

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Complaint of Time Warner Inc. et al.)
Concerning Periodicals Rates)

Docket No. C2004-1

**RESPONSE OF NATIONAL NEWSPAPER ASSOCIATION
(NNA) WITNESS HEATH
TO FIRST SET OF INTERROGATORIES OF TIME WARNER et al.
TW et al/NNA T1-1-8
(September 30, 2004)**

National Newspaper Association witness Heath hereby provides responses to the first set of interrogatories of Time Warner et al. The interrogatories are stated verbatim and followed by the responses.



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TW et al./NNA-T1-1

Your testimony discusses the possible use of containers other than sacks, such as tubs or APC's, to enter low-volume newspapers. At page 10 you describe experiments in some locations where the outgoing portion of certain newspapers is entered in tubs:

"In these experiments, newspapers may place small bundles or even unbundled loose newspapers prepared in proper sortation in the white, two-handled tubs that are so ubiquitous within the system that I suspect every office has several.

These tubs do not seem to present the same problems with opening and emptying that sacks have sometimes created. They are cheap, easy to handle and easy to stack. They go right to FSM1000 flat-sorting machines."

- a. Please explain what you mean by the term "proper sortation."
- b. Please confirm that when newspapers are entered in this manner, the tubs, unlike sacks and pallets, are not presorted or labeled for particular ADC, 3-digit or 5-digit destinations but rather used for placement of all outgoing bundles and loose pieces. If not confirmed, please explain how the tubs are used.
- c. Is it your understanding that these tubs are used only to transport the mail to the nearest processing plant, where the tubs are emptied of their contents? If not please explain how you believe the tubs are being used in the processing and transportation of newspapers.
- d. Assume that in a given tub a newspaper mailer enters a bundle of ten newspapers that is presorted to a distant ADC. In addition, he enters some loose pieces. Based on your understanding of how the Postal Service handles the mail in these tubs, do you believe that the ADC bundle will maintain its integrity until it gets to the destination ADC? Or do you believe it will be broken at the originating processing plant and its

pieces sorted on an FSM-1000 (assuming such a machine exists at that plant)?

- e. If a tub, as you indicate, goes directly to an FSM-1000 machine, which sorts pieces rather than bundles, can one then not conclude that the bundling of those pieces, which would have to be undone before they are fed into the machine, simply adds to the work that must be done by postal clerks and that it would be better to simply leave the pieces unbundled? If you have received or are aware of any comments regarding this point by Postal Service officials, please describe them.
- f. Would you agree that the tubs in question can be viewed as having a Mixed ADC presort level?
- g. Under the current rate structure, do mailers who use these tubs pay the basic presort rate?

RESPONSE:

- a. Proper sortation refers to any and all requirements of DMM-prescribed presort for Periodicals' rate eligibility, including 6 or more copies to the carrier-route, 5-digit, 3-digit, ADC, or Mixed ADC. Such sortation also maximizes delivery with more direct bundles than the required 24-piece level, although some publishers may choose to presort at this higher level per bundle and container. Proper sortation would also include all combinations of bundles per container as prescribed by DMM M920 and other sections for combining carrier route with 5-digit to some destinations, multiple 5-digits to some destinations, and multiple 3-digits to some

destinations. Experiments to date have included 5-digit and 3-digit, although most have been limited to a particular SCF or ADC.

- b. Not confirmed. While tubs may be most commonly used internally, in the experience cited, the same pink Periodical tags used in sack tag holders are inserted in tag holders on tubs. Delivery improved considerably (1-3 days). Postal processing personnel have suggested such tub use to solve systemic delivery delays within SCFs and beyond, including North Houston in the 1990s. In 2003 it was implemented as a pilot program in Jackson MS 390-392. In 2004 it was begun in Tulsa OK P&DC for 3-digit 740-743, ADC 740, and Mixed ADC 740. Oklahoma City P&DC has been requesting publishers place newspapers in tubs since 2002 for 3-digit 730-731, ADC 730 and Mixed ADC 730. (In Oklahoma the number of handling for sacks from inbound dock to outbound dock is 14, for flat tubs it is 9.) In Maine since July 14, 2004 eight newspapers were placed loose in tubs in an experiment for 5-digit and 3-digit sorts replacing sacks within 3-digit 040-049. Mailers are using tubs to prepare newspaper Periodical mail in lieu of sacks, plain and simple, resulting in improved delivery and less cost.

- c. Not necessarily. In some cases tubs were used to move mail from associate offices to hubs, including SCFs and ADCs, and then back out to associate offices. Some of the mail, depending on sortation, was placed on flat sorters to be sorted and dispatched with other such mail.

