

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

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POSTAL RATE AND FEE CHANGES, 2006

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Docket No. R2006-1

RESPONSES OF SATURATION MAILERS COALITION  
WITNESS PETE GORMAN TO INTERROGATORIES OF  
NEWSPAPER ASSOCIATION OF AMERICA (NAA/SMC-T1-1-6)

(October 19, 2006)

The Saturation Mailers Coalition (SMC) hereby provides the responses of witness Pete Gorman (SMC-T-1) to the following interrogatories of the Newspaper Association of America: NAA/SMC-T1-1-6, filed on October 4, 2006.

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

Respectfully submitted,

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NAA/SMC-T1-1: Please refer to your testimony at page 2, lines 2 through 9. Is it the position of the SMC that if the Postal Service does not offer a “simplified but certified” addressing method on city delivery routes, the Commission should reject the Postal Service’s proposed DAL surcharge?

RESPONSE:

No.

NAA/SMC-T1-2: Please provide a full description of the “simplified but certified” addressing method that your testimony advocates for city routes. In particular, please describe:

- a. What “certified” means, and in what manner would certification be done;
- b. All eligibility criteria that SMC advocates for “simplified but certified” mail;
- c. How requests not to mail would be handled;
- d. How “stop mail” orders issued pursuant to 39 U.S.C. §3008(b) would be honored;
- e. How mailers would ensure their compliance with the Deceptive Mail Prevention and Enforcement Act?

RESPONSE:

- (a) Certified means that the mailer or its production agent must show to the Postal Service that it has an up-to-date mailing list. Saturation mailers are currently required to maintain and update lists through the Postal Service’s Computerized Delivery Service (CDS). The specific mechanics of the certification process should be left to Postal Service determination through rulemaking, with input from the industry.
- (b) See my testimony at pages 14-15. We propose that the simplified but certified option be limited to saturation flat mailers who mail on a regular frequency at least twelve times a year and who maintain a certified mailing list as prescribed by the Postal Service.
- (c)-(e) It is my understanding that the Postal Service is considering possible procedures for mailers to identify such addresses for non-delivery.

NAA/SMC-T1-3: Please describe your understanding of the term “saturation mail industry” as you use it in your testimony. In particular, indicate whether the following categories of businesses are part of the “saturation mail industry”:

- a. Saturation mailers that do not use DALs.
- b. Saturation letter mailers.
- c. High-density mailers of advertising from retailers, service companies, and entrepreneurs.
- d. Private delivery firms that make no use of mail.
- e. Private delivery firms that make limited use of mail.
- f. Newspapers.
- g. Cable television systems.
- h. Broadcast stations.
- i. Local retailers and service companies.
- j. “Shopper” publications that publish relatively little or no editorial content.
- k. The Postal Service.

RESPONSE:

The term “saturation mail industry” in my testimony, as described at page 3 of my testimony, refers to mailers involved in “the assimilation and distribution of advertising matter from numerous retailers, service companies, and entrepreneurs for mailings to consumer households, typically targeted by zip code in a manner that allows each advertiser to select and reach potential customers within their unique service areas, often within a few-miles’ radius of their business locations.” The saturation mail industry is a part of the broader saturation advertising market.

- (a) Yes, to the extent they are involved in the assimilation of advertising from

multiple advertisers. In addition, a number of mailing companies in the industry prepare solo saturation mailings for retail and service company clients.

(b) Yes, as described in my response to (a) above.

(c) Generally no. However, mailers and newspapers that use high-density mail for “total market coverage” distribution to newspaper non-subscribers in conjunction with distribution to subscribers via the newspaper are a part of the saturation advertising market.

(d) No. However, private delivery is an alternative means for a saturation mailer to achieve saturation distribution, and may likewise be a competitive alternative for advertisers within the saturation advertising distribution market.

(e) Yes, to the extent they use the mail. Also see my response to (d) above.

(f) See my response to (c) above.

(g) No.

(h) No.

(i) Local retailers and service companies are not part of the saturation mail industry as I use that term. However, they are actual and potential customers for saturation advertising distribution services.

(j) Yes.

(k) The Postal Service is not part of the saturation mail industry as I use that term. It is the provider of the delivery service that the saturation mail industry uses. Although saturation mailers are USPS customers, they are also potential competitors that can shift to private delivery if postal rates or services do not meet their needs. A number of SMC members currently use private delivery for a portion of their distribution.

SMC-T1-4: Please provide data supporting your statement (at page 4, line 13-15) that “More than half of all shopper publications in the nation are delivered privately, outside the mailstream.”

RESPONSE:

My statement is based on my many years of experience with Harte-Hanks and my involvement in industry affairs through shopper and free paper trade associations and discussions with other industry leaders. It is common knowledge within the industry.

SMC-T1-5: Do you consider shopper publications that are available in a stack or a box at, for example, a grocery store, to be “privately delivered” as you use the term in your testimony? If so, please indicate what proportion such distribution comprises of the total distribution of shopper publications.

RESPONSE:

No. I am referring to household delivery.

SMC-T1-6: Please refer to page 8, lines 16-21, of your testimony, where you state that a surcharge alone will not reduce the number of DALs in the system. Is it your testimony that the DAL surcharge will not induce any mailers to convert from DAL addressing to on-piece addressing?

RESPONSE:

No. You have taken my statement out of context. I stated: "If the Postal Service truly wants to reduce the number of DALs in the system to minimize its costs, a surcharge *alone* will not accomplish that objective." (underscoring added)

The DAL surcharge will cause a very substantial reduction in the number of DALs in the system, in excess of 70 percent. However, there are a number of mailers who cannot easily convert to city-style on-piece addressing, but who would convert if a simplified addressing alternative were available. The SMC believes that the best solution for the industry and the Postal Service is to maximize conversion and minimize postal costs by affording mailers a simplified addressing alternative to DALs. That alternative will also minimize the risk of mailers shifting to private delivery.