

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes,)
2006) Docket No. R2006-1

**ANSWERS OF MPA/ANM WITNESS COHEN
TO AMERICAN BUSINESS MEDIA INTERROGATORIES
ABM/MPA/ANM-T2-18 through 23, 27 and 47
(October 10, 2006)**

The Magazine Publishers of America, Inc. (“MPA”) and Alliance of Nonprofit Mailers (“ANM”) submit the answers of MPA/ANM witness Rita D. Cohen to American Business Media interrogatories ABM/MPA/ANM-T2-18 through 23, 27 and 47, redirected from MPA/ANM witness Sander Glick. Each question is stated verbatim and then answered.

Respectfully submitted,

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R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-18
(REDIRECTED FROM MPA/ANM WITNESS GLICK)

ABM/MPA/ANM-T2-18. In response to ABM/MPA/ANM-T2-2(c), you state that the Postal Service should provide rate “incentives” to co-palletize or co-mail even to those who already engage in these practices. In response to ABM/MPA/ANM-T2-2(b), you define an “incentive” as something that incites or tends to incite to action or greater effort, as a reward for increased productivity, or as a positive motivational influence.

(a) Assume that a mailer now palletizes 100%, or as close to 100% as physically possible, of its pieces. If there is a new “incentive” to palletize under consideration, what action or greater effort, what greater productivity or what motivation could that “incentive” incite or have with respect to this mailer?

(b) Assume that a mailer now co-palletizes and/or co-mails 100%, or as close to 100% as physically possible, of its pieces. If there is a new “incentive” to put mail on pallets, rather than in sacks, under consideration, what action or greater effort, what greater productivity or what motivation could that “incentive” incite or have with respect to this mailer?

(c) Is it important to your or MPA/ANM’s position in this case that the rate proposal by MPA be considered to be an “incentive” to those mailers already performing the worksharing activity that the proposal seeks to promote, or is it sufficient that it be viewed as an appropriate rate design to reward mailers for the worksharing activities they already perform? Explain.

RESPONSE

I assume that, consistent with the dictionary definition quoted by MPA/ANM witness Glick, there is a comma in the second sentence of your question before the phrase “as a reward for increased productivity” in your interrogatory.

(a)-(b) For mailers that are now palletizing or co-palletizing 100% of their mailings, a “new” palletization incentive would most likely serve as a reward for increased productivity, i.e., their current preparation of lower-cost mail.

R2006-1
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(REDIRECTED FROM MPA/ANM WITNESS GLICK)

Moreover, since there aren't any inherent physical barriers to palletization or co-palletization, I would assume such a "new" palletization incentive could incent mailers with less than 100% palletization to try to reach 100%. Further, the "new" incentive could even affect the behavior of mailers that already co-mail or co-palletize 100% of their mail. If, for example, the cost of co-palletization were to increase, the greater incentives provided by our proposed rate design could prevent or minimize a reversion to "solo" preparation.

(c) Neither. The MPA/ANM proposal should be viewed as what it is – an appropriate rate design that serves to create incentives for mailers to engage in worksharing that reduces the combined costs of mailers and the Postal Service, and would not occur without the incentives. Unless the volume of periodicals that are co-mailed and co-palletized were completely insensitive to the level of the discounts offered, the MPA/ANM proposal will induce additional co-mailing and co-palletizing, which will increase efficiency. Increased efficiency is important to MPA and ANM.

Compared to the Postal Service proposal, the MPA/ANM proposal also results in lower rates for many mailers that already perform worksharing activities and better aligns rates with costs. These outcomes seem reasonable to me as well.

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-19
(REDIRECTED FROM MPA/ANM WITNESS GLICK)

ABM/MPA/ANM-T2-19. In response to ABM/MPA/ANM-T2-2(c), you state that not all mail that can be co-mailed or co-palletized is at the margin and that, for some mail, “even deeper discounts will be too small to compensate for the additional costs to the mailer.”

(a) Do you agree that there are some types of Periodicals mail that cannot now be co-mailed or co-palletized irrespective of any reasonable cost-based rate incentive that might be adopted (assuming that the mailer is unwilling to alter the basic nature of the publication)?

(b) If your answer to part (a) is in the affirmative, please explain your understanding of the types of Periodicals that cannot be co-mailed or co-palletized.

RESPONSE

(a)-(b) I do not agree that there are some types of Periodicals mail that cannot be co-mailed or co-palletized irrespective of any reasonable cost-based rate incentive that might be adopted. As I described in my testimony, there are weekly publications that are being comailed today, even though there are more logistical impediments to co-mailing or co-palletization for this “type” of periodical. A decision by a group of tabloid-shaped periodicals to co-mail or co-palletize would make these steps feasible even if these periodicals cannot participate in co-mail pools with smaller-format publications. I do agree that there may be periodical mailers who do not feel that they can be co-mailed or co-palletized today given their individual circumstances.

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-20
(REDIRECTED FROM MPA/ANM WITNESS GLICK)

ABM/MPA/ANM-T2-20. Assume that there is a weekly publication that in order to obtain the delivery time deemed essential by the publisher must be air freighted immediately after printing and then entered into the mail and that, to obtain that delivery and assure that its editorial content is as fresh as possible, must be printed as soon as possible after its editorial closing time.

(a) Do you agree that it is possible that this Periodical cannot be co-mailed if it is to obtain the service deemed necessary? If not please explain.

