

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001**

REGULATIONS ESTABLISHING SYSTEM)
OF RATEMAKING)

Docket No. RM2007-1

**ANSWERS OF RANDY STUMBO TO QUESTIONS
POSED BY COMMISSIONERS ACTON AND GOLDWAY
AT FIELD HEARING IN KANSAS CITY ON JUNE 22, 2007**

Attached are the answers of Randy Stumbo, Senior Director of Distribution and Postal Affairs, Meredith Corporation, to questions posed by Commissioners Acton and Goldway at the Postal Regulatory Commission's field hearing in Docket No. RM2007-1 in Kansas City, Missouri, on June 22, 2007.

Respectfully submitted,

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July 25, 2007

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Question of Commissioner Acton (Tr. at 75):

“The last thing, some of you spoke about the rate cap . . . There's a general debate going on which the Commission has received commentary. There is one line of theory that calls for an averaging of the CPIs over a monthly assessment for whatever period it is, probably annually, maybe the use of a rate increase. The other would be a point to point assessment which doesn't involve averaging of the monthly CPI but does offer a different approach. I was wondering if you had any preferences in that regard?”

Response:

I don't have a strong preference since there are pros and cons to each approach. The moving average approach may allow publishers to estimate the average rate increase (although not the specific rate increase for their titles because that will depend on the specifics of the rate design) farther in advance because there is, of course, less month-to-month variation in the moving average. On the other hand, use of the point-to-point approach would allow the Postal Service to base its price increases on a more recent inflation measure.

More important to Meredith than which of these two approaches is used is that the CPI be calculated based upon a consistent and known time period each year. Using a consistent time period will contribute significantly to predictability. For example, if the rate index is always based upon the November CPI, we can determine the cap on the average increase for Periodicals by downloading CPI data from the Bureau of Labor Statistics (BLS) as soon as November data become available.

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Further, use of a consistent time period will ensure that, over time, the rate increases under the point-to-point and moving average approach converge. Otherwise, the Postal Service under the point-to-point approach could inflate its allowable rate increases by filing its notice of price changes at different times each year to take advantage of unusually large CPI increases.

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Question of Commissioner Goldway (Tr. at 80-81):

“My question is more technical. It goes to some of the comments about the forty-five day period for filing the rate increases which is under the new system. But yet, we need to review prior to that announcement what that new system is going to be because it could be very complicated. And the law is not all that clear on what the consultation disclosure, discussion, review of the Postal Service's just proposed rates will be before that forty-five day period. And I note we don't have that much time now for it. But I would ask you to go back and look at that aspect of the law and see if you can't give us some guidance on what we might do to get review of the proposed rate increase or information about that in some public forum before the Postal Service actually announces with its forty-five day notice that rates are going to go into effect.”

Response:

My understanding is that the PAEA does not provide the Postal Regulatory Commission (PRC) with the authority to require the Postal Service to provide more than 45 days of notice even for complex adjustments to prices. I, however, am optimistic that the Postal Service will provide additional informal notice for complex price adjustments.

First, based upon discussions with the publishing industry, the Postal Service Board of Governors chose to delay implementation of the Periodicals rates recommended by the Commission in Docket No. R2006-1 to allow additional time for mailers to implement the complex changes. For that, we are grateful. Given the complexity of the recommended changes, implementing Periodicals rates on May 14 would have been an administrative disaster with potentially significant operational and service implications.

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Second, in its Initial Comments (filed on April 6, 2007) submitted in response to the PRC's First Advance Notice of Proposed Rulemaking on Regulations Establishing a System of Ratemaking (Order No. 2), the Postal Service showed a willingness to provide mailers with sufficient notice to allow efficient implementation of price changes. Specifically, in its comments, the Postal Service stated that it planned to provide mailers with at least sixty days notice of price adjustments and also would actively communicate to mailers with respect to complex changes:

In addition, the Postal Service will publicize long-term plans for product and pricing changes that could require substantial reprogramming or business process redesign. If, for example, the Postal Service planned to implement a new product structure over time (e.g., associated with the implementation of FSS, or the Intelligent Mail® barcode), it will use appropriate public forums to tell customers of our plans; to discuss the potential effect of any changes with the industry; and to describe the implementation plan for any preparation or price changes that would affect customers.

Because software vendors generally do not revise their software until rates and implementing rules are finalized, we strongly urge the Postal Service to provide 90 days of notice for complex price changes in addition to the communication efforts described in its comments.

One thing that the Commission can do to facilitate efficient implementation of price changes is to limit the pre-implementation review of price changes to compliance with the CPI-based rate index. In addition to being consistent with the intent of the PAEA, limiting the scope of pre-implementation review in this manner would provide mailers and their vendors with confidence that the rates and rate structures specified in

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the Postal Service's notice of price change are very close to final. Only minor adjustments to rate levels (e.g., if USPS calculations understate the average rate increase for a class) to comply with the inflation-based rate index would be possible.

Also, even if the Postal Service provides informal notice more than 45 days before implementing a price change, we urge the Commission to refrain from expanding the scope and timing of its pre-implementation review. Doing so would likely discourage the Postal Service from providing the additional notice to mailers that is necessary to implement complex changes.