

DOCKET SECTION

**OFFICIAL TRANSCRIPT OF PROCEEDINGS
BEFORE THE
POSTAL RATE COMMISSION**

In the Matter of:

POSTAL RATE AND FEE CHANGES

)
) Docket NO.: R2006-1
)

VOLUME #28

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Date: November 3, 2006

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Pages: 9485 through 9574

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 GARY SOSNIECKI
 MICHAEL WILBUR (Not Present)
 GODF'RED OTUTEYE (Not Present)
 SANDER GLICK (Not Present)
 PETE GORMAN (Not Present)

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
Gary Sosniecki					
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by Chairman Omas	--	--	--	--	--
by Comm. Hammond	--	--	--	--	--
by Mr. Horwood	--	--	--	--	--

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P R O C E E D I N G S

(9:35 a.m.)

1
2
3 CHAIRMAN OMAS: Good morning. Today we
4 continue the hearings to receive the direct case of
5 petitioners other than the Postal Service in Docket
6 Number R2006-1, considering the Postal Service's
7 request for rate and fee changes.

8 Does anyone have any procedural matters at
9 this point before we proceed?

10 (No response.)

11 CHAIRMAN OMAS: There being none, we'll go
12 with scheduled witnesses. Scheduled to appear today
13 are witnesses Liss, Sosniecki, Otuteye, Glick, Gorman
14 and Wilbur. Please bear with me with these names.
15 I'm trying. I butchered them up yesterday.

16 For the convenience of witnesses and counsel
17 we will first enter testimony of witnesses for whom
18 there is no cross-examination into evidence.

19 Mr. Horwood, would you please introduce
20 yourself?

21 MR. HORWOOD: Yes. I am James Horwood
22 representing the Greeting Card Association. Our first
23 witness is Andrea Sue Liss.

24 I have two copies of her direct testimony on
25 behalf of the Greeting Card Association which has been

1 identified as GCA-T-4 with a declaration attached to
2 the back of it. I'd like to have it incorporated into
3 the record.

4 (The document referred to was
5 marked for identification as
6 Exhibit No. GCA-T-4.)

7 CHAIRMAN OMAS: You want to move it into
8 evidence?

9 MR. HORWOOD: Yes.

10 CHAIRMAN OMAS: Thank you.

11 Is there any objection?

12 (No response.)

13 CHAIRMAN OMAS: Hearing none, Mr. Horwood,
14 would you please provide the reporter with two copies
15 of the Corrected Direct Testimony of Witness Liss.
16 This testimony is received into evidence. However, as
17 is our practice, it will not be transcribed.

18 (The document previously
19 marked for identification as
20 Exhibit No. GCA-T-4, was
21 received in evidence.)

22 Mr. Horwood, have the Answers to the
23 Designated Written Cross-Examination been reviewed and
24 corrected?

25 MR. HORWOOD: Yes, they have, Your Honor.

1 CHAIRMAN OMAS: Would you again please
2 provide two copies of the Corrected Written Cross-
3 Examination of Witness Liss to the reporter. That
4 material is received into evidence and is to be
5 transcribed into the record.

6 (The document referred to was
7 marked for identification as
8 Exhibit No. GCA-T-4, and was
9 received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and **Fee** Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF GREETING CARD ASSOCIATION
WITNESS ANDREA SUE LISS
(GCA-T-4)

Party

United States Postal Service

Interrogatories

USPS/GCA-T4-1-4, 6

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
GREETING CARD ASSOCIATION
WITNESS ANDREA SUE LISS (T-4)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

USPS/GCA-T4-1
USPSIGCA-T4-2
USPS/GCA-T4-3
USPS/GCA-T4-4
USPSIGCA-T4-6

Designating Parties

USPS
USPS
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USPS

REVISED RESPONSES OF GREETING CARD ASSOCIATION WITNESS LISS
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
Revised: October 20, 2006

USPS/GCA-T4-1. Please refer to page 7 of your testimony, lines 7 through 9. For the greeting card industry as a whole, please provide an estimate of the total number of greeting cards printed and distributed over the last five years for which a rectangular (standard machineable) envelope was provided for mailing.

- a. For this type of greeting card, please provide the number of cards sold to consumers over the same time period.
- b. Have you conducted any empirical studies pertaining to consumer demand for this type of greeting card? If so, please discuss.

RESPONSE:

I do not know, nor do I know how to estimate, the total number of greeting cards printed and distributed over the last five years for which a rectangular (standard machineable) envelope was provided for mailing.

- a. I do not know, nor do I know how to estimate, the number of this type of greeting card sold to consumers over the same time period.
- b. I have not conducted any empirical studies pertaining to consumer demand for this type of greeting card. The purpose of my testimony was to provide a qualitative analysis of the designer, manufacturer and consumer appeal of the square shaped, letter-sized envelope mailing piece. My testimony is based on my professional experience and secondary research, not on quantitative material. These bases support my opinion that the square shaped mailing piece is attractive and stands out in the mail stream received by consumers.

REVISED RESPONSES OF GREETING CARD ASSOCIATION WITNESS LISS
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

Revised: October 20, 2006

USPS/GCA-T4-2. Please refer to page 7 of your testimony, lines 7 through 9. For the greeting card industry as a whole, please provide an estimate of the total number of square greeting cards printed and distributed over the last five years for which a rectangular (standardhachineable) envelope was provided for mailing.

- a. For this type of greeting card, please provide the number of cards sold to consumers over the same time period.
- b. Have you conducted any empirical studies pertaining to consumer demand for this type of greeting card? If **so**, please discuss.

RESPONSE:

I do not know, nor do I know how to estimate, the total number of square greeting cards printed and distributed over the last five years for which a rectangular (standardhachineable) envelope was provided for mailing.

- a. I do not know, nor do I know how to estimate, the number of this type of card that was sold to consumers over the same time period.
- b. I have not conducted any empirical studies pertaining to consumer demand for this type of greeting card. The purpose of my testimony was to provide a qualitative analysis of the designer, manufacturer and consumer appeal of the square shaped, letter-sized envelope mailing piece. **My** testimony is based on my professional experience and secondary research, not on quantitative material. These bases support my opinion that the square shaped mailing piece is attractive and stands out in the mail stream received by consumers.

REVISED RESPONSES OF GREETING CARD ASSOCIATION WITNESS LISS
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

Revised: October 20, 2006

USPS/GCA-T4-3. Please refer to page 7 of your testimony, lines 7 through 9. For the greeting card industry as a whole, please provide an estimate of the total number of square greeting cards printed and distributed over the last five years for which a square envelope was provided for mailing.

- a. For this type of greeting card, please provide the number of cards sold to consumers over the same time period.
- b. Have you conducted any empirical studies pertaining to consumer demand for this type of greeting card? If so, please discuss.

RESPONSE:

I do not know, nor do I know how to estimate, the total number of square greeting cards printed and distributed over the last five years for which a square envelope was provided for mailing.

- a. I do not know, nor do I know how to estimate, the number of this type of card sold to consumers over the same time period.
- b. I have not conducted any empirical studies pertaining to consumer demand for this type of greeting card. The purpose of my testimony was to provide a qualitative analysis of the designer, manufacturer and consumer appeal of the square shaped, letter-sized envelope mailing piece. My testimony is based on my professional experience and secondary research, not on quantitative material. These bases support my opinion that the square shaped mailing piece is attractive and stands out in the mail stream received by consumers.

REVISED RESPONSES OF GREETING CARD ASSOCIATION WITNESS LISS
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

Revised: October 20, 2006

USPS/GCA-T4-4. Please refer to your testimony from page 12, line 17 to page 13, line 4. If there were no surcharge to mail square greeting cards, as you propose in your testimony, is it your view that consumers would purchase more square greeting cards, as opposed to rectangular greeting cards?

- a. If this is your view, please provide an estimate of the percentage increase in the number of square greeting cards purchased by consumers in the first year after the elimination of the surcharge.
- b. If this is your view, please provide an estimate of the percentage decrease in the number of rectangular greeting cards purchased by consumers in the first year after the elimination of the surcharge.
- c. Please describe any econometric or empirical studies you have conducted regarding the cross price elasticity between square and rectangular greeting cards.

RESPONSE:

It is not my understanding that the Greeting Card Association is recommending eliminating the surcharge to mail square greeting cards, nor is this my recommendation in this proceeding; rather the Greeting Card Association and I are both opposed to the proposed increase in the effective surcharge (be. the extra cost to mail a square greeting card) from 13-cents to 20-cents. It is, however, my opinion that if the surcharge were removed, consumers would be inclined to purchase more square greeting cards. I do not know how this would affect the sales of rectangular greeting cards.

- a. I do not have an estimate of the percentage increase in the number of square greeting cards purchased by consumers in the first year after the elimination of the surcharge.
- b. I do not have an estimate of a percentage decrease in the number of rectangular greeting cards purchased by consumers in the first year after the elimination of the surcharge.
- c. I have not conducted any econometric or empirical studies regarding any cross price elasticity between square and rectangular greeting cards.

REVISED RESPONSES OF GREETING CARD ASSOCIATION WITNESS LISS
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

Revised: October 20, 2006

USPS/GCA-T4-6. Please refer to pages 8-12 of your testimony, where you discuss the history and importance of the square in architecture and design.

- a. Please confirm that the Roman architect and engineer Vitruvius, who is cited in your testimony, also discussed the root-two rectangle as a key basis for design. If you cannot confirm, please explain.
- b. Please confirm that the noted Renaissance architect Andrea Palladio, in **The Four Books** on Architecture, proposed seven designs that he considered the most beautiful and proportionate shapes for rooms, and that five of these seven shapes were rectangles, including the root-two rectangle. If you cannot confirm, please explain.
- c. Please confirm that the figure printed on page 8 of your testimony contains a rectangle, triangle, and circle, and not a square. If you cannot confirm, please explain, If the discrepancy is the result of an error in copying the figure into your testimony, please file appropriate errata.
- d. Are you aware of any econometric studies pertaining to the demand for square greeting cards or the cross price elasticity between square and rectangular greeting cards that take into account the history or symbolic significance of the square? If so, please provide a copy of any such study.