- d. I am not yet aware of situations where distant ADC mail was prepared in tubs, but only mail to the ADC of origin. Should USPS allow more widespread use of tubs by Periodical small-volume Periodical publishers, I would not rule out preparation to distant ADCs, but don't necessarily encourage it, as there is unclear service value. I would not envision mixing loose mail not for the ADC in question. Your question does not make it clear whether the loose mail would be for the same or other ADCs, but if a bundle was inside a tub to a distant ADC, I would expect that bundle to maintain its integrity better than a similar bundle in a sack, and at least as good and likely better than a shrink-wrap bundle on a pallet. Newspapers in tubs are not necessarily tied in bundles, as the tub is, in effect, the container for the bundle. While it certainly could be broken at the original processing plant under current rules (if tied in a bundle) and put on either an FSM1000 or perhaps even an AFSM100, depending on piece size and weight, I am suggesting a future that would get mail out of sacks, as USPS and complainants prefer, and much of the newspaper industry would prefer if the option were provided.
- e. As indicated by my response in d., copies in tubs to a carrier route, 5-digit, or 3-digit would not necessarily be tied. They were not done so in Oklahoma or Maine. It would be my belief that they should not. If tied, yes, they could increase unbundling costs. But if prepared loose in tubs, half-fold newspapers fit as if the tubs were made for them, and should be easy to unload into either flat-sorting

machine decks. In the experiments referred to, comments have not indicated any such problem. In fact, the Maine experiment with eight newspapers is being expanded to the entire state to include many more titles.

- f. Yes. Mailers who use these tubs in experiments at present pay the same presort level of the sack, since they are the surrogate for the sack.

TW et al./NNA-T1-2

On page 10, you refer to some mailers of small newspapers being allowed simply to enter bundles of newspapers on a postal facility's loading dock, or placing them in APC's or other rolling stock.

- a. Do the practices you describe refer to outgoing newspapers that will be taken to the nearest processing facility for distribution to the rest of the world?
- b. Are you referring to bundles that are presorted and secured according to regulations covering the bundling of Periodicals? Or are you also referring to loose copies? Please explain.
- c. Are you aware, and have you personally observed, what happens to these bundles after they arrive at the processing facility?
- d. Based on your own observations and on your understanding from conversations with Postal Service officials, please state what you believe happens to the newspaper bundles that are entered in this manner after they arrive at the processing plant. Are they taken to a (manual or mechanized) bundle sorting operation, from which the bundles are sent on to their different destinations, or are they just taken to a piece sorting operations where individual copies are sorted?
- e. Would you agree that an APC used in this manner has a Mixed ADC presort level, given that it may contain mail to any ADC?

RESPONSE:

- a. Yes. The practice referred to is a mostly hypothetical one since the Postal Service hasn't explored this alternative in practice, as far as I know, but some discussions on this topic have been held.
- b. In the hypothetical, bundles would be prepared and securely tied.
- c. No.
- d. Since I have not witnessed these experiments personally, I am assuming they are worked logically. Some might be worked on a belt operation within a plant where bundles are manually sorted for the SCF or even ADC, some on current SPBS machines, and in the future, on more productive APPS machines as deployment continues in 2005-2006 and beyond. Piece sorting at the origin plant probably would not occur except for those pieces for delivery within the 5-digits processed by a particular plant.
- e. No. The bundles would be replacements for sacks. Sacks to multiple destinations placed in an APC with First Class and other mail from associate offices for the convenience of USPS transportation are not subjected to a Mixed ADC presort level, as they move through the system intact to the appropriate destination level.

TW et al./NNA-T1-3

You indicate on page 8 that a typical small newspaper may send about 750 copies at Outside County rates.

- a. Realizing that the percentages may vary, which portion of the 750 Outside County pieces would typically be to neighboring counties?
- b. Approximately what portion of the 750 Outside County copies would typically go to distant destinations (e.g., to areas served by other ADC's)?
- c. According to the FY2003 billing determinants, there were about 800 million In-County pieces last year. Extrapolating your estimate that a typical NNA member has circulation of 3,500, of which about 750 are Outside County pieces, that would indicate that about 220 million Outside County pieces are mailed by In-County mailers. Does this appear to you as a reasonable estimate? If no, please indicate what you believe is a reasonable estimate of Outside County pieces sent by In-County mailers. Please indicate also approximately what proportion of the Outside County pieces from In-County mailers you believe is sent beyond neighboring counties to more distant locations. If you believe the numbers are significantly different in and outside "snowbird" season, please provide estimates for both cases

RESPONSE:

- a. Since the elimination of the intra-SCF rate in R2001-1, it is more difficult to estimate that answer since most neighboring-county copies have been forced from SCF rate level to higher zone 1-2 rate level. But my belief is that from 20-50% of the copies could be in adjoining counties.
- b. About 20-30%. (However, note that many copies outside adjoining counties stay in the SCF or origin ADC, so this answer is not necessarily the balance of question a.)
- c. This appears to be a reasonable estimate, but it is difficult to know the precise answer. USPS has never seemed to know, so I wouldn't presume certainty. The proportion of about 20-30% was answered in b. While "snowbird" subscribers increase the percentage of Outside County pieces from September-April, the percentage varies by region and latitude. It could easily be 5-10% in many communities and more in some northern climes.

