

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D. C.

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U.S. DEPARTMENT OF POSTS AND MARITIME SERVICES

Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

TRIAL BRIEF OF THE SATURATION MAIL COALITION

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INTRODUCTION

This docket is the first Postal Rate Commission proceeding in which the recently formed Saturation Mail Coalition has participated, so we begin by describing what the coalition is, who its members are, and why it was created.

The Coalition was formed in the spring of 1997 by a number of companies whose primary use of the Postal Service is the distribution of saturation mail advertising in the enhanced carrier route subclass. The Coalition's purpose is to provide a forum to address postal related issues of common interest to its membership, to develop positions on such issues, and to advocate its positions on such issues.

The Coalition currently has 36 members that represent the broad spectrum of the saturation mail industry. Its membership consists of publishers of free community papers, publishers of shopper publications, companies that do shared mail and solo mail programs, and organizations whose members have a primary interest in saturation mail issues. Its members use both the Postal Service and private delivery companies to distribute their products. Some are small local mailers serving rural areas with weekly circulation to less than 20,000 households. Some are medium size members who serve urban and regional

areas, like Newport Media in the New York metropolitan and Southern New Jersey area. And, there are larger members, like Harte-Hanks Shoppers and Advo, Inc. that serve multi-state and national markets. Big or little, their common characteristic and their common interest is delivery of saturation advertising mail through the Postal Service.

The Coalition was created because of this unique use of the mail and primary interest in postal issues related to saturation mail and the enhanced carrier route subclass. Its members, of course, belong to other associations of mailers concerned with broader postal issues where there is not the same commonality of interest. With the creation of the enhanced carrier route subclass there arose a need for focus of industry attention on issues pertinent to that subclass, in particular, the saturation mail segment used by members of the Coalition.

THE SATURATION MAIL INDUSTRY, CUSTOMERS, AND COMPETITION

In this proceeding, the Saturation Mail Coalition has presented direct testimony of Harry J. Buckel, Chief Executive Officer of Newport Media, Inc., the publisher of several saturation mail shopper publications (SMC-T-1). Mr. Buckel has been actively involved in the saturation mail industry, both as an executive and a participant and leader in industry affairs, for well over twenty years. He describes in depth the nature and characteristics of the saturation mail industry, the customers that rely upon saturation advertising, and the highly competitive environment in which saturation mailers compete. He explains how saturation mailers, despite the substantial diversity in mailer sizes and types of saturation mail programs, all share many common market characteristics.

The saturation mail programs of the Coalition members' serve local retail and service businesses and other advertisers who need to reach consumers

residing near their place of business. For small businesses with only a single location, this market area may be no larger than a two-or-three mile radius from their store. The customers of saturation mail are quite diverse, such as grocery stores, fast food establishments, auto sales and services, home repair services, small independent professionals, and individual service and tradespeople trying to make a living. These customers range in size from individual entrepreneurs and local retailers to chain retailers and even to some national advertisers. Saturation mailers help their customers develop advertising campaigns that focus on their special needs and target the geographic and demographic areas most likely to produce the greatest responses for their businesses.

Witness Buckel describes the highly competitive market in which saturation mailers operate, competing with each other and with newspapers and private delivery companies for distribution of retail preprint advertising. For most saturation mailers, postage is the most significant expense incurred; it is the primary determinant of their ability to compete in the market place. Consequently, the Coalition's reason for participating in this proceeding is to stress to the Commission the need for moderate, affordable rates for the enhanced carrier route subclass and the saturation mail segment within it.

COALITION POSITION

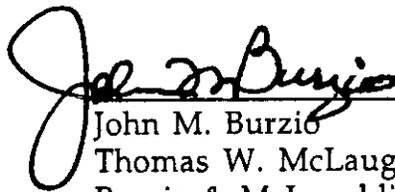
The Coalition supports the rates proposed by the Postal Service for the enhanced carrier route subclass, including the lower pound rate. These rates are consistent with the statutory requirements for cost recovery and overhead contribution, as demonstrated by the Postal Service's costing presentations, its estimates of relative demand elasticities, and the cost coverages that its proposed rates would produce. The proposed rates would produce a fairer and more equitable rate design within the enhanced carrier route subclass, consistent with the cost causing characteristics of the various subsegments within the subclass.

The rates would also strike the proper balance in terms of effect on mail users, including both the mailers and their local customers who constitute an important segment of the general public, and private sector companies that deliver advertising matter. The proposed rates would also offer the potential to attract new volumes in existing and in new markets. This potential is currently precluded by the existing pound rate, which is artificially derived and bears no relationship to postal costs or to the demand characteristics in the highly competitive market place for saturation advertising distribution.

CONCLUSION

The Coalition appreciates the opportunity to appear before the Postal Rate Commission and to present the views and position of its members. We urge the Commission to focus carefully on the needs of the small business community served by saturation mail advertising, and the competitiveness of the market place in which saturation mailers and the Postal Service operate. We request the Commission to approve and to recommend the rates proposed by the Postal Service for the enhanced carrier route subclass.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Thomas W. McLaughlin

February 10, 1998