RESPONSE:

It was not the purpose of my testimony to denigrate the merits of the rectangular shape or to suggest that rectangles do not have aesthetic value. To the contrary, experienced designers use all the tools available to them to solve the puzzle of the project at hand. When considering shape as an element of design, the square, rectangle, circle and triangle might all be considered along with other less common shapes such as the pentagon.

My testimony addresses the square shape, letter size envelope and its desirability to mailers and consumers in the mail stream. Indeed, one of the reasons that the square mailing piece has such special appeal is precisely because the rectangle is the prevailing and dominant shape in the mail. The square shaped envelope stands out from the crowd because it is unusual and thus it breaks through the clutter.

Regarding your questions:

- a. Yes, the Roman architect and engineer Vitruvius also discussed the root-two

rectangle as a key basis for design. His book is a thorough discussion of a wide range of architectural principles and the fact that he used the root-two rectangle in his work does not diminish the merit of his views regarding the square shape.

- b. Yes, noted Renaissance architect Andrea Palladio, in his book *The Four **Books** of Architecture*, discussed seven designs that he considered the most beautiful and proportionate shapes for rooms, and five of these seven shapes were rectangles, including the root-two rectangle; the other two designs he listed were “round (tho’ but seldom) or square.” Similar to Vitruvius, Palladio’s work was meant to be a thorough discussion of architectural principles.
- c. I can see that the figure at the left of the illustration looks more rectangular than perfectly square, but the artwork in question is a well-known brush painting, *Universe*, by Sengai Gibon (**1750-1837**) that is widely written about and critiqued in artistic and Zen Buddhist circles, where it is consistently described as depicting a circle, square and triangle. Sengai, a Japanese Zen Buddhist monk, used the drawing as a “visual sermon” to illustrate a teaching principle for his students. While his craftsmanship may have created a rectangle in literal terms, the point he was making in his speech was about a square. Daisetz T. Suzuki, world-famous Zen scholar, wrote about Sengai’s *Universe*, “The circle-triangle-square is Sengai’s picture of the universe. The circle represents the infinite, and the infinite is at the basis of all beings. But the infinite in itself is formless. We humans endowed with senses and intellect demand tangible forms. Hence a triangle. The triangle is the beginning of all forms. Out of it first comes the square. A square is the triangle doubled. This doubling process goes

¹ Palladio, Andrea. *The Four Books of Architecture*, Dover Publications, Inc., New York, 1965 p. 27

on infinitely and we have the multitudinosity of things, which the Chinese philosopher calls 'the ten thousand things', that is, the universe."

- d. I am not aware of any econometric studies pertaining to the demand for square greeting cards or the cross price elasticity between square and rectangular greeting cards that take into account the history or symbolic significance of the square. I do not think such a study is needed to draw my conclusions regarding the historical importance of the square in architecture and design, or the aesthetic appeal of the square as a design element in today's information-cluttered environment and in particular with regard to the utility and desirability of the square shape letter size envelope.

² Suzuki, Daisetz T., SENGAI. The Zen of Ink and Paper, Shambala, Boston & London, 1999, pp. 36-37

1 CHAIRMAN OMAS: Is there any additional
2 cross-examination for Witness Liss?

3 (No response.)

4 CHAIRMAN OMAS: Mr. Volner, would you now
5 assist **us** to receive the correct version of Mr.
6 Otuteye's testimony into evidence, please?

7 MR. VOLNER: Good morning, Mr. Chairman.
8 On behalf of Postcom, et al., I will be
9 handing the reporter two copies of the direct
10 testimony of Godfred Otuteye which has been designated
11 as Postcom-T-8, and a declaration of authenticity is
12 attached to the testimony and there are no further
13 corrections..

14 CHAIRMAN OMAS: **And** you move them into
15 evidence?

16 MR. VOLNER: **And** I would like to move it
17 into evidence, yes.

18 CHAIRMAN OMAS: Is there objection?

19 (No response.)

20 CHAIRMAN OMAS: Hearing none, Mr. Volner,
21 would you please provide the reporter with two copies
22 of the Corrected Direct Testimony of Mr. Otuteye.
23 That testimony is received into evidence. However, as
24 is our practice, it will not be transcribed into the
25 record.

1 (The document referred to was
2 marked for identification as
3 Exhibit No. Postcom-T-8, and
4 was received in evidence.)

5 Mr. Volner, have the Answers to the
6 Designated Written Cross-Examination been reviewed and
7 corrected?

8 MR. VOLNER: Yes, they have, Mr. Chairman.
9 And we have no changes or corrections.

10 CHAIRMAN OMAS: Well, would you please
11 provide two Corrected Designated Written Cross-
12 Examination of Witness Otuteye to the reporter. That
13 material is received into evidence and is to be
14 transcribed into the record.

15 (The document referred to was
16 marked for identification as
17 Exhibit No. Postcom-T-8, and
18 was received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF ASSOCIATION FOR POSTAL COMMERCE
WITNESS GODFRED OTUTEYE
(PostCom-T-8)

Party

Interrogatories

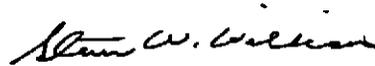
Postal Rate Commission

USPS/PostCom-T8-1-2

United States Postal Service

USPS/PostCom-T8-1-2

Respectfully submitted.



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
ASSOCIATION FOR POSTAL COMMERCE
WITNESS GODFRED OTUTEYE (T-8)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

USPS/PostCom-T8-1

USPS/PostCom-T8-2

Designating Parties

PRC, USPS

PRC, USPS

RESPONSES OF WITNESS OTUTEYE TO INTERROGATORIES OF THE
UNITED STATES POSTAL SERVICE

USPS/POSTCOM-T8-1. Please reconcile the following three statements in your testimony:

1. From page 8, lines 10 through 12

"...the biggest difference in how our letters run through automation equipment is not dependent on the envelope weight but is related to the maintenance of the Postal Service equipment."

2. From page 9, lines 13 through 16

"The only difference in treatment between these heavier, "manual" labeled envelopes and our other, lighter envelopes seems to be that the Postal Service may choose to blend in our heavier envelopes to be processed along with lighter pieces."

3. From page 9, lines 18 through 20

"We know of no examples where our mail in the 3.5 ounce to four ounce range has not been processed and automated exactly like all our other saturation envelopes weighing less than 3.5 ounces."

RESPONSE:

I take issue with the implication in this question that the three separate statements in my testimony are inconsistent. Although I do not see any need to "reconcile" the three statements, I will add further explanation to address the limited portions of my testimony that you selected.

Our experience with our coupon envelope letters is that the Postal Service requests, and chooses to automate, our letter shaped pieces that weigh over 3.5 ounces. It is our experience with the SCFs where we do business that when the Postal Service automation equipment is properly maintained, the USPS experiences no differences in processing our envelopes that weigh under 3.5 ounces from those that weigh 3.5 to 4.0 ounces.

RESPONSES OF WITNESS OTUTEYE TO INTERROGATORIES OF THE
UNITED STATES POSTAL SERVICE

Years back, when the Postal Service was in the process of converting more of its operations to automation, including requesting to us to bar code our letter shaped, ECR saturation envelopes, we noted that the Santa Ana SCF was experiencing a higher rejection rate on all of our mail than was experienced for mailings with a similar profile of weights in different zones in the San Diego office. We requested that the two SCFs compare notes. We found that the Santa Ana SCF was able to eliminate the problems it had experienced processing our mail when it adopted the maintenance and update procedures recommended by the San Diego SCF for the USPS automation equipment.

It is our consistent experience in SCFs throughout the country that the USPS wants and chooses to automate our mail when it exceeds 3.5 ounces. Our discussions with postal operations people are that envelopes in the 3.5 to 4.0 ounce range appear to be processed and handled exactly like all our other saturation envelopes weighing less than 3.5 ounces.

There was a time where we were experiencing delays in our mail delivery and were making inquiries to determine the reason for the delay. In these discussions, a postal service official expressed some surprise to learn that our envelopes occasionally exceeded 4.0 ounces. Apparently the USPS processing plants had not made any differentiation in the past between our heaviest envelopes and our lighter pieces. It was suggested that we put a label on trays of our mail that exceed 3.9 ounces so that the USPS plants could make better decisions about whether or not to run the heaviest envelopes through their equipment. For our envelopes weighing over 3.9 ounces that are labeled "manual," we find

RESPONSES OF WITNESS OTUTEYE TO INTERROGATORIES OF THE
UNITED STATES POSTAL SERVICE

that many SCFs still choose to automate all or most of it. With the envelopes weighing over 3.9 ounces, the machine operators may choose to blend in other mail pieces. We understand that a mix of all sizes of mail in processing, from the extremes of the lightest, single piece cards to the heavier letters at or exceeding 4 ounces, achieves the best efficiencies in processing on USPS automation equipment.

RESPONSES OF WITNESS OTUTEYE TO INTERROGATORIES OF THE
UNITED STATES POSTAL SERVICE

USPS/POSTCOM-T8-2. When you state in your testimony on page 8, lines 2 and 3, that "We know of no facility that is not actually automating and processing our envelopes weighing from 3.5 ounces to four ounces," please provide the number of facilities for which this statement can be substantiated for pieces weighing from 3.5 to 4.0 ounces, and also provide the total number of facilities into which you deposit 3.5 to 4.0 ounce pieces. Please provide all documents or notes related to these claims.

