

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

**Complaint of Time
Warner Inc. et al.
Concerning Periodicals Rates**

) **Docket No. C2004-1**

**SECOND INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
OF AMERICAN BUSINESS MEDIA
TO TIME WARNER INC., ET AL. WITNESS MITCHELL
ABM/TW et al.-T1-4-103
(May 28, 2004)**

Pursuant to Rules 25 through 28 of the Rules of Practice, American Business Media hereby submits interrogatories and requests for production of documents to Time Warner, Conde Nast, Newsweek, Readers Digest and TV Guide ("complainants"). American Business Media asks that, in responding to these requests, the complainants follow the guidelines set forth in American Business Media's first set of interrogatories to this witness.

Respectfully submitted,

/s/ David R. Straus
David R. Straus
Attorney for American Business Media

Law Offices of:

Thompson Coburn LLP
1909 K Street, NW
Suite 600
Washington, DC 20006-1167
(202) 585-6921

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ABM/TW et al.-T1-4. You state in response to ABM/TW et al.-T1-1 that you read Folio and Mailing Systems Technology. Please identify at least one website and one internet news group from which the same quality and quantity of information concerning the periodical industry can be obtained.

ABM/TW et al.-T1-5. Have you ever been an employee of, as opposed to a consultant for, a periodical publishing company? If so, provide the details.

ABM/TW et al.-T1-6. Have you ever provided services related to the production of a periodical to a publishing company? If so, provide the details.

ABM/TW et al.-T1-7. Have you ever sold advertising for a periodical publisher? If so, provide the details.

ABM/TW et al.-T1-8. Have you ever purchased advertising from a periodical publisher? If so, provide the details.

ABM/TW et al.-T1-9. Have you ever been employed, as an employee or a consultant, in the advertising business? If so, provide the details.

ABM/TW et al.-T1-10. Have you ever arranged for the printing of a periodical? If so, provide the details.

ABM/TW et al.-T1-11. Have you ever arranged for the transportation of a periodical? If so, provide the details.

ABM/TW et al.-T1-12. Have you ever arranged for the distribution of a periodical? If so, provide the details.

ABM/TW et al.-T1-13. In the speeches and meetings described in your response to ABM/TW et al.-T1-1, did you ever address the zoning of the editorial pound rate or other issues that have been raised by complainants in this proceeding? If so, please make copies of those speeches or notes from those meetings available, if you still have them.

ABM/TW et al.-T1-14. Please explain the nature of your assignments from Time Inc., beginning in November, 2002.

ABM/TW et al.-T1-15. Please define “efficient” as you use that word at page 1, line 8.

ABM/TW et al.-T1-16. Is it “efficient,” is it “inefficient,” or is it neither to charge lower postage to a Periodical than to a catalog with identical physical characteristics? Explain.

ABM/TW et al.-T1-17. When you compare periodicals rates with inflation since the 1980s, at page 3, lines 10-12, are you using average rate per piece or some other measure of periodicals rates?

ABM/TW et al.-T1-18. During the period references at page 3, lines 10-12, did periodicals mailers take steps that should have reduced Postal Service periodicals costs, such as barcoding, palletizing and dropshipping?

ABM/TW et al.-T1-19. What is your explanation for the fact that cost-reducing measures by periodicals mailers do not appear to have reduced periodical processing costs, at least to the extent that they should have?

ABM/TW et al.-T1-20. Is your reference at page 4, line 2, to “mailers” intended to include all mailers?

ABM/TW et al.-T1-21. Is the First-Class rate inefficient?

ABM/TW et al.-T1-22. Is the Standard rate inefficient?

ABM/TW et al.-T1-23. With reference to page 4, lines 10-12, please list the pound-related savings that have been converted into piece rates.

ABM/TW et al.-T1-24. Please explain the term “economical mailing practices” on page 6, lines 1-2.

ABM/TW et al.-T1-25. Do the proposed rates provide penalties for those who cannot engage in what you call “more economical mailing practices” as well as incentives for those that do?

ABM/TW et al.-T1-26. With reference to your testimony on page 6, lines 11-12, that the effects of your proposed rates on mailers “have been carefully considered,” please state in detail (a) by whom they have been considered, (b) when they have been considered, and (c) how they have been considered?

ABM/TW et al.-T1-27. Why is it important or beneficial that periodicals rates move closer to those that would be generated by a competitive market, as you imply at page 6, lines 12-13?

ABM/TW et al.-T1-28. Why isn't there a competitive market?

