

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 SET OF DISCOVERY REQUESTS  
DIRECTED BY THE MCGRAW-HILL COMPANIES, INC  
TO COMPLAINANTS' WITNESS MITCHELL  
MH/TW et al. – T1 – 19-28  
(June 11, 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 Mitchell (TW et al. – T1). To the extent that witness Mitchell 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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SECOND SET OF DISCOVERY REQUESTS  
DIRECTED BY THE MCGRAW-HILL COMPANIES, INC.  
TO COMPLAINANTS' WITNESS MITCHELL  
MH/TW et al. – T – 19-28

MH/TW et al. – T1-19: With reference to your testimony at page 9 line 6 through page 11 line 6:

(a) Please confirm that inordinate increases in the attributed costs and rates of Periodicals mail have occurred since the early 1990s *despite* significantly increased use of pallets, increased dropshipping and increased worksharing of other types by Periodicals mailers during that period. If you do not confirm, please explain fully.

(b) Please provide your best estimate of the extent of increased use of pallets, increased dropshipping, and increased worksharing of other types by Periodicals mailers since 1990 (or for whatever years data may be available). Please specify the precise sources for your answer and provide any necessary calculations.

(c) Please confirm that the *inordinate increases* in the attributed costs and rates of Periodicals mail since the early 1990s have not apparently been caused by Periodicals mailing practices, but rather may largely be attributable to Postal Service choices or constraints, such as the apparent failure of the Postal Service to reduce sufficiently the number of its personnel assigned to process Periodicals mail after it had deployed expensive flats sorting machines (the so-called “automation refugee” problem), and/or Postal Service decisions to accord Standard mail priority use of flat sorting machines (relegating some Periodicals mail to more expensive manual handling that became even more expensive still due to the automation refugee problem). If you do not confirm, please explain fully.

(d) With reference to Graph 1 on page 10 of your testimony, please confirm that the trend of inordinate increases in the attributed costs and rates of Periodicals mail has held steady or accelerated for more than ten years, despite increased use of pallets, increased dropshipping, and increased worksharing of other types by Periodicals mailers during that period. If you do not confirm, please explain fully.

(e) Please confirm that an immediate effect of the proposed rate structure would be to significantly reduce the pooling and averaging of Periodicals mail costs for rate design purposes, resulting in a significant redistribution of revenue responsibility for costs among Periodicals mailers. If you do not confirm, please explain fully.

(f) Please confirm that the proposed rate structure would tend to result in significant rate increases for (among others) high-editorial/low-circulation national Periodicals, particularly to the extent that they are unable as a practical matter to palletize or dropship their mail, and would tend to result in significant rate decreases for high-circulation national periodicals, even if they simply maintain their current levels