RESPONSE:

I do not personally visit plants or watch mail being automated and processed. But there are several current and former employees at Money Mailer who work closely with the postal facilities (mostly SCFs) where we enter our mail. The individuals that have seen, or had discussions with USPS automation and processing personnel regarding the processing of our coupon envelopes in the range of 3.5 to 4.0 ounces, include John Sabo, our Senior Vice President of Production Operations, Dale Martin, Director of Plant Operations, Rick Shaw, former Director of Production and Plant Manager, and Ross Frauman, Director of Customer Services and Support. Collectively, these individuals have visited, or had discussions about the processing of our mail in all facilities and SCFs that receive our mail in New Jersey, Delaware, Maryland, New York, Connecticut, Pennsylvania, North and South Carolina, Florida, Indiana, Illinois, Minnesota, Michigan, Missouri, California, Arizona, Colorado, Idaho, Utah, Nevada and Texas. These are markets and facilities where the frequency of our coupon envelopes hitting the weight range of 3.5 to 4.0 ounces is a regular occurrence for various zones of our mailings. Our personnel know from observations, and regular interaction with USPS operations personnel in these areas, that our mail in the 3.5 to 4.0 ounce weight range is being treated the same way as our lighter

RESPONSES OF WITNESS OTUTEYE TO INTERROGATORIES OF THE
UNITED STATES POSTAL SERVICE

weight zones and mailings. A review of the most recent mailing cycle completed by Money Mailer shows that there were approximately 69 SCFs where we entered envelopes weighing between 3.5 and 4.0 ounces and were not asked to prepare, label, or enter our heavier zones or envelopes any differently from our zones weighing under 3.5 ounces. It is our firm belief that our heavier envelopes were all automated and processed the same way as our pieces weighing up to 3.5 ounces. We do not keep notes or documents relating to these discussions and observations. It is simply how our periodic mailings are routinely handled.

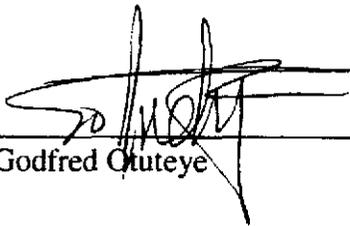
There are some SCFs in Arizona, Texas and Atlanta that may choose to cross dock some of our mail by sending it directly to the DDU rather than processing it on Postal Service automation equipment at the SCF. Our experience and observations are that these decisions seem to relate more to work loads and preferences of USPS management and personnel at the SCF and the DDU than based on the weight or automation compatibility of our envelopes.

Based upon our companies' collective experience, and the statements made to us by USPS representatives when we meet or discuss the handling of our mail, it would be the exception, not the rule, for the Postal Service not to process and automate our envelopes weighing from 3.5 to 4.0 ounces the same way as our envelopes weighing 3.5 ounces or less.

DECLARATION

I, Godfred Otuteye, declare under penalty of perjury that the testimony filed under my name, entitled Direct Testimony of Godfred Otuteye on Behalf of The Association for Postal Commerce, the Mailing & Fulfillment Service Association, the Alliance of Independent Store Owners and Professionals and the Saturation Mailers Coalition, Postcom-T-8, as well as my responses to interrogatories, were prepared by me or under my direction and supervision and are true and correct to the best of my knowledge, information and belief.

Executed: October 30, 2006



Godfred Otuteye

1 MR. VOLNER: Thank you, Mr. Chairman.

2 CHAIRMAN OMAS: Thank you.

3 Is there any additional written cross-
4 examination for Witness Otuteye?

5 (No response.)

6 CHAIRMAN OMAS: There being none, Mr.
7 Volner, would you again assist us to receive a
8 corrected version of Mr. Glick's testimony into the
9 record?

10 MR. VOLNER: Mr. Chairman, on behalf of
11 Postcom, et al., I would like to move into the record
12 the testimony of Sander A. Glick, which has been
13 designated as Postcom-T-1, and a certificate of
14 authenticity is attached. And i would like to hand
15 two copies to the reporter for purposes of putting
16 this into the record.

17 CHAIRMAN OMAS: Is there any objection?

18 (No response.)

19 CHAIRMAN OMAS: Hearing none, Mr. Volner,
20 would you please provide the reporter with two copies
21 of the Corrected Direct Testimony of Sander Glick.
22 That testimony is received into evidence. However, as
23 is our practice, it will not be transcribed.

24 //

25 //

1 (The document referred to was
2 marked for identification as
3 Exhibit No. Postcom-T-1, and
4 was received in evidence.)

5 MR. VOLNER: Thank you, Mr. Chairman.

6 CHAIRMAN OMAS: Mr. Volner, has the packet
7 of Designated Written Cross-Examination been reviewed
8 and corrected?

9 MR. VOLNER: Mr. Chairman, the packet of
10 Designated Written Cross-Examination for Mr. Glick as
11 it was provided to us had one problem which we have
12 resolved. There was a revision to the answer to
13 USPS\Postcom-T1-1 that we filed on October 30. We
14 have substituted that and the packet is now complete
15 and correct.

16 CHAIRMAN OMAS: Thank you. Would you then
17 please provide two copies of the Corrected Designated
18 Written Cross-Examination of Witness Glick to the
19 reporter. That material is received into evidence and
20 is to be transcribed into the record.

21 (The document referred to was
22 marked for identification as
23 Exhibit No. Postcom-T-1, and
24 was received in evidence.)

25 //

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF ASSOCIATION FOR POSTAL COMMERCE
WITNESS SANDER GLICK
(Postcorn-T-I)

Party

Interroaatories

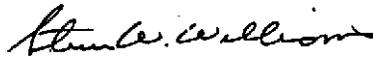
Postal Rate Commission

USPS/PostCom-T1-1

United States Postal Service

USPS/PostCom-T1-1-6

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
ASSOCIATION FOR POSTAL COMMERCE
WITNESS SANDER GLICK (T-1)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

USPS/PostCom-T1-1
USPS/PostCom-T1-2
USPS/PostCom-T1-3
USPS/PostCom-T1-4
USPS/PostCom-T1-5
USPS/PostCom-T1-6

Designating Parties

PRC, USPS
USPS
USPS
USPS
USPS
USPS

RESPONSE OF POSTCOM WITNESS GLICK TO INTERROGATORY OF THE
UNITED STATES POSTAL SERVICE
(REVISED OCTOBER 30, 2006)

USPS/POSTCOM-T1-1. Please refer to Table 1 on page 4 of your testimony. What is the effective passthrough of the cost avoided by a (i) one-ounce letter and a (ii) one-ounce flat under your proposed Standard Mail Regular destination entry discounts?

RESPONSE:

Assuming that destination entry **cost** avoidances vary entirely with the weight of the piece, the effective passthroughs for one-ounce letters and flats would be approximately 330 percent under the PostCom proposal, and approximately 285 percent for DBMC entry and 275 percent for DSCF entry under the USPS proposal.

However, in Docket No. R90-1 (the case in which Standard Mail destination entry discounts and the destination entry cost avoidance approach that is still being used were first introduced), the Commission found that "it appears that factors other than (or in addition to) weight render a linear assumption below the breakpoint inappropriate for these discounts. In addition, we believe there is sufficient evidence that per-piece application of the discount, as proposed by the Postal Service, is not without cost justification." R90-1 Op., Para. 6024. Note that, in all rate cases since Docket No. R90-1, the Commission has recommended Standard Mail rates that include the per-piece application of destination entry discounts for piece-rated pieces.

Further, the effective passthroughs calculated above based upon the assumption of a linear relationship between cost savings and weight result from calculating the costs avoided for piece-rated volume using the breakpoint weight.

RESPONSE OF POSTCOM WITNESS GLICK TO INTERROGATORY OF THE
UNITED STATES POSTAL SERVICE
(REVISED OCTOBER 30, 2006)

In Docket No. MC95-1 (in which USPS proposed Standard Mail destination entry passthroughs ranging from 95 to 100 percent, similar to what I am proposing in this case), USPS witness Joe Moeller (USPS-T-18) explained why calculating costs avoided using the breakpoint weight is “require[d]” (response to NAA/USPS-T18-26 (page 2)) by the Postal Service’s “minimum-per-piece rate design” in Standard Mail.

I have calculated the savings to be used for piece-rated volume by using the breakpoint weight. This is consistent with the existing destination-entry discounts and avoids rate anomalies and discontinuity in the rates. Using the actual weight of the piece for pieces below the breakpoint would result in a lower rate for heavier piece-rate pieces. Using a weight lower than the breakpoint for all piece-rated pieces, but recognizing the full weight of pound-rated pieces would create a discontinuity in the rates at the breakpoint. Rates for dropshipped pieces would fall as they moved past the breakpoint weight.

USPS-T-18, Appendix A at 2-3

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

USPS/POSTCOM-T1-2. Please refer to your testimony at page 3, line 3 and footnote 3, where you state that “larger dropship discounts will encourage palletization” and refer the reader to USPS-LR-L-88 which notes that a larger proportion of destination-entered pounds are entered on pallets than are origin-entered pounds.

- (a) Please explain the causal link between larger dropship discounts and increased palletization.
- (b) Please compare the relative impacts of the size of a mailing and the size of a dropship discount on adoption of palletization.

RESPONSE:

(a) The causal link is that pallets of mail are dropshipped, but sacks generally are not for cost reasons. Thus, in most instances, destination entry rates can only be accessed for non-local mailings if the mailings are palletized. Larger destination entry discounts thus provide further encouragement to palletize and dropship the mailing.

(b) My understanding is that the percentage of a mailing that can be palletized by itself is generally driven by the size of the mailing, the weight of each piece, its geographic distribution (e.g., local, regional, national), and the presort parameters used to prepare the mailing.

Some mailings can be fully palletized on their own using required pallet minimums. Others cannot. For mailings that cannot, the level of palletization can be increased by changing presort parameters or by merging the mailing with others – through co-binding, co-mailing, or co-palletization. Increasing dropship discounts or introducing pallet discounts will encourage mailers to perform these activities.

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

I believe that most palletized Standard Mail pieces are palletized on their own and thus most palletization is due to the size of the mailing. However, larger dropship discounts and/or pallet discounts will cause mailers that cannot palletize on their own to explore ways to move mail from sacks onto pallets.

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

USPS/POSTCOM-T1-3. Please refer to footnote **2** on page 3 of your testimony where you note that “requiring mailers to enter Standard Mail at a larger number of facilities to qualify for DBMC rates would be expected to at least reduce USPS transportation costs.”

