June 26, 1999	June 24, 2000	June 26, 1999
Revenues	**$295,816**	**$262,058**	**$832,392**	**$784,194**
Cost of sales	207,800	186,931	593,094	567,365
Selling, general & administrative	59,861	51,352	169,939	159,488
Operating Income	**28,155**	**23,775**	**69,359**	**57,341**
Interest expense	4,719	3,567	13,515	10,616
Other expense/Interest (income), net	49	25	196	40
Income before income taxes	23,387	20,183	55,648	46,685
	8,653	7,770	20,590	17,974

Provision for income taxes	8,653	7,770	20,590	17,974
Net Income	**$14,734**	**$12,413**	**$35,058**	**$28,711**
Earnings per common share	**$0.73**	**$0.58**	**$1.72**	**$1.32**
Diluted Earnings per common share	**$0.71**	**$0.58**	**$1.69**	**$1.30**
Weighted average common shares:	20,178	21,305	20,367	21,783
Weighted average diluted shares:	20,694	21,493	20,714	22,057