TW et al./NNA-T1-4

- a. Is it reasonable to assume that of the copies sent by small newspapers to distant locations there seldom are more than at most a few copies that go to the same 5-digit ZIP code area? If it is not, please explain.
- b. If a small weekly newspaper has some copies going to a distant 5-digit zone, how many copies would there need to be to that zone before you would advise (sic) the newspaper to use a 5-digit sack to that location?

RESPONSE

- a. Yes and No. While in many situations there are limited quantities to the same 5-digit, it is a rather common occurrence for “snowbirds” from many communities to migrate to the same towns in Florida, Texas, Arizona, etc., and form their own “snowbird” expatriate communities with the same ZIP.
- b. NNA always recommends, and most community newspaper postal software accommodates, sortation of 6 or more pieces to the same 5-digit ZIP code for both rate purposes and to maximize delivery with direct sacks. Less commonly, NNA recommends, and members exercise, their privilege to sort fewer than 6 pieces to the 5-digit or 3-digit ZIP when delivery problems under the present inefficient processing and transportation structure of USPS denies newspapers proper expeditious treatment within service standards. The Postal Service has long admitted that it sometimes cannot solve its delivery problems, and therefore has extended this privilege to mailers, who are paying the same postage for the copies delivered on time and those that are not.

You state at page 8, lines 10-12, “Newspapers would be happy to prepare larger, fewer sacks, if the Postal Service could achieve the delivery it promises with those larger sacks.” You also indicate, at lines 7-8, that use of “skin sacks” helps in getting “not better service, but minimum service at the service expectation set out by the Postal Service.”

- a. In the few cases you know of where mailers are allowed to use tubs or APC’s to enter their Outside County pieces, have you found that this results in (1) equal or (2) better service than if the pieces were mailed in skin sacks?
- b. Have you found that ability to achieve “reasonable” service without resorting to “skin sacks” varies significantly from one destination to another? Would you say it varies more with the location from which newspapers are mailed or with the destination to which they are sent?
- c. Are you aware of any study, by the industry, the Postal Service or other parties, that compared the service levels achieved for newspapers mailed to distant destinations using, respectively, 5-digit, 3-digit, ADC, or mixed ADC sacks? If yes, please describe all such studies and the results obtained.

RESPONSE:

- a. Yes. The information from NNA members and state associations in areas where tubs have been used is that virtually all delays within an SCF or ADC were resolved, or at least so improved as to please subscribers compared to prior service from sack levels.

- b. Yes. The quality of service provided by processing plants varies greatly, but USPS is an equal-opportunity abuser of Periodicals sack mailers, with systemic delays in some regions for mail within the SCF and ADC. However, it is harder for small newspapers to have any effect on the system the further it gets from point of entry, and snowbird destinations are infamous for providing delayed service, worse during the winter seasons in Florida, Texas, Arizona, etc.
- c. No.

TW et al./NNA-T1-6

You state at page 8, lines 3-5, "Newspapers are often told by postmasters to use these low-volume sacks after other efforts to improve service have failed."

- a. Are you aware of any postmaster or other USPS official telling newspaper mailers that use of low-volume sacks is not advisable because it increases Postal Service costs and that those additional costs will be attributed to the Periodicals class? If yes, how often is this type of advice given?
- b. What "other efforts to improve service" are you referring to?

RESPONSE:

- a. Yes. Some postmasters do advise against them out of fear that small-volume sacks won't be given good treatment, or mis-sorted. Mostly postal headquarters and Area operations personnel advise against their use as more costly and less efficient. But those who care about customer service and want to protect postal volumes predominate with skin-sack advice. The Postal Service speaks with many voices, and until the institution can meet Periodical Service Standards, it should side with delivery over costs. The Postal Service's failure to provide timely delivery is the root problem, not the mailer who is forced to use low-volume sacks. I believe the complainants in this case desire to shoot the wounded to put them out of their misery.