(a) Please confirm that it is your understanding that the END initiative is expected to increase the number of DBMC-equivalent facilities to which mailers would dropship in order to qualify for DBMC discounts. If not confirmed, please explain.

(b) Please confirm that it is your testimony that requiring mailers to enter Standard Mail at a larger number of facilities in order to qualify for DBMC discounts would be expected to reduce postal transportation costs. If not confirmed, please explain.

(c) Please confirm that it is your understanding that the END initiative is expected to decrease the number of DSCF-equivalent facilities to which mailers would be expected to dropship in order to qualify for DSCF discounts. If not confirmed, please explain.

(d) If your response to part (c) is affirmative, please confirm that, by the logic expressed in your footnote 2, the impact of the smaller number of DSCFs to which mailers could qualify for DSCF rates would be expected to increase USPS transportation costs. If you do not confirm, please explain.

(e) If your response to part (d) is affirmative, please express your thoughts regarding the propriety of a decrease in the DSCF dropship incentives.

RESPONSE:

(a) Confirmed.

(b) Confirmed that this should reduce USPS and increase mailer transportation costs for DBMC-entered pieces.

(c) That is my general understanding. However, according to witness Bozzo (USPS-T-12), the consolidation process is moving at a slower-than-expected pace.

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

"I am informed that the AMP facility consolidation process has been advancing more slowly than was originally indicated in Docket No. N2006-1, with several of the FY 2006 AMP studies having been concluded without action and few of the remaining studies in final review or implementation stages of the process. This would tend to further limit the effects of the facility consolidation over the current Base Year to Test Year time horizon."

Response to POIR No. 10, Question 6.

(d) Not confirmed. My understanding is that the vast majority of DSCF-entered Standard Mail is dropshipped into larger plants, which seem likely to still be around in the future network. So the consolidation may not have much effect on the Postal **Service's** cost for transporting DSCF-entered Standard Mail.

Also, see my response to subpart (c).

(e) Not applicable.

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

USPS/POSTCOM-T1-4. Please refer to **Postcom-LR-1**, worksheet "Proposed Rates" which is based on a similar worksheet in USPS-LR-L-36 sponsored by witness Kiefer.

(a) Please identify all differences between the input assumptions in your worksheet and the corresponding worksheet in USPS-LR-L-36. For the purposes of this question, the input assumptions include the figures in the **box** entitled "Commercial Rate Inputs", the figures in column F headed "Differential", and the figures in cells R18 to U20 that pertain to destination entry discounts.

(b) Please identify all rate elements on the worksheet that differ between your worksheet and the corresponding worksheet in USPS-LR-L-36.

RESPONSE:

(a) I changed the \$0.739 in cells **D9** through **F9** to \$0.754 and the passthroughs in cells **S19** and **T19** to 100%.

(b) All of the pound rates and the origin and DSCF piece rates for piece-rated pieces differ between the **two** worksheets.

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

USPS/POSTCOM-T1-5. Please refer Postcom-LR-1, worksheet "Proposed Rates".

- (a) Please confirm that the destination entry cost savings that you use are estimated on a per-pound basis and are therefore assumed to vary with the weight of the piece.
- (b) Please confirm that you estimated the destination entry discounts for all minimum-per-piece rated pieces (i.e., those weighing less than 3.3 ounces) by multiplying your proposed discounts per pound by $3.3/16$. If you do not confirm, please explain how you obtained the destination entry discounts for these pieces.
- (c) Please confirm that using the methodology described in part (b) of this question, all drop-shipped pieces that weigh less than 3.3 ounces will receive a discount that passes through more than **100%** of the destination entry cost savings based on the weight of the piece. Please explain fully any failure to confirm.
- (d) Please confirm that using the methodology described in part (b) of this question, a one-ounce piece would receive a drop ship discount that is 3.3 times the discount that the piece would have received – and a two-ounce piece would receive a drop ship discount that is **1.65** times the discount that the piece would have received – if the savings were passed through in proportion to the piece's weight (as is the case for pieces weighing over 3.3 ounces). Please explain fully any failure to confirm.

RESPONSE:

(a)-(d) Confirmed. See my response to USPS/POSTCOM-T1-1 for a discussion of why the Postal Service's "minimum-per-piece rate design" in Standard Mail requires calculating costs avoided for piece-rated pieces using the breakpoint weight, which results in higher effective passthroughs for lightweight pieces.

Further, if dropship discounts for piece-rated pieces were estimated at the piece's weight (rather than the breakpoint weight), the rate for a dropshipped 3.3-ounce piece (all else being equal) would be lower than the rate for a dropshipped 2-ounce piece, a somewhat curious result.

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

USPS/POSTCOM-T1-6. Please refer Postcom-LR-1, worksheet "Proposed Rates."

(a) Please confirm that your proposed changes to witness Kiefer's destination entry discounts are intended to apply to Nonprofit Regular pieces as well as commercial Regular pieces. If you **do** not confirm, please explain why Nonprofit Regular pieces should have different destination entry discounts.

(b) Please explain whether you verified that your proposed destination entry discounts, when applied to Nonprofit Regular volumes, would produce rates that were in compliance with the requirements of 39 U.S.C. § 3626(a)(6)(A)

RESPONSE

(a)-(b) This is outside of the scope of my analysis.

POSTAL RATE COMMISSION
DOCKET NO. R2006-1
DECLARATION OF SANDER A. GLICK

I hereby declare, under penalty of perjury, that:

I prepared the interrogatory responses, which were filed under my name and which have been designated for inclusion in the record in this docket: and

If I were to respond to these Interrogatories orally today, the responses would be the same.

Sander A. Glick
SANDER A. GLICK

DATE November 1, 2006

1 MR. VOLNER: Thank you, Mr. Chairman.

2 CHAIRMAN OMAS: Thank you, Mr. Volner

3 Mr. McLaughlin, would you now assist us to
4 receive a corrected version of Mr. Gorman's testimony
5 into evidence?

6 MR. McLAUGHLIN: Thank you, Mr. Chairman.
7 Tom McLaughlin for the Saturation Mailers Coalition.
8 I have with me two copies of the direct testimony of
9 Pete Gorman on behalf of the Saturation Mailers
10 Coalition captioned as SMC-T-1. At the back end of
11 each of those I have included an original and a copy
12 of a declaration attesting to the veracity of that
13 testimony from the witness. And I would request that
14 these be received into evidence.

15 CHAIRMAN OMAS: Is there any objection?

16 (No response.)

17 CHAIRMAN OMAS: Hearing none, Mr.
18 McLaughlin, would you please provide the reporter with
19 two copies of the Corrected Designated -- the
20 Corrected Direct Testimony, excuse me, of Peter
21 Gorman. That testimony is received into evidence.
22 However, as is our practice, it will not be
23 transcribed.

24 //

25 //

1 (The document referred to was
2 marked for identification as
3 Exhibit No. SMC-T-1, and was
4 received in evidence.)

5 Mr. McLaughlin, has the packet of the
6 Designated Written Cross-Examination been reviewed and
7 corrected?

8 MR. McLAUGHLIN: Yes, it has, Mr. Chairman.
9 There are no corrections. It is correct as is.

10 CHAIRMAN OMAS: Well, would you please
11 provide two copies of the Corrected Designated Written
12 Cross-Examination of Witness Gorman. That material is
13 received into evidence and is to be transcribed into
14 the record.

15 (The document referred to was
16 marked for identification as
17 Exhibit No. SMC-T-1, and was
18 received in evidence.)

19 //

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23 //

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF SATURATION MAIL COALITION
WITNESS PETE GORMAN
(SMC-T-1)

Party

Interrogatories

Newspaper Association of America

NAA/SMC-T1-1-3, 6

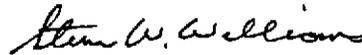
VP/SMC-T1-1-2, 4, 6

Valpak Direct Marketing Systems,
Inc. and Valpak Dealers'
Association Inc.

NAA/SMC-T1-1-6

VP/SMC-T1-1-6

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
SATURATION MAIL COALITION
WITNESS PETE GORMAN (T-1)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

NAAISMC-TI-1
NAAISMC-TI-2
NAAISMC-TI-3
NAA/SMC-T1-4
NAAISMC-TI-5
NAA/SMC-T1-6
VPISMC-TI-1
VPISMC-TI-2
VPISMC-TI-3
VP/SMC-T1-4
VPISMC-TI-5
VPISMC-TI-6

Designating Parties

NAA, Valpak
NAA, Valpak
NAA, Valpak
Valpak
Valpak
NAA, Valpak
NAA, Valpak
NAA, Valpak
Valpak
NAA, Valpak
Valpak
NAA, Valpak

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-TI-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.

VP/SMC-T1-1.

- a. What is the total number of members in the Saturation Mailers Coalition ("SMC")?
- b. For the number of SMC members provided in response to part a, how many regularly enter ECR saturation mail with the Postal Service?
- c. For the number of SMC members that regularly enter ECR saturation mail with the Postal Service, how many primarily enter saturation letters with the Postal Service?
- d. For the number of SMC members that regularly enter ECR saturation mail with the Postal Service, how many primarily enter saturation flats with the Postal Service?
- e. For the number of SMC members that primarily enter ECR saturation flats with the Postal Service, how many use DALs on a regular basis with their saturation mail? In your response, please include Harte-Hanks but exclude Advo (if Advo is included among the number of SMC members provided in response to preceding part **d**).

RESPONSE:

- a. About 65 mailers
- b. All of them to my knowledge
- c. Two that I am aware of.
- d. The remainder.
- e. The SMC does not maintain this information. My best guess would be roughly **75** percent regularly use DALs, although some of these use DALs for only a portion of their mailings.

VPISMC-TI-2.

Please refer to your testimony at page 2, lines 10-11, where you state that “many mailers including Hart-Hankshave built their operations and products around the DAL procedure...” The following questions relate to firms in your industry other than SMC members, and excluding Advo (if it is not a member of SMC).

- a. Are you aware of any such mailers who use DALs on a regular basis?
- b. Unless your response to preceding part a is an unqualified negative, please indicate the number of such mailers of which you are aware that use DALs on a regular basis.
- c. Please give your best (ballpark) estimate of the annual volume of DALs mailed by mailers referenced in your response to preceding part b.

