

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

**EXPERIMENTAL RATE AND SERVICE
CHANGES TO IMPLEMENT NEGOTIATED
SERVICE AGREEMENT WITH
CAPITAL ONE SERVICES, INC.**

DOCKET No. MC2002-2

**RESPONSE OF NATIONAL NEWSPAPER ASSOCIATION
WITNESS JEFF M. DAVID
TO SECOND INTERROGATORIES OF CAPITAL ONE SERVICES, INC.
(NNA-T1-3-10)**

National Newspaper Association hereby responds to the following interrogatories.

Respectfully submitted

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COS/NNA-T1-3 You state on Page 4 of your testimony that, while the net contribution from Capital One's future mail volumes may increase, it won't equal the contribution that would be made if those volumes in excess of 1.225 billion paid the full First-Class per piece rates and were mailed in the absence of the agreement. If those volumes in excess of 1.225 billion were not to be mailed in the absence of the agreement, would additional volume mailed because of the discount incentive increase the net contribution to the Postal Service?

I'm not sure I understand the question, nor which 'discount incentive' you have in mind, but if the question suggests that in the absence of mail there is an absence of contribution, I would agree. But my agreement does not negate my assertion that failing—for no reason other than to reward volume—to capture the full contribution of mail that IS mailed unfairly deprives the Postal Service of revenue. It also deprives other users of the system of the full benefit of the contribution that otherwise would be paid.

NNA-T1-4 On page 8 of your testimony, you state that because the Postal Service is the sole source provider, “the businesses injured by these volume discounts do not even have the advantage of shopping around to find a less costly provider.” Is the advertising carried in your shopper, the Livingston Parish Dispatch, material that is covered and protected by the postal monopoly; and is it material that the advertiser can place either with you to be delivered in your Shopper to potential customers, or mailed directly to its potential customers?

I am not an expert on the private express statutes, Some of this material may be subject to the monopoly and some perhaps is not. I assume, whether or not it is covered by the private express statutes, it is mailable material and can be sent to potential customers either through a publication or directly.

COS/NNA-T1-5 Please confirm that you will neither be economically nor competitively injured by the Capital One NSA, assuming it produces a net contribution for the Postal Service. Please explain any negative answer to either parts of the question.

Not confirmed. Please see my response to COS/NNA T1-3.

COS/NNA-T1-6 On page 5 of your testimony, you state that, if the Capital One NSA is approved, “it will open the door for numerous petitions for volume based rates, which will create a major competitive advantage for large, nationally-oriented businesses in our economy.” Do you believe that the Postal Rate Commission should decline to recommend highly discounted rate categories that are based on work-sharing efforts that are largely limited to those that are high volume mailers because such discounts create a “major competitive advantage” for those large volume national mailers compared to small local business mailers?

I believe that if work-sharing is the basis for a discount, it should be provided to all mailers capable of performing the work involved. Discounts should not be based upon volume.

COS/NNA-T1-7 On page 7 of your testimony, you say that, while you are able to order as much as 25,000 gallons of ink annually, that is small compared to the amount of ink that Gannett Company is able to order, and that ink is priced by volume; and that you pay 20 to 40 percent more for ink than do larger purchasers. Do you believe that the government, either federal or state, should intervene to prevent large consumers of ink from gaining a competitive advantage against you because of their size, by prohibiting discounts based solely on volume and not related to any intrinsic and demonstrable cost savings to the vendor from the volume of the ink purchased?

I would have to know more about the basis of the discount before determining whether I believe state or federal laws regulating competition might be violated by a given arrangement.

COS/NNA-T1-8 Please explain how the Postal Service's monopoly position enables it to offer a lower discounted Standard A rate to advertisers who otherwise might place their advertising in your Shopper, the Livingston Parish Dispatch.

The Postal Service's monopoly position creates an economy of scale and scope that no other channel of printed material can equal, nor in fact, could attempt to equal under the law.

COS/NNA-T1-9 Isn't it true that the reason you really oppose the Capital One NSA is because you fear that, if it is approved, "it is not hard to imagine that direct mail businesses will be in line for their turn at major discounts."? (Page 9).

No. Please see my response to COS/NNA T1-3.

COS/NNA-T1-10

- (a) Please confirm that, your Shopper, the Livingston Parish Dispatch, is not eligible for periodical publication preferred rates, and the postal rates paid by your Shopper do not benefit from application of the educational and cultural rate criteria of the Postal Reorganization Act which is designed to benefit non-advertising media mail.

Confirmed.

- (b) Please confirm that your Shopper is predominantly an advertising vehicle that in no material way differs from other Standard Solicitation Mail sent through the Standard A rate sub-classes. If you cannot confirm, please present all the distinguishing characteristics for your Shopper that would differentiate it from the typical Standard A advertising piece, and submit several specimen copies of the Shopper.

I cannot respond to this question as I do not know what you mean by a “typical Standard A advertising piece.” I am placing several copies of the Dispatch, and of my newspaper, the Livingston Parish News, on file as a library reference.

- (c) Please explain why your Shopper, which is predominantly an advertising vehicle, should be protected from the more efficient operations and consequent lower rates that are available to larger advertisers, merely because the owner of the Shopper also happens to be the owner of an eligible preferred-rate periodical publication that has been and remains favored by both the Postal Reorganization Act and by the decisions of this Commission over the years.

I am not seeking protection. I am seeking fairness.