ABM/TW et al.-T1-29. Are the postage rates paid now by Time Warner and the other complainants higher or lower than they would be in a competitive market?

ABM/TW et al.-T1-30. Please explain how your proposed rates move “at a measured pace,” as stated on page 6, line 13.

ABM/TW et al.-T1-31. You state at page 6, lines 16-21, that the impact of your proposal is tempered by the fact that there are no markups for the new rate elements. (a) Markups over what? (b) What markups are proposed for the other rate elements?

ABM/TW et al.-T1-32. Will all small publications be helped by what you describe at page 6, line 22 to page 7, line 1 as “recognition of machinability”?

ABM/TW et al.-T1-33. How will small publications be helped by what you describe at page 7, line 1, as “improvements in the pallet/sack differential”?

ABM/TW et al.-T1-34. Will all small publications be helped by what you describe at page 7, line 2, as “improved dropship discounts for sacks”?

ABM/TW et al.-T1-35. Please provide your understanding of the extent that sacks are drop shipped and the reasons underlying that understanding.

ABM/TW et al.-T1-36. You testify at page 8, lines 2-7, that Congress initially set periodicals rates to be “extremely attractive.” Is it still important that periodicals rates be attractive, and if so why?

ABM/TW et al.-T1-37. You refer at page 8, lines 12-15 to congressional recognition of the ECSI value of periodicals. (a) Do improvements in printing and information technology, along with the availability of cable television and the internet, substantially diminish the need to recognize the ECSI value of periodicals? (b) If not, why not?

ABM/TW et al.-T1-38. What percentage of the periodicals mailed today have circulations less than 250,000?

ABM/TW et al.-T1-39. What percentage of the periodicals mailed today have circulations less than 100,000?

ABM/TW et al.-T1-40. If your proposed rates increase rates for most periodicals, would that make the periodicals rate less attractive?

ABM/TW et al.-T1-41. You state at page 11, line 12, that periodicals rates are not cost based. Are they market based?

ABM/TW et al.-T1-42. Are First-Class rates cost based?

ABM/TW et al.-T1-43. Are Standard mail rates cost based?

ABM/TW et al.-T1-44. Are parcel rates cost based?

ABM/TW et al.-T1-45. Is the existing periodicals pallet discount cost based?

ABM/TW et al.-T1-46. Is the existing periodicals drop shipped pallet discount cost based?

ABM/TW et al.-T1-47. Are the periodicals advertising pound rates cost based?

ABM/TW et al.-T1-48 Are the periodicals carrier route discounts cost-based?

ABM/TW et al.-T1-49 Is the periodicals 3-digit presort discount cost based?

ABM/TW et al.-T1-50 Is the periodicals barcode discount cost based?

ABM/TW et al.-T1-51 Is the periodicals DDU entry discount cost based?

ABM/TW et al.-T1-52 Is the periodicals DSCF entry discount cost based?

ABM/TW et al.-T1-53 Is the periodicals DADC entry discount cost based?

ABM/TW et al.-T1-54. Is the periodicals letter/flat differential cost based?

ABM/TW et al.-T1-55. In your proposal, are the editorial pound rates cost based?

ABM/TW et al.-T1-56. In your proposal, is the differential between the editorial pound rates and the advertising pound rates cost based?

ABM/TW et al.-T1-57. Please confirm that, based upon your statement at page 11, lines 19-22, that pound rates play a “substantially lesser role” than they did prior to reorganization, and the contribution to “inefficiency” of a flat editorial rate has also declined substantially. If you cannot confirm, please explain why.

ABM/TW et al.-T1-58. With reference to your testimony at page 16, lines 3-6, please give the details, and an example, of when a mailer has a choice between preparing one 24-piece bundle and 24 sacks containing one piece each, and state the frequency with which mailers actually choose to mail one-piece sacks.

ABM/TW et al.-T1-59. You state at page 16, line 8, that if a mailer is willing to pay the cost of handling 24 sacks with one piece, “the outcome is not inconsistent with efficiency.” Is it consistent with efficiency?

ABM/TW et al.-T1-60. You state at page 16, lines 18-19, that there was an “enormous waste of resources” resulting from the fact that 14.6% of Standard mail was dropshipped before 1990, but 73.3% is now. (a) What resources were wasted? (b) In each situation, didn’t the mail have to be transported by someone? (c) Is it your testimony that Postal Service transportation is inherently less efficient than private transportation? (d) If so, why? (e) If not, why is it necessarily less efficient for mailers to pay the Postal Service to transport their mail than it is for them to pay private carriers to transport their mail?