RESPONSE:

- a. No, I am not personally aware of any such mailers, although I suspect there may be some.
- b. See my response to a. above.
- c. I have no idea, except that it would be quite small in relation to the volumes of SMC members.

VPISMC-TI-3.

Please refer to your testimony at page 3, lines 9-10, where you list four types of saturation mail products produced by SMC members, all of which use ECR saturation mail for delivery to households.

- a. Please indicate the number of SMC members whose primary saturation mail product is:
 - i. “shopper publications”
 - ii. shared mail programs
 - iii. magazine- and newspaper-type publications
 - iv. letter “coupon envelopes”
- b. With respect to SMC members using any one of the first three categories shown in preceding part a, please indicate the percentage that regularly use **DALs** in lieu **of** on-piece addresses.
- c. With respect to SMC members using any one of the first three categories shown in preceding part a, please indicate the percentage that use on-piece addressing on a regular basis.
- d. If the percentages provided in preceding parts b and c for each of the three categories do not sum up to 100 percent, please explain.

RESPONSE:

- a. i-iv. The SMC does not maintain a list of the types of publications its members mail, and a number of members offer several mail products and services. From my own knowledge, a significant majority of the members publish shopper publications and most of the remainder offer shared mail programs. A few members have magazine and newspaper-type publications. Two members specialize in letter coupon envelope mailings, although several others also mail letter-sized coupon booklets. In addition, a number of other members offer solo mail services

b.-d. The SMC does not maintain this information. **My** best guess would be roughly 75 percent regularly use DALs, although some **of** these use DALs for only a portion **of** their mailings.

SMC-T1-4.

Please refer to your response to VP/SMC-T1-1d. For all SMC members (excluding Advo if it is a member) who regularly use DALs with their ECR saturation flats, what was approximate collective volume of DALs entered with the Postal Service during the most recent 12-month period for which data are available (e.g., CY 2005, or September 2005 through August 2006)?

RESPONSE:

The SMC does not collect volume information from its members, either with or without DALs. However, based on my general knowledge of the membership, I would guess that the collective saturation flats volume of our members including Advo is between 4.5- to 5-billion pieces, and that somewhere between 80- to 90-percent of that volume is mailed using DALs.

SMC-TI-5.

Please refer to your testimony at page 3, lines **14-18**, where you state:

The common denominator within the **SMC** is 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.

- a. When your members enter with the Postal Service an advertising product that is targeted by individual zip code, are the products for delivery by carriers operating out of a single DDU (*i.e.*, zipcode) always identical?
- b. Alternatively, do your members sometimes have differentiated advertising products for delivery within the area sewed by a single DDU?

RESPONSE:

- a. No.
- b. Yes.

VPISMC-TI-6.

Please refer to Part III of your testimony, which describes the value of DALs to ECR saturation mailers.

- a. Are you able to provide a monetary estimate of either the value, or the range of value, that DALs provide to ECR saturation mailers (including the “substantial revenue” earned from advertising on the back side of DALs you discuss at p. 11, ll. 12-15)? If so, please provide those estimates. If you cannot provide such an estimate, please explain why not, in view of the many benefits to mailers described in your testimony.
- b. In view of the advantages which you describe, would some, perhaps many, SMC members who currently use DALs with saturation flats prefer to continue using DALs and pay the 1.5 cent surcharge?
- c. Please explain why SMC members who currently use DALs with saturation flats would not prefer to continue using DALs with a 1.5 cent surcharge in light of the various continuing and recurring advantages which you describe (as well as the costs of changeover to on-piece addressing).

RESPONSE:

- a. No, I cannot quantify the value. The value varies substantially from mailer to mailer. For many mailers, for example, the advertising revenues from the DAL are largely offset by the costs of the DAL (paper, printing, and sales costs as well as postage that must be paid on mail pieces that exceed the 3.3-ounce breakpoint), while for some mailers the DAL provides an important net-revenue stream. Likewise, the value and impact on operations varies by mailer.
- b. It depends on whether the Postal Service allows a simplified address alternative on city delivery routes as described in my testimony. With a simplified address alternative, I expect that almost all DAL mailers would discontinue using DALs, accounting for certainly more than 90 percent of total DAL volume. Without the simplified alternative, many will not be able to convert on city routes, but even then I

would expect that certainly more than 70 percent of total DAL volume would convert to on-piece addressing.

c. For our highly-competitive and price-sensitive businesses, a 1.5-cent surcharge is a huge number. Some, though not many, SMC members who currently use a DAL with saturation flats will continue to use DALs and pay the 1.5 cent surcharge because the DAL is important to their product in terms of revenue or as an essential way to produce and label the piece.

Our industry's "preference" is for a delivery system that is both affordable and easy to use. We all compete with other print advertising media. We need to give our advertisers the lowest cost advertising solutions. For most of our members, competitive conditions would not allow our businesses to remain competitive and pay a DAL surcharge. If an addressing alternative was available, like our "simplified but certified" proposal, most of our members indicated that they would remain in the mail and would discontinue using a DAL. If an addressing alternative is not available, some of our members indicated they would continue to use the DAL, and many indicated that they would convert to on-piece addressing or temporarily pay the DAL surcharge but begin to explore using private carrier or alternate distribution for some or all of their circulation.

1 CHAIRMAN OMAS: Thank you, Mr. McLaughlin.

2 MR. McLAUGHLIN: Thank you.

3 CHAIRMAN OMAS: Mr. Kent? He's not with us
4 this morning.

5 Let's see, why don't we go ahead and, Ms.
6 Rush, would you identify the next witness so that I
7 can swear him in, please?

8 MS. RUSH: Good morning, Mr. Chairman. I'm
9 Tonda Rush with National Newspaper Association, **NNA**.
10 We would like to call Gary Sosniecki to the stand,
11 please.

12 Whereupon,

13

GARY SOSNIECKI

14 having been first duly sworn, was called as a witness
15 herein, and was examined and testified as follows:

16 CHAIRMAN OMAS: Please be seated.

17 Ms. Rush.

18

DIRECT EXAMINATION

19

BY MS. SOSNIECKI:

20

Q Mr. Sosniecki, I am handing you two copies

21

of a document called Direct Testimony of Gary

22

Sosniecki, **NNA-T-2**, on Behalf of the National

23

Newspaper Association. I'm asking you if this

24

testimony was prepared by you or under your direction?

25

A Yes, it was.

1 Q I you were to give t at testimony to y
2 would it be the same?

3 A Yes, it would be.

4 MS. RUSH: Mr. Chairman, I would like to
5 hand two copies to the reporter and request that this
6 be introduced into evidence.

7 CHAIRMAN OMAS: Is there any objection?

8 (No response.)

9 CHAIRMAN OMAS: Hearing none, I will direct
10 counsel to provide the reporter with two copies of the
11 Corrected Direct Testimony of Mr. Sosniecki. That
12 testimony is received into evidence. However, as is
13 our practice it will not be transcribed.

14 (The document referred to was
15 marked for identification as
16 Exhibit No. NNA-T-2, and was
17 received in evidence.)

18 Mr. Sosniecki, have you had an opportunity
19 to examine the packet of Designated Written Cross-
20 Examination that was made available to you this
21 morning?

22 THE WITNESS: Yes, sir.

23 CHAIRMAN OMAS: If the questions contained
24 in that packet were posed to you today orally would
25 your answers be the same as those you previously

1 provided to the Commission?

2 THE WITNESS: Yes, sir.

3 CHAIRMAN OMAS: Are there any additions or
4 corrected you would like to make to those answers?

5 THE WITNESS: No, sir.

6 CHAIRMAN OMAS: Counsel, would you please
7 provide two copies of the Corrected Designated Written
8 Cross-Examination of Witness Sosniecki to the
9 reporter. That material is received into evidence and
10 is to be transcribed into the record.

11 (The document referred to was
12 marked for identification as
13 Exhibit No. NNA-T-2, and was
14 received in evidence.)

15 //

16 //

17 //

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF NATIONAL NEWSPAPER ASSOCIATION
WITNESS GARY SOSNIECKI
(NNA-T-2)

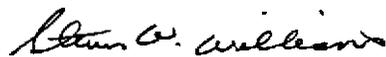
Party

Interrogatories

United States Postal Service

USPS/NNA-T2-1-6

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
NATIONAL NEWSPAPER ASSOCIATION
WITNESS GARY SOSNIECKI (T-2)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

USPS/NNA-T2-1
USPS/NNA-T2-2
USPS/NNA-T2-3
USPS/NNA-T2-4
USPS/NNA-T2-5
USPSINNA-T2-6

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RESPONSES OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SOSNIECKI
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NNA-T2-1. Please describe the copies of the *Vandalia Leader* that are prepared and entered as mail.

a. You indicate that a single copy of the *Vandalia Leader* averages 14 pages (NNA-T-2 at 2; what are the dimensions, shape and weight of a typical copy, including inserts, entered during the school year?

b. For the issue you select in responding to part (a), please describe how many copies were entered where, and how much postage was paid where, for that issue (entry profile and postage statement).

RESPONSE:

a. The copy of The *Vandalia Leader* that I am describing is from Sept. 27, 2006. The newspaper itself has 16 pages. Each page is 13 1/2 inches wide by 22 3/4 inches deep. In the industry, we call these "broadsheet" or "metro" pages as opposed to the smaller "tabloid" pages. The *Leader's* pages are divided into six vertical columns of news and advertising. Each column is 21 1/2 inches deep. For purposes of determining advertising percentage, each page has 126 column inches (6x 21.5). By itself (without advertising inserts), this issue weighs ,1769 pound.

The newspaper is "quarterfolded prior to distribution. That means it has one additional fold than you would find in a **typical big-city newspaper**. The quarterfolded paper is 6 3/4 inches wide by 11 3/8 inches deep, **about the size of a piece of typing paper, except a little narrower**. It is a very easy size to handle for the consumer and the mail carrier. From my experience, maybe 40 percent of the small weekly newspapers I see are quarterfolded.

