

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

POSTAL RATE AND FEE CHANGES, 2006

DOCKET NO. R2006-1

**RESPONSES OF WITNESS KNIGHT
TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE
USPS/POSTCOM-T7-9 - 11**

The Association for Postal Commerce, the Mailing and Fulfillment Service Association, and the Direct Marketing Association, (herein collectively "PostCom") hereby provides the revised response of Witness Knight to Postal Service interrogatories USPS/PostCom-T7-9.

Respectfully submitted,

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RESPONSES OF POSTCOM WITNESS KNIGHT TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE

USPS/POSTCOM-T7-9.

- a. Please confirm that you are stating that if your products cannot be shipped by mail, you will no longer use the mail as a marketing medium.
- b. Please clarify whether the costs to you of advertising through other media have increased, decreased, or stayed the same over the past five years.
- c. Please provide a list of the alternative ways that your products may be physically delivered to your members and provide an indication of relative costs when compared to using Standard Mail.
- d. Please provide an explanation of the decision process which would result in the discontinuance of mail marketing efforts and how the mode of physical delivery affects that decision, including the variables considered and the timeframe over which this decision would be set into motion.

RESPONSE:

- (a) Not confirmed. See pages 9-11 of my testimony.
- (b) None of the other channels of marketing that BMG/Columbia House uses have increased as much as postage rates have during that period.
- (c) BMG/Columbia House has not evaluated the “relative cost” that alternative service providers would charge for the delivery of BMG’s CDs or DVDs. The point of my testimony is that faced with increases of 97% for slightly more than one-third of our mailings and 61% for almost half of our product shipments, the margins between the prices charged by alternative delivery services and those charged by the Postal Service has substantially narrowed. Other considerations – such as reliability and quality of service – may come into play in the decision

process. As I also point out in my testimony, increases of this level may tend to accelerate the movement to electronic delivery. See page 10 of my testimony.

(d) See pages 4 through 6 of my testimony in which we describe how the decision process for the selection of marketing channels is made. It is not the “mode of physical delivery” that affects this decision process; it is the cost of delivery as I explain on pages 9 through 11 of my testimony.