- b. First and foremost, Publication Watches, USPS Form 3721, which are uniquely useless and only serve to satisfy a customer that the publisher is making some effort to improve the system. Second, USPS Consumer Service Cards, PS Form 4341, which have been revised to “We Want to Know” cards in recent years. Third, complaints by recipients to delivery post offices where mail is not received on a timely basis. Fourth, complaints to origin postmasters, both by publishers and out-of-area subscribers, seeking help. Fifth, complaints to Congressmen, which are usually answered with form letters from USPS about its commitment to service but that rarely resolve systemic problems. Many postmasters at delivery offices blame the newspaper and tell subscribers that newspapers do not enter papers on a timely basis, when in fact, virtually all newspapers enter mail into the system immediately after printing the weekly, multi-weekly, or daily issue.

On page 9, line 2, you state that "Forklifts are required to move them [pallets]."

- a. Have you ever seen a pallet being moved by a pallet jack?
- b. Are you aware of the fact that a pallet can be moved by one person using a pallet jack?
- c. Are you aware of the fact that if you type in the words "pallet jacks" into Google, you will receive about 38,200 hits?
- d. Are you aware of the fact that Google displays an ad for pallet jacks that only cost \$219.00 at www.lolbiz.com?
- e. How many rural post offices have receiving docks?
- f. Has NNA conducted any studies of rural post office receiving procedures? If so, please provide any such studies.
- g. When mail arrives at most rural offices from the P&DC or other upstream facility, do not the USPS truck drivers move palletized product from their trucks to the DDU's using a pallet jack and not a fork lift?
- h. Do not most DDU's process their incoming mail on the day that it arrives, so that there is no need to stack pallets at the DDU?
- i. Cannot one person move an empty pallet without the use of a fork lift or pallet jack? If no, please explain fully.

RESPONSE:

- a. Yes.

- b. Yes.
- c. No.
- d. No. But the problem is not exclusive to small newspapers, but very much applicable to small post offices. Perhaps complainants would like to go to www.lolbiz.com and buy pallet jacks for the 20-30,000 small offices that lack them, or suggest to USPS that they fund them.
- e. I don't know and I doubt the Postal Service could respond either. But I do know that many, many small rural post offices where our members operate do not. Often, only the main county post office has a dock, with the smaller rural offices lacking one.
- f. No, but we understand the world our members reside in, far from the world of the large magazine industry. I personally visit scores of small towns each year, and see many rural post offices without loading docks and without ability to accept DDU pallets.
- g. Perhaps, at those offices with docks.
- h. Depending on volume on most delivery days, yes. But many small post offices are bursting at the seams with no room for mail, so the need to stack pallets is beyond the range of possibility.
- i. Yes.

TW et al./NNA-T1-8 On page 9 of your testimony, you discuss Interlink CM2

software.

- a. Please confirm that you are a client of Interlink CM2.
- b. Please confirm that according to its website (www.ilsw.com/about.php) Interlink "has grown to include more than 1,000 daily and weekly newspapers."
- c. Please confirm that the Interlink website contains the following statement:
"Interlink's software-based service makes it possible for a clerk to handle your total circulation—everything from billing a renewal to taking the last penny in postal discounts—all without being either a circulation expert or postal wizard."
- d. Please confirm that "taking the last penny in postal discounts" requires Interlink to make programming changes which reflect any changes in the rate structure and DMM rules.
- e. Please confirm that Interlink also states the following on its website:
"Interlink's communication system includes more than 10 Centrex phone lines plus a high-speed T1 connection to the Internet. The office computer systems include the latest Windows and Linux servers to manage files, Internet access, and internal and external email. Interlink's web servers are positioned internally and externally for maximum reliability, performance, and security."

- f. If Interlink has such a large customer base, sophisticated computer systems, and the ability to "take the last penny in postal discounts," why would it not keep pace with any rate structure changes resulting from the approval of the proposed rate structure? Please explain fully.

RESPONSE:

- a. Confirmed.
- b. I accept their word that is so. I haven't reviewed their customer records.
- c. Agreed. But certainly some training is required in the operation of that software. Also there are numerous NNA newspapers that lack the proper computers or computer expertise to benefit from the training. There are newspapers in America still using index cards and Address-o-graph machines for labels, which may surprise the big-city publishers in this case.
- d. Agreed. It is PAVE-certified. But not for pallet use under present PAVE requirements.
- e. Agreed. They assure me that they provide that.
- f. I did not say that it would not keep pace. That does not necessarily mean newspapers will have the ability to use this software, the capital to purchase it and the personnel to run it. And it does not necessarily mean pallets would be possible for newspapers, even if they all had the necessary software. My point was that pallet modules are not in use, nor often affordable, and NNA members need rules less stringent to allow use of sack software to prepare pallets, since packages on those pallets are identical.