This issue has three advertising inserts, two of which run every week, although their sizes may vary a little.

The Hickman's IGA insert is 8 pages, printed on newsprint. Each page is 10 3/4 inches wide by 13 1/2 inches deep. It is quarterfolded (folded ~~once~~ more) before insertion into the newspaper. The quarterfolded size is 10 3/4 inches wide by 6 3/4 inches deep, which fits perfectly into the quarterfolded newspaper. The insert has the equivalent of 520 column inches.

The C & R supermarket insert is 8 pages, printed on newsprint, 11 inches wide by 12 inches deep, with a 4-page wrap-around, 11 inches wide by 9 inches deep, creating a 12-page package. When quarterfolded, the size is 11 inches by 6 inches. The insert has the equivalent of 608 column inches.

The third insert is a one-time ad from the Missouri Pork Producers and the Missouri Soybean Association. It is four pages, printed on glossy paper, heavier than newsprint, each page 8 1/2-by-11. It has the equivalent of 176 column inches. This insert also was quarterfolded; the quarterfolded size is 8 1/2-by-5 1/2.

RESPONSES OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SOSNIECKI
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

For purposes of mailing, we inserted the two supermarket inserts into the pork producers' insert, then inserted the pork producers' insert into the quarterfold of the newspaper.

All three inserts were mailed to subscribers in our market area (see numbers in part b). The combined weight of the three inserts is ,1325 pound. Thus, the total weight of the newspaper with the inserts is .3094 pound.

Normally, our advertisers do not want their inserts in the newspapers that are mailed outside our market area. However, the pork producers/soybean insert was booked for all papers, outside the market area as well as inside. The combined weight of the newspaper and the pork producers' insert is ,2175, and that is the weight that appears on the postage statement for our out-of-area mailing (see part b).

b. Copies of our Sept. 27 edition were mailed as follows:

At the Curryville 63339 Post Office: 49 copies, all to Curryville addresses.

At the Farber 63345 Post Office: 62 copies, all to Farber addresses.

At the Middletown 63359 Post Office: 25 copies, all to Middletown addresses.

At the Laddonia 63352 Post Office: 104 copies, all to Laddonia addresses.

At the Rush Hill 65280 Post Office: 4 copies to Rush Hill addresses, plus 183 to other destinations in 650-652 ZIP codes, as per page 9, lines 18-24 of my testimony. (We do not have any subscribers in 653 ZIP codes.) That's 187 total copies mailed at Rush Hill.

At the Vandalia 63382 Post Office: 653 copies to Vandalia addresses plus 462 to other destinations; these 462 are the papers that go to St. Louis for sorting. Total mailing at Vandalia: 1,115.

Total mailing, all post offices: 1,542 copies.

All postage was paid in Vandalia: \$117.65 for the 1,130 copies mailed with all three advertising inserts to our market area, and \$133.38 for the 412 copies mailed with only the pork producers/soybean insert outside our market area. Total postage: \$251.03.

RESPONSES OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SOSNIECKI
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NNA-T2-2. On page 4 of your testimony, you describe awards received.

- a. Since you state on page 2 that you and your wife purchased the *Vandalia Leader* three ago, were the two awards from the Missouri Press Association, and the Community Service award from NNA, awarded to you and your wife in your capacities as publishers of some other publication(s)? If so, please identify each, the period of your ownership, and each publication's approximate circulation during the period of ownership.
- b. What other publications have you and/or your wife published in the past. Please provide the same details for each as requested in part (a).

RESPONSE:

a. The two first-place awards in community service from the Missouri Press Association were received when we owned the Webster County Citizen, a small weekly newspaper in Seymour, Mo. The 1985 community-service award from the National Newspaper Association came when we owned the Humansville Star-Leader, another small weekly, in Humansville, Mo. We owned the Humansville Star-Leader, circulation about 1,700, from 1980 to 1986. We owned the Webster County Citizen, circulation about 1,900, from 1988 to 1999. (Since we bought The Vandalia Leader in 2004, the newspaper has won 27 awards from the National Newspaper Association, the International Society of Weekly Newspaper Editors, the Missouri Press Association and the Missouri Advertising Managers Association.)

b. We published and owned the Humansville, Mo., Star-Leader, circulation about 1,700, from 1980 to 1986. I was editor and general manager of the Hillsboro, Kan., Star-Journal (circulation about 3,000) from 1986 to 1988; I was not publisher and owner, though the publisher was retired and many of my responsibilities were the same as a publisher. (Helen did not work for the Hillsboro newspaper; she was working for the Wichita Eagle-Beacon.) We published and owned the Webster County Citizen, (circulation about 1,900) in Seymour, Mo., from 1988 to 1999. We became editors of The Lebanon, Mo., Daily Record, circulation about 4,500, in June 1999 and publishers from 2000 to 2003, but we were not owners. We bought The Vandalia Leader in 2003.

RESPONSES OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SOSNIECKI
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NNA-T2-3. Please refer to your testimony at page 6, lines 19 – 28. Your descriptions of sacks reflect both that you no longer use them for mailing the *Vandalia Leader* (lines 22 – 23) and that you routinely pickup “extra sacks or tubs” (line 27) as needed for that day’s out-of-town mailings. Please reconcile these descriptions.

RESPONSE

Newspapers that we mail in Vandalia and at DDU post offices for distribution in those communities are delivered to post offices in tied bundles, walk-sequenced by routes, as USPS allows. Newspapers mailed for out-of-town delivery are packed in sacks and tubs according to USPS rules. Our out-of-town, non-DDU newspapers currently are mailed in nine sacks and four tubs. **All** four tubs and five of the sacks are mailed at Vandalia and go to the plant at **St.** Louis for sorting. Four sacks are mailed at **Rush** Hill, Mo., (see page 9, lines **18-24** of testimony) and are sorted at Columbia, Mo.

RESPONSES OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SOSNIECKI
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NNA-T2-4. Please refer to your testimony at the bottom of page 9. Why do you make two truck deliveries of each issue to the Vandalia Post Office?

RESPONSE:

The first delivery to the Vandalia Post Office is the newspapers that are delivered locally by carriers on the same day. It is a priority to get those papers to the post office as soon as possible, before the carriers leave on their routes, thus they are labeled first. The second delivery, later in the morning, is the out-of-town newspapers that go to St. Louis. They are not trucked to St. Louis until later in the day, thus there is less urgency.

RESPONSES OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SOSNIECKI
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NNA-T2-5. On page 11, line 3, of your testimony, you state, "Our papers have been long-time members of NNA." Please identify each paper to which this reference applies. For any papers not already identified in your response to USPS/NNA-T2-2, please provide the information requested by pari (a) of that interrogatory.

RESPONSE:

Since we purchased our first newspaper in 1980, all of the newspapers we have owned and/or managed have been NNA members: the Humansville Star-Leader, the Hillsboro Star-Journal, the Webster County Citizen, The Lebanon Daily Record and The Vandalia Leader. Circulation information is in my response to USPS/NNA-T2-2.

RESPONSES OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SOSNIECKI
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NNA-T2-6. In Appendix A and various passages of your testimony, you identify service challenges faced by the *Vandalia Leader* that you have apparently worked through with postal officials (and others). Only two matters apparently occurred in the past few months; are **any** of these challenges still providing ongoing opportunities for improvement? If so, please describe the current situation(s).

RESPONSE:

Thank you for the opportunity to address challenges that provide ongoing opportunities for improvement. I'd like to answer this in four parts:

a. We had a serious delivery problem to some area towns with our Aug. 30 newspaper. The worst delivery was the 16 newspapers mailed to Wellsville (ZIP 63384), about 30 miles from Vandalia. Wellsville is in our market area for advertisers and partly in our school district. Because of the 24-piece rule, USPS no longer allows us to mail these in a separate sack labeled for Wellsville. Now, they go in a sack with newspapers for other towns addressed to ST. LOUIS MO 633/NEWS FLTS CR/5D/3D.

The Wellsville newspapers that we mailed Wednesday, Aug. 30 did not arrive in Wellsville until Wednesday, Sept. 6, despite me being in near-daily contact with Patricia Harris, periodicals coordinator for the USPS Gateway District in St. Louis, in an effort to track them down. When those newspapers remained missing on Tuesday, Sept. 5, we remailed them, with the permission of Patricia Harris. Even though the sack containing the remailed newspapers contained an external note in the side pocket that said: ATTENTION: PAT HARRIS, as per her instructions, it took two days for those papers to go to St. Louis and back to Wellsville; they arrived Thursday, Sept. 7. Thus, the first mailing to Wellsville took seven days, the second mailing of the same edition took two days.

Judging from the phone calls we received from subscribers, Wellsville was not the only problem with our Aug. 30 mailing. A subscriber in Sikeston, MO, complained that his Aug. 30 newspaper arrived Sept. 6. A subscriber in St. Charles, MO, a St. Louis suburb, complained that her Aug. 30 newspaper arrived Sept. 7, eight days after our papers were delivered to the St. Louis bulk-mail center just a few miles east.