ABM/TW et al.-T1-61. (a) Please state the basis for your assumption at page 17, footnote 8, that postage costs “are included in printer’s [sic: printers’] bids.” (b) did you ask witness Schick, from QuadGraphics, or any other printer if this assumptions correct? (c) If so, what was the response?

ABM/TW et al.-T1-62. Who were the “beneficiaries of the existing rate” to whom you refer at page 19, line 13.

ABM/TW et al.-T1-63. Please explain the role of the complainants in the “negotiations and compromise” to which you refer at page 19, line 15, through page 20, line 3.

ABM/TW et al.-T1-64. Do you believe that if periodicals rates were established without regard to their ECSI value, and if as a result the markup over attributable costs were to increase to the average system markup, there would be any effect on the flow or availability of information in the United States?

ABM/TW et al.-T1-65. You testify at page 21, lines 4-5, that publishers should not find it profitable to drop subscribers in distant zones. Might publishers in that situation tend to devote more of their marketing resources on the less costly zones?

ABM/TW et al.-T1-66. You testify at page 21, lines 5-9, that even if zoning the editorial rate caused some areas to be disfavored, “it is hard to see,” given all of the “other sources of information and avenues of communication now available,” that there would be adverse consequences. Please examine the list of American Business Media member publications provided as an attachment to American Business Media’s first interrogatories to witness John Steele Gordon and identify those whose content is available in reasonably equivalent depth and reliability from “other sources of information and avenues of communication.”

ABM/TW et al.-T1-67. What mailers now pay the institutional costs that periodicals mailers would pay if their rates were not retrained to reflect their ECSI value?

ABM/TW et al.-T1-68. (a) Are you opposed to the low, single-digit cost coverage that Periodicals have enjoyed for several years? (b) If so, why? (c) If not, why not?

ABM/TW et al.-T1-69. Where are the publications listed at page 22, lines 17-20, printed?

ABM/TW et al.-T1-70. Please identify the city magazine discussed at page 23, lines 11-13, and state where it is printed and whether it is drop shipped.

ABM/TW et al.-T1-71. You say at page 24, line 22, through page 23, line 1, that the present periodicals rate structure amounts to the Postal Service saying to a local publication with little or no advertising that it will transport it for free and that all of the freight will be paid by other mailers. (a) Please identify ten such publications. (b) what other mailers will pay the freight costs? (c) Does the Postal Service give the same message to, for example, Capital One with respect to its First-Class credit card solicitations?

ABM/TW et al.-T1-72. (a) Please identify each periodical published by the complainants that have "subscribers in limited geographic areas," as you use that phrase at page 25, line 6. (b) How many subscribers in limited geographic areas receive those periodicals? (c) what percentage do such copies represent of the total copies of all of the publications of the complainants?

ABM/TW et al.-T1-73. (a) Have you been retained in this case to represent the interests of regional or local publications? (b) If so, provide the details.

ABM/TW et al.-T1-74. Please estimate the percentage of periodical pieces entered in zones 1 and 2 today that are drop shipped into those zones.

ABM/TW et al.-T1-75. Why have you chosen not to zone the Ride-Along rate?

ABM/TW et al.-T1-76. You state at page 28, lines 8-11, that you are not suggesting that all mailers can make the changes that would enable them to avoid large rate increases if the proposed rates were adopted. Please identify the type of mailer that would not be able to make such changes.

ABM/TW et al.-T1-77. Why do you assert at page 29, lines 1-3, that pieces processed on a machine—the FSM-1000—are not machinable?

ABM/TW et al.-T1-78. What are the characteristics of pieces that can be processed on an FSM-1000 but not an AFSM-100?

ABM/TW et al.-T1-79. What percentage of the pieces produced by the complainants cannot be processed on an AFSM 100?

ABM/TW et al.-T1-80. Please explain why you propose dropship discounts for mail deposited at a destination BMC.

ABM/TW et al.-T1-81. Please explain why DSCF entry pieces would pay no distance-related transportation costs under your proposal.

ABM/TW et al.-T1-82. (a) What types of periodical mail benefit from the adjustment at page 33, lines 16-20, to increase the passthrough of DSCF pound-related costs to 10%? (b) what types of periodical mail would pay more as a result of this adjustment?

ABM/TW et al.-T1-83. What percentage of the complainants mail is entered at the DSCF and what percentage is entered at the DSCF or DDU?

ABM/TW et al.-T1-84. (a) Should all Postal Service workshare discounts be equal to avoided costs? (b) If not, under what circumstances should the discounts depart from avoided costs?

