

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TOLLEY TO INTERROGATORIES OF
THE AMERICAN BUSINESS PRESS
(ABP/USPS-T6-1-5)

The United States Postal Service hereby provides responses of witness Tolley to the following interrogatories of the American Business Press: ABP/USPS-T6-1-5, filed on August 20, 1997.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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September 3, 1997

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY
TO INTERROGATORIES OF ABP

ABP/USPS-T-6-1. At page 104, lines 19-20, you testify that a number of publishers use alternate delivery to save on postage costs. What is the source of that information? Please provide any studies or data on which you relied.

RESPONSE:

The references on which I have relied are as follows. Robert Perlstein, president and CEO of Lifestyle Change Communications, Inc., writes: "A number of publishers use alternative delivery services to save on postage costs. Inserts and samples ride along in a polybag targeted to demographics matching certain magazines." [Mill Hollow Corporation, DM News, June 5, 1996] Catalog Age magazine writes that "alternative delivery rose to a modest level of prominence in the late '80s and early '90s as a direct reaction to skyrocketing postal rates in '88 and '92." ["Alternative Delivery Hits a Wall," Cowles Business Media, Inc. Catalog Age, April, 1996]

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ABP/USPS-T-6-2. With respect to periodicals delivered by alternate means, what percentage of the following types of publications are delivered by such means: daily newspaper, weekly newspaper, weekly magazine, monthly magazine?

RESPONSE:

According to The Household Diary Study, the percentage of households in 1995 that received a daily newspaper by mail and not by mail were 2.4 and 48.0 percent, respectively. The percentage of households in 1995 that received a weekly newspaper by mail and not by mail were 15.4 and 9.2 percent, respectively. [U.S. Postal Service, The Household Diary Study, 1995. Table 5-4.]

According to The Household Diary Study, the percentage of households in 1995 that received a weekly magazine by mail and not by mail were 21.7 and 10.5 percent, respectively. The percentage of households in 1995 that received a monthly magazine by mail and not by mail were 72.4 and 26.9 percent, respectively. [U.S. Postal Service, The Household Diary Study, 1995. Table 5-6.]

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY
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ABP/USPS-T-6-3. At page 104, lines 19-20, you testify that a number of publishers use alternate delivery to save on postage costs. Is that the only reason? What other reasons are there?

RESPONSE:

While the cost of alternate delivery relative to postal cost is clearly a consideration, there may be other considerations. The only other reason I have seen alluded to is to distribute product samples and inserts. Referring to alternate postal delivery, an article in the Chicago Tribune states: "Alternate Postal ... distributes free product samples -- from toilet paper to potato chip -- and often drops coupons or ads in the magazine bags to help companies reach certain consumers." ["Private Firms Deliver the Goods; Rivals to Postal Service Court Magazine Publishers" Chicago Tribune (Feb. 11, 1996)].

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ABP/USPS-T-6-4. At page 104, lines 19-20, you testify that a number of publishers use alternate delivery to save on postage costs. Do publishers pay more for alternate delivery than they would pay for postage in order to obtain better service?

RESPONSE:

I have not identified any specific evidence of firms who choose to pay more for alternate delivery in order to obtain better service. However, it is possible that some firms are willing to pay more for alternate delivery depending on the extent to which they value particular services. Please see my response to ABP/USPS-T-6-3.

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ABP/USPS-T-6-5. At page 104, lines 19-20, you testify that a number of publishers use alternate delivery to save on postage costs. You cite a couple of press reports for your sources of information.

[a] Are you aware of any recent Postal Service studies of the alternate delivery of periodicals?

[b] Were you provided with copies or summaries of any such studies? If so, please identify

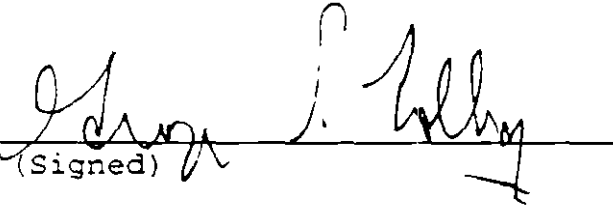
RESPONSE:

[a] I am not aware of any recent Postal Service studies of the alternate delivery of periodicals.

[b] No.

DECLARATION

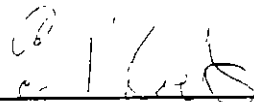
I, George Tolley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.


(Signed)

August 27, 1997
(Date)

CERTIFICATE OF SERVICE

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



Eric P. Koetting

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