Curiously, on Wednesday, Sept. 6, I received 16 "exchange" newspapers (an unusually high number) in the mail, most of them a week old, but one was a Webster County Citizen from Seymour, MO, dated Aug. 9 and one was a Seneca, MO, News-Dispatch dated Aug. 10. (Exchange newspapers are papers that editors and publishers exchange among themselves; USPS counts them as paid circulation.) My layman's opinion is that the Gateway District cleaned house of backlogged periodicals the night of Sept. 5.

b. Delivery of out-of-state newspapers in a timely manner remains a challenge. For example, on Sept. 6 I received a phone call from a subscriber in Westminster, CO

RESPONSES OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SOSNIECKI
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

80031, who had not received a Vandalia Leader since Aug. 18. She kept me on the phone for 15 minutes and threatened to cancel her subscription and call her relatives in Vandalia to tell them how unsatisfied she was with how we were responding to her complaint, the implication being that she would tell them to cancel their subscriptions, too. Here's another example: On Oct. 2, our receptionist took a phone call from a subscriber in Denton, Texas, who had not received any of our four September issues. "I'm not paying \$40 to not get any papers," she said. We have lost 10 percent of our out-of-area subscribers in the past 18 months (See page 13, lines 10-31, of my testimony). We cannot afford to lose any more.

c. I believe USPS service standards are set too low in certain regions that are served by multiple distribution centers. While a two-day service standard for first-class mail between Vandalia and our county seat of Mexico, 35 miles to our west, may make sense to the USPS because Vandalia and Mexico are served by different distribution centers, it doesn't make sense to the consumer. I shouldn't have to incur additional transportation and labor expense to mail newspapers in Rush Hill, Mo., in order to get them to our county seat the next day. Other Vandalia business people shouldn't have to mail their business mail in Martinsburg, MO, which some do, in order to get it delivered to their county seat the next day. My subscribers in Perry and Center, about 20 miles to my northwest and north, respectively, should not have to wait two days to receive their Vandalia Leader just because that's what the USPS service standard is.

d. I would like to repeat a comment I made Aug. 11 to Jim Hess, acting manager of service performance improvement for the USPS, at the NNA Postal Summit in Washington. In the question-and-answer session, I suggested to Mr. Hess that newspapers need contact people in USPS distribution centers who respond promptly to publisher inquiries about delayed newspapers and who speak in layman's language. I have spent too many hours the past 2 1/2 years trying to get responses from Gateway District personnel when I have delivery concerns. Somebody in the USPS should respond to every publisher concern within 24 hours, by phone or e-mail, even if the response is a simple, "We're not sure what the problem is, but we'll look into it." Also, good customer service includes using words the customer understands. The periodicals tech for the Gateway District tried very earnestly to explain "address service" rules for me over a several-day period in August, but, in a series of e-mails, I never was able to figure out the terms he was using. Finally, I forwarded the e-mail exchange to a paid postal consultant for the Missouri Press Association, and he explained what I needed to do. Again, a lot of hours were wasted unnecessarily because the tech wasn't able to convey his message in language his customer could understand.

1 CHAIRMAN OMAS: This now brings us to oral
2 cross-examination. Is there any other participant in
3 the hearing room who would like to cross-examine this
4 witness?

5 (No response.)

6 CHAIRMAN OMAS: Mr. Sosniecki, I have a
7 couple of questions. And I will start I think. The
8 other gentleman has one as well.

9 Based on your testimony at page 6 and 7, am
10 I correct that you seem to be getting consistent same
11 day delivery to local subscribers served by the
12 Vandalia Post Office?

13 THE WITNESS: Yes, sir, we're getting same
14 day service in Vandalia.

15 CHAIRMAN OMAS: Thank you.

16 At page 7 you testify that the service to
17 areas that are nearby but served by post offices other
18 than your Vandalia Post Office -- am I pronouncing?

19 THE WITNESS: Vandalia (pronouncing.)

20 CHAIRMAN OMAS: -- Vandalia Post Office has
21 become erratic and takes two days although the
22 subscribers previously had the same day service? Just
23 to make sure the record is clear on this point, would
24 you refer to two-day delivery as talking about when a
25 newspaper is entered into the mail stream early

1 Wednesday morning and delivered Thursday?

2 THE WITNESS: No, sir. When I'm referring
3 to two-day delivery would be delivered on Friday.

4 CHAIRMAN OMAS: Friday.

5 The situation you face in mailing to the
6 nearby area is troubling as same day service would
7 certainly be desirable. You seem to have achieved
8 some success with a local processing arrangement for
9 your Mexico area paper so that these copies avoid
10 being sent on to Columbia. I realize this is more
11 work for you but have you tried to work out a similar
12 arrangement with some of the other papers that are now
13 going to and through St. Louis for distant processing?

14 THE WITNESS: There are two other
15 communities that I would like to work out something,
16 and that would be Perry and Center. Those are
17 approximately 20 miles to my north and to my
18 northwest. And currently it is taking two days, from
19 Wednesday to Friday, to get those papers delivered.

20 At this point it's a matter of money. We
21 have bit off quite a bit this year in doing the
22 additional postage drop and I'm not at the point right
23 now where I can afford to hire an additional driver,
24 pay an additional driver to go over to those towns.

25 CHAIRMAN OMAS: What type of arrangements

1 might be practicable in your situation?

2 THE WITNESS: I'm sorry, could you repeat
3 that, sir?

4 CHAIRMAN OMAS: What types of arrangements
5 might be practicable in your situation?

6 THE WITNESS: I have a driver who we've
7 hired who is making our first -- he's making two
8 routes right now, coming back to the office, picking
9 up papers as they're ready. The next step would be to
10 send him back on the road a third time and make a
11 route to go to Perry and Center. That would be one
12 possibility. We haven't done that yet.

13 Another possibility would be if I could find
14 someone who lives in Vandalia out works in Perry and
15 Center and who I could count on to take the papers
16 there personally on their way to work. My reservation
17 with that is that takes the paper out of our control;
18 I'm counting on someone else who is completely a third
19 party to do it.

20 We've made a lot of progress this year with
21 what we're doing on our delivery, at considerable
22 expense to us. Perry and Center is the next step, are
23 the next step.

24 CHAIRMAN OMAS: Thank you very much.

25 Commissioner Hammond?

1 COMMISSIONER HAMMOND: Yes, I have just a
2 few questions.

3 Good morning, Mr. Sosniecki.

4 THE WITNESS: Good morning.

5 COMMISSIONER HAMMOND: **And** welcome to a
6 fellow Missourian. I read about your overall
7 circulation profile as well as your discussion about
8 the distribution profile of the "Mexico Ledger" which
9 is a daily newspaper published in the same county that
10 you're located in. And based upon the information
11 provided in your testimony it looked like to me about
12 60 percent of your circulation would be distributed by
13 the U.S. Mail each week while the "Mexico Ledger"
14 doesn't have any substantial presence in the U.S.
15 Mail. Is that correct?

16 THE WITNESS: I believe that a news -- well,
17 I have no personal knowledge of the "Mexico Ledger."
18 A newspaper that size would only be using the mail for
19 newspapers that are delivered to subscribers out of
20 county. It would be a low percentage.

21 COMMISSIONER HAMMOND: Well, could you
22 discuss what factors and considerations go into this
23 difference in the mode of distribution? Like is it
24 mainly because the number of subscribers, the density
25 of subscribers, because it's a daily or other reasons

1 or anything like that?

2 THE WITNESS: Yes, sir. It's a, the "Mexico
3 Ledger" is a daily newspaper. I managed a newspaper
4 of similar size prior to buying this newspaper. They
5 publish in the early afternoon and they wish to be
6 delivered the same afternoon so they will have a
7 network of carriers, both children on bicycles and
8 what are called motor route carriers, drivers who will
9 deliver in rural areas. And that's very practical for
10 them to try to get the paper out the same day.

11 COMMISSIONER HAMMOND: So you with the
12 "Vandalia Leader" are extremely reliant on the U.S.
13 Postal Service?

14 THE WITNESS: It would be virtually
15 impossible for an operation our size to set up a
16 similar motor route. My wife and I are the only full-
17 time employees.

18 COMMISSIONER HAMMOND: Yes, okay.

19 So I know that, and you noted that the
20 "Vandalia Leader" is not located in the county seat.
21 How typical is this situation for weeklies or semi-
22 weeklies, is a newspaper published in a county seat
23 likely to have a higher proportion of in-county
24 copies? Is that usually the case?

25 THE WITNESS: Yes, I think, I think so.

1 Although the percentage might not be, the difference
2 might not be as high as you might expect because a
3 newspaper even close to a -- close to the county line
4 is still going to have the bulk of its subscribers
5 inside that town. So when you're crossing the county
6 line is when you go into rural areas.

7 COMMISSIONER HAMMOND: Yes.

8 THE WITNESS: And all of the newspapers that
9 I have owned have been close to a county line. I've
10 not been in a county seat. But I still think a high
11 percentage is in-county.

12 COMMISSIONER HAMMOND: Now, your circulation
13 profile not only shows that you serve subscribers in
14 adjoining counties but there is a relatively high
15 number of these outside county subscribers that are in
16 your local market area.

17 THE WITNESS: Right.

18 COMMISSIONER HAMMOND: And this is somewhat
19 a different profile than we focused on in previous
20 Commission proceedings, which is distribution by mail
21 predominantly in county with most outside county
22 distribution assumed to be more distant subscribers
23 much as the snowbirds and things like that rather than
24 citizens in adjacent counties. With your experience
25 could you tell me whether your ratio of inside to

1 outside county deliveries is typical for a weekly
2 newspaper of your size?

3 THE WITNESS: Yes, sir, I think so.

4 COMMISSIONER HAMMOND: Okay. Now, your
5 subscription charge is the same for all subscribers in
6 the local market area regardless of the county in
7 which the subscriber resides. But we know the postage
8 assessed on these copies is different, some pay a
9 within-county rate, some pay the outside-county rate.
10 Am I correct that one of the reasons you charge the
11 same subscription rate within a local market area
12 without regard to the county lines is that it simply
13 would be difficult to explain to someone in the
14 neighboring town that they have to pay more simply
15 because they live across the county line?

16 THE WITNESS: Yes, sir. A rural area such
17 as mine, my trade area will be basically what my
18 school district boundaries are. And the school
19 district will go into other communities that will,
20 rural areas that will be across county lines. And
21 those folks expect to be paying the same price for
22 their newspaper as anyone else in that school
23 district.

24 COMMISSIONER HAMMOND: So it is or, say, if
25 you had owned the Humansville newspaper and someone

1 lived over in the Weaubleau side, only about four
2 miles away but we're across the county line, that they
3 wouldn't want to have to pay more than somebody --

4 THE WITNESS: Correct. Yes.

5 COMMISSIONER HAMMOND: -- that lived south
6 of Bolivar?

7 THE WITNESS: Yes, sir.

8 COMMISSIONER HAMMOND: Yes. Okay.

9 Well, with your experience in the publishing
10 world and with NNA how common or typical is this
11 situation where the subscription rate's the same for
12 within county and nearby subscribers?