ABM/TW et al.-T1-85. At page 39, lines 7-9, you state that higher zone publications would pay only the additional costs associated with distant entry and no additional fixed costs. (a) By "fixed costs," are you referring to institutional costs? (b) If not, to what are you referring?

ABM/TW et al.-T1-86. Do the rates you propose produce "equal implicit markups," as you refer to that term at page 47, line 28 to page 48, line 1 (quoting from the Commission)?

ABM/TW et al.-T1-87. If the Postal Service were to begin delivery point sequencing of all flats, and if as a result the value of carrier route presort were to disappear, should the carrier route discount be immediately and completely eliminated?

ABM/TW et al.-T1-88. At page 49, lines 5-6, you state that periodicals mailers find themselves with the motivation but not the tools to change the way they prepare and present mail. Did you mean to say that they have the tools but not the motivation?

ABM/TW et al.-T1-89. (a) In setting rates, if the Commission should find that, for example, publishers of small weekly periodicals have no choice but to mail their product in 5-digit sacks in order to obtain reasonable service, and that such sacks tend to be low volume, should the Commission take that finding into consideration in assessing your proposal? (b) If so, how?

ABM/TW et al.-T1-90. If the Commission should find that some of the higher costs of what complainants deem “inefficient” mail result from Postal Service concentration on efficient processing of the remainder of the mail, such as, for example, added costs that result from the elimination of sack sorters, should the Commission take that finding into consideration in assessing your proposal? (b) If so, how?

ABM/TW et al.-T1-91. (a) Do you agree with the manner in which the Commission treats the Alaska air costs? (b) If so, why? (c) If not, why not?

ABM/TW et al.-T1-92. (a) Assume that some machinable periodicals are sometimes processed manually so that greater volumes of Standard mail can be processed on machines and that, as a result, Standard mail costs in a facility are reduced by \$2,000,000 while periodical costs are increased by \$1,000,000. Would you make any attributable cost or rate modification to reflect this situation? (b) If so, why? (c) If not, why not?

ABM/TW et al.-T1-93. You state at page 54, lines 13-15, that the rates you propose will adversely affect some, but that “the impact is limited.” To support this assertion, you state that “only” 21% of the revenue is from bundle, sack and pallet charges and that “no markup is proposed from these charges.” (a) Please describe in detail and provide the results of any analysis you have made to examine the impact of your proposed rates on individual publications. (b) Please confirm that, under your proposed rates (and without any change in mailing), the postage costs for some publications would increase by more than 50%.

ABM/TW et al.-T1-94. With respect to the quotation in footnote 41, has worksharing of periodicals helped the Postal Service improve its productivity?

ABM/TW et al.-T1-95. Do you agree that, for some publications, the cost of obtaining a *new* subscriber exceeds the incremental revenue associated with that subscriber in the first year?

ABM/TW et al.-T1-96. Do publishers have sources of revenue associated with their publications—such as, for example, rental of mailing lists and ancillary products—other than subscription and advertising revenue?

ABM/TW et al.-T1-97. With respect to the formula on page 61, line 19, does inclusion of the “V” term mean that advertising revenue is directly proportional to the number of subscribers?

ABM/TW et al.-T1-98. Please provide the advertising rates for Time, Motocross, Field & Stream, Bon Appetit, In Furniture, and Reader’s Digest, all of which are published by one of the complainants.

ABM/TW et al.-T1-99. What is the source for your statement at page 65, line 11, that the marginal cost of printing "is estimated" to be \$0.17 per copy.

ABM/TW et al.-T1-100. (a) Have you asked the publisher of The New Republic whether it earns \$49.55 less the cost of account maintenance for each zone 8 subscriber? (b) If so, what was the response?

ABM/TW et al.-T1-101. What is the source for your marginal cost of printing of 31 cents for Pit & Quarry, cited at page 66, line 10?

ABM/TW et al.-T1-102. At page 66, line 12, you cite 46.63 cents as the postage cost of a zone 8 copy of Pit & Quarry. What would that postage cost be under your proposal?

ABM/TW et al.-T1-103. What is your understanding of the profit level, from the periodicals themselves, in the periodicals industry today?

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of May, 2004, a copy of the foregoing document was served in accordance with Section 12 of the Commission's Rules of Practice.

/s/ David R. Straus
David R. Straus
Attorney for American Business Media

Law Offices of:

Thompson Coburn LLP
1909 K Street, NW
Suite 600
Washington, DC 20006-1167
(202) 585-6921