(b) Do you agree that it is possible that this Periodical cannot be co-palletized if it is to obtain the service deemed necessary? If not please explain.

RESPONSE

(a)-(b) The answers to your questions appear to follow tautologically from your assumptions: if a publisher deems its publication too time-sensitive for co-mailing or co-palletizing, then the publication is too time-sensitive for co-mailing or co-palletizing. I note, however, that even a highly time-sensitive periodical could be co-bound without losing its editorial freshness by coordinating its production and mailing schedule with another periodical. Whether it is possible for the weekly publication described to actually comail or copalletize will depend on its individual situation and the publisher's level of motivation. The deliberation would not be dissimilar to that which the publisher described in your question apparently undertook to determine that the significant expense of air freighting the publication was justified by the benefits.

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-21
(REDIRECTED FROM MPA/ANM WITNESS GLICK)

ABM/MPA/ANM-T2-21. Do you agree that co-mailing is generally not available for tabloid size publications? If not please explain.

RESPONSE

I agree that, at the current time, limits on trim size variations tend to exclude tabloids from typical co-mail pools. I don't agree, however, that co-mailing is not technically feasible for tabloid size publications. Larger postage discounts could make it easier to establish tabloid-only co-mail pools. Further, I believe tabloid publications can be co-bound with other tabloids in an in-line comail process.

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-22
(REDIRECTED FROM MPA/ANM WITNESS GLICK)

ABM/MPA/ANM-T2-22. Do you agree that co-palletizing generally causes a delay of at least hours and sometimes days in the printing plant between printing and leaving the plant? If not please explain.

RESPONSE

Not necessarily. If the publication is sent to a third party consolidator such as Fairrington for co-palletizing, then co-palletizing may not cause any delay before the publication leaves the printer. Perhaps, however, your question is really asking whether co-palletization adds time to the production process, then I agree that co-palletizing can cause a "delay" of hours or days in the overall production process, depending on individual circumstances. The time involved will depend on many factors, including volume levels at the facility doing the co-palletizing and transportation distances. I do not believe, however, that co-palletization generally increases the time between printing and in-home delivery. Dropshipping of pallets will reduce delivery time compared to origin-entered sacks. In addition, I understand that existing co-palletization operations have achieved good consistency in delivery, an important consideration for periodicals.

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-23
(REDIRECTED FROM MPA/ANM WITNESS GLICK)

ABM/MPA/ANM-T2-23. Do you agree that, in general, co-mailing requires more sophistication and more capital investment by the mailer than does co-palletization? If not please explain.

RESPONSE

Because co-mailing is generally performed by printers, it should not require more sophistication or capital investment by the publishers themselves.

Whether the printers that actually perform the co-mailing need more sophistication and capital investment than printers and third-party vendors that provide co-palletization cannot be answered “in general,” given the variety of different models and methods for co-mailing and co-palletization.

For some printers, comailing might require more sophistication and capital investment than co-palletization. The level of capital investment will depend on the type of comailing being used – I believe that even for a full-featured, off-line comailer, costs can vary depending on number of pockets and configuration. In addition, comailing can be performed on Sitma machines, which many printers already use for polywrapping. Further, printers can employ in-line comailing, which uses existing binding equipment. In terms of “sophistication”, comailing has become more established in recent years, which I believe makes it adoption easier for less-sophisticated printers.

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-23
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There is also variation in the degree of sophistication and capital investment required for co-palletization. Co-palletization can be done onsite by a printer or the printer can utilize the services of a third-party co-palletizer. Co-palletization involves capital investment if the operation is mechanized rather than manual. In addition, co-palletization may require substantial investment in space, not only for co-palletization equipment but for staging both before and after the co-palletization operation. A co-palletization operation that processes publications from multiple printers or printing plants will likely require a fair degree of sophistication.

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-27
(REDIRECTED FROM MPA/ANM WITNESS GLICK)

ABM/MPA/ANM-T2-27. You state in response to ABM/MPA/ANM-T2-3 that there are circumstances in which co-palletization is easier to achieve than co-mailing, and “vice versa.” Are there any circumstances in which co-mailing is easier to achieve than co-palletizing? If so, please explain.

RESPONSE

Yes. From the perspective of a publisher, if the publisher’s printer offers co-mailing services, but not co-palletization services, it would probably be easier (at least in the short term) for that publisher to co-mail. From the perspective of a printer, if that printer does not have adequate space to stage a co-palletization operation and the printer already has a Sitma machine or plans to comail in-line, co-mailing could be easier to achieve.

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO ABM/MPA/ANM-T2-47
(REDIRECTED FROM MPA/ANM WITNESS GLICK)

ABM/MPA/ANM-T2-47. In response to ABM/MPA/ANM-T2-12, you state that one must know a mailer's costs to know whether an incentive is adequate to change a particular mailer's behavior.

(a) In developing the level of rate incentives in the MPA proposal, or for any other purpose, did you or MPA obtain any information of the specific costs to mailers, or the typical range of costs to mailers, of obtaining co-palletizing and/or co-mailing services, or of obtaining drop shipping service?

(b) If so, please provide that information.

RESPONSE

(a) No. (In answering this question, I assume that you are seeking relatively current cost information. I saw a few isolated and anecdotal estimates for some of these services about 4-5 years ago, but assume that you are not asking for data of that vintage.)

(b) Not applicable.