13 THE WITNESS: I think it's very typical.

14 COMMISSIONER HAMMOND: Now, you did say in
15 response to a Postal Service inquiry that you've made
16 several suggestions to the Postal Service's acting
17 manager of service performance improvement at the NNA
18 postal summit --

19 THE WITNESS: Yes, sir.

20 COMMISSIONER HAMMOND: -- in Washington this
21 last August?

22 I was just wondering whether you'd had any
23 further response to your suggestions or anything from
24 them yet?

25 THE WITNESS: No, sir.

COMMISSIONER HAMMOND: Ok . Ok I

2 wanted to ask while you were here there's a program
3 that the Postal Service offers that I hadn't heard
4 about until considering your periodicals testimony. I
5 wanted to ask you about it as to whether you were
6 familiar, it's called Pub Watch that some periodicals
7 mailers use to monitor and correct delivery problems.
8 And I know that -- like I say, I don't know a whole
9 lot about it yet but not all ZIP Codes are covered,
10 and I don't know whether the copies you mail would
11 qualify for it, but have you heard about it, had any
12 dealings with it?

13 THE WITNESS: I have heard where you can
14 have a publication watch put on a certain subscriber's
15 newspapers, if we're talking about the same thing, and
16 it is tracked where the paper goes. That would be
17 something that you would use more likely for an out-
18 of-area paper, one going to a distant area, as opposed
19 from papers going from Humansville to Weaubleau or
20 from Vandalia to Wellsville or something like that,
21 when you're more concerned about an entire bundle of
22 papers, where those papers have gone, or an entire
23 stack or tub of papers.

24 COMMISSIONER HAMMOND: So that while it
25 might not have a great effect on your local

1 distribution it is something that could be of
2 benefit --

3 THE WITNESS: Yes, sir.

4 COMMISSIONER HAMMOND: -- for I assume --

5 THE WITNESS: Yes, sir.

6 COMMISSIONER HAMMOND: -- you have snowbird
7 subscribers like everybody else and all that, and so
8 it might be useful for them that the Postal Service is
9 doing right now?

10 THE WITNESS: Yes, sir.

11 COMMISSIONER HAMMOND: Oh good, good. Okay.
12 I wanted to ask a little about stacking in
13 general.

14 THE WITNESS: Sure.

15 COMMISSIONER HAMMOND: And the new
16 regulation that imposes a 24-piece minimum on each
17 stack. I know in your testimony you stated, "We have
18 been diligent in avoiding the use of stacks wherever
19 possible. However, we are not permitted to use any
20 other sort of container for mail headed to 5-digit and
21 3-digit destinations."

22 Not so long ago there was talk of a search
23 for another type of container for periodicals. **And** I
24 haven't heard anything further about whether that
25 search has turned up any viable alternative. But have

1 you heard about a container used in some other
2 application that might be useful to you all?

3 THE WITNESS: I personally haven't, no, sir.
4 We're beginning to use the tubs now, as I stated in
5 here. I think we're using four or five tubs and we're
6 using them to where we are allowed to use them at this
7 point.

8 COMMISSIONER HAMMOND: Okay. What do you
9 think of the Postal Service proposal to charge a
10 container rate for mail that's not in a container such
11 as unsacked bundles of newspapers?

12 THE WITNESS: A charge for unsacked bundles?

13 COMMISSIONER HAMMOND: Yes.

14 THE WITNESS: I'm not aware that there would
15 be a charge for unsacked bundles. I thought they
16 would just be for actual use of containers. But I'm
17 not an expert on what specifically is being proposed.

18 COMMISSIONER HAMMOND: Well, maybe I'm
19 saying it wrong.

20 THE WITNESS: Okay. If I understand it
21 right, and I am far from the expert on what this
22 proposal is, if I understand it right I would be
23 paying for the sack and the tubs that I am using now.
24 So I think we are down to nine sacks and tubs total,
25 so it would be nine times 85 cents. So that would be

1 an additional expense for me on top of the proposed
2 in-county increase and on top of all of the other
3 expenses that we've come up with in the last year in
4 order to speed our delivery.

5 COMMISSIONER HAMMOND: Okay, okay. Yes,
6 that's the 85 cent container rate --

7 THE WITNESS: Yes.

8 COMMISSIONER HAMMOND: -- is what I'm
9 concerned with. Yes.

10 Okay, I did just want to ask while you were
11 here, I noted in your testimony that you started a
12 website a couple of years ago and mentioned that you
13 now have 500 readers a day or so. Could you describe
14 the relationship between the paper and the website and
15 how it has been of benefit? As it one, I know some
16 newspapers do charge, others don't, and how does that
17 relationship work?

18 THE WITNESS: Our website we have a free
19 site and then we have a site that is linked to that
20 that is accessible only to our print subscribers. Our
21 free site contains our page one news stories, the
22 obituaries, our major sports stories and our editorial
23 of the week. And it is backlogged for about a two-
24 week period, two or three-week period. That is the
25 editorial content.

1 We also have some advertising on the site.
2 And we are making a little bit of money on it,
3 although not nearly what we do for our newspapers. We
4 are also using the free site to update things during
5 the week. If someone dies we are able to post the
6 obituary immediately so people can access when the
7 funeral is going to be. We make it an effort to post
8 the high school sports scores as soon as we get them.

9 Tonight, my wife doesn't know how to do it,
10 she's covering the football game for me tonight. When
11 I fly back tonight the first thing I do, I'll be doing
12 is posting one of her pictures and putting up the
13 little information about the football game.

14 So that serves as something between issues.

15 Now, our paid site, our e-edition you link
16 to that. We began that about a year ago. And every
17 page of our newspaper is posted to this. And I have
18 that posted by 7:30 on Wednesday morning. The
19 subscribers can take their mailing label and their
20 customer number on top of their mailing label will be
21 their user name. And then their password will be
22 their name as it appears on the mailing label. And
23 they can use that to see the entire paper.

24 That is helping our snowbirds to, and our
25 what I called our used-to-live-heres, our former

1 residents, that is helping them to see the paper
2 immediately without waiting a week, two weeks,
3 whatever, for it to arrive. That has reduced the
4 number of complaints that I'm getting from the
5 snowbirds and the out-of-area people, at least the
6 younger ones who have internet capability. My real
7 senior citizens many of those are not on the internet
8 and those are the ones who are still calling and
9 complaining when it gets hung up.

10 Does that help? Is that a --

11 COMMISSIONER HAMMOND: Yes.

12 THE WITNESS: Okay.

13 COMMISSIONER HAMMOND: Yes, very, very, very
14 informative. Yes.

15 I believe that's all the questions I had.
16 Thank you very much for your answers. And thank you,
17 Mr. Chairman.

18 CHAIRMAN OMAS: Thank you, Commissioner
19 Hammond.

20 Is there anyone else who wishes to cross-
21 examine?

22 (No response.)

23 CHAIRMAN OMAS: None, okay.

24 Ms. Rush, would you like some time with your
25 witness?

MS. RUSH: b ut thre minutes, Mr.
2 Chairman, if you don't mind.

3 CHAIRMAN OMAS: Okay, thank you.

4 (Brief recess.)

5 CHAIRMAN OMAS: Ms. Rush.

6 MS. RUSH: Thank you, Mr. Chairman.

7 REDIRECT EXAMINATION

8 BY MS. RUSH:

9 Q Mr. Sosniecki, the Chairman and Commissioner
10 Hammond both asked you about the drop shipping that
11 you do to communities that are outside your county.
12 Are you also providing some drop shipping service to
13 communities within your county?

14 A Yes, ma'am. Farber is in my county, Ladonia
15 is in my county, Rush Hill is in my county. From Rush
16 Hill the papers are going to Mexico which is in my
17 county, Martinsburg which is in my county, Auxvasse
18 which is right on the county line. So, yes, we're
19 drop shipping inside the county too.

20 Q And why are you doing that?

21 A We're doing that because it was taking two
22 days to get newspapers to Mexico, which is our county
23 seat, which is just 35 miles away.

24 Q Does the reliability of service depend upon
25 whether the town is in the county or out of the county

1 in your view?

2 A No. There isn't a difference. In our
3 instance if the mail goes through St. Louis that's
4 where we have the problem. If we can avoid St. Louis,
5 we can avoid the bulk mail plant in St. Louis, we can
6 eliminate many of our problems.

7 Q Commissioner Hammond asked you some
8 questions about a charge proposed for mail that is not
9 in a container. If the Postal Service told you that
10 its intention was to apply an 85 cent charge on
11 bundles entered without a container on every 5-digit
12 entry point what would your reaction to that be?

13 A Well, number one, that would increase, that
14 would almost double what it would be otherwise. **And** I
15 don't quite understand why they would be a container
16 charge when you're not using a container.

17 MS. RUSH: Mr. Chairman, I have nothing
18 else.

19 CHAIRMAN **OMAS**: Thank you, Ms. Rush.

20 Mr. Sosniecki, that completes your testimony
21 here today. And we'd like to thank you very much for
22 coming. We appreciate your contribution to the record
23 and your testimony and you are now excused. Thank
24 you.

25 THE WITNESS: Thank you.

1 (Witness excused.)

2 CHAIRMAN **OMAS**: This concludes today's
3 hearings. We will reconvene Monday morning at 9:30
4 a.m. when we will receive testimony from Witnesses
5 Rush, Heath, Hewitt, Sywack and Clifton.

6 Thank you very much. **And** everybody have a
7 nice weekend. Thank you.

8 (Whereupon, at 10:11 a.m., the hearing was
9 recessed, to reconvene at **9:30** a.m., Monday, November
10 6, 2006.)

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REPORTER'S CERTIFICATE

DOCKET NO.: R2004-1
CASE TITLE: postal Rate and Fee charges
HEARING DATE: 11/3/04
LOCATION: WDC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the United States Postal Rate Commission

Date: 11/3/04

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