

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

COMPLAINT OF TIME WARNER INC. et al.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

**FIRST SET OF DISCOVERY REQUESTS
DIRECTED BY THE MCGRAW-HILL COMPANIES
TO COMPLAINANTS' WITNESS STRALBERG
MH/TW et al. – T2 – 1-11
(June 7, 2004)**

Pursuant to Rules 25 through 28 of the Commission's Rules of Practice, The McGraw-Hill Companies, Inc. submits the following interrogatories and other discovery requests to Complainants witness Stralberg (TW et al. – T2). To the extent that witness Stralberg may be unable to provide a full response, please provide a response by another witness, employee or representative of Complainants. If the information requested is not available in the precise format or level of detail requested, please provide such information in such format and level of detail as is available. If Complainants would assert any objection to any of these discovery requests, please first contact the undersigned to discuss whether the objection may be resolved informally.

/s/

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MH/TW et al. – T2-1: To the best of your ability, using R2001-1 test year (FY 2003) after rates volumes, please quantify the total number of sacks that contain only a single piece.

MH/TW et al. – T2-2: With reference to your testimony at page 6, note 4, please state your understanding of why (a) a large-circulation mailer like Time Inc. and (b) a relatively small-circulation publication would mail sacks that each contained only one or just a few pieces, for service reasons or otherwise.

MH/TW et al. – T2-3: For a periodical that mails sacks that each contain only one or just a few pieces in order to achieve reasonable service levels, what are the actual and possible practical alternatives to such practice, in your view, that would enable the periodical to achieve reasonable service levels?

MH/TW et al. – T2-4: With reference to your testimony at pages 5-7, please compare the Postal Service's investments over time in facilities, equipment and/or processes designed to facilitate the handling of (a) pallets and (b) sacks, respectively.

MH/TW et al. – T2-5: Please explain whether it is likely or conceivable in your view that under the proposed rate structure, mailers may have incentives to (a) switch from 5-digit sacks to fewer and heavier 3-digit sacks, and/or (b) switch from pallets to heavy sacks, and if so, (c) please explain the likely effect on mail processing costs.

MH/TW et al. – T2-6: With reference to your testimony at page 7, lines 11-14 that "mailers themselves will be able to figure out how far to go in producing pallets with finer presort, by weighing the higher price of using more smaller pallets against the lower bundle prices that result from finer pallet presort levels," and your testimony at page 8, lines 9-10 regarding "letting mailers figure out how many bundles to make by pricing both bundles and pieces in accordance with actual costs," please discuss the extent to which under the proposed rate structure, mailers of varying size and sophistication will be confronted with more complex decision-making among a myriad of options and tradeoffs that cannot readily be resolved.

MH/TW et al. – T2-7: Having reference, by way of example, to your testimony at pages ii-iii, page 9 lines 6-20, and page 30 lines 18-25, please discuss the potential problems of basing de-averaged rates on costs that are ill-defined.

MH/TW et al. – T2-8: With reference to your testimony at page 39, line 28 through page 40, (a) please discuss generally the potential problems of maintaining cost-based de-averaged rates when "[p]rocessing methods and mailer practices are changing

continually;” (b) please discuss the extent to which the unit costs of Postal Service transportation, and its unit costs of handling sacks, can be expected to increase assuming that mailers engage in increased dropshipping and reduce their use of sacks; and (c) please discuss how frequently in your view a rate structure similar to that proposed here would require updating in order to “be a suitable and accurate tool for the determination of unit costs and the development of truly cost based Periodicals rates.”

MH/TW et al. – T2-9: With reference to your testimony at page 10 note 8 that “[t]hese categories were present also in the Postal Service’s R2000-1 and R2001-1 mail flow models” but that “in both cases the USPS witness combined the more detailed set of categories into the much more limited number representing current presort/automation rate levels”, please set forth your understanding of why the Postal Service adopted that approach rather than the approach advocated by you in this case.

MH/TW et al. – T2-10: Referring to your testimony at page 10 note 7, please explain whether the described rate differential could just as well be characterized as an inappropriate penalty for the non-barcoded piece.

MH/TW et al. – T2-11: Referring to your testimony at page 32 lines 16-22, (a) please confirm that the estimated costs for a 5-digit pallet entered at the OAO reflect an average of costs for such pallets that are entered close to destination (e.g., in the DSCF or DADC service area) and costs for such pallets that are entered further from destination, or explain if you are unable to confirm, and (b) please confirm that under the proposed rate structure 5-digit pallets entered at an OAO close to destination would be subsidizing 5-digit pallets entered at an OAO further from destination, or explain if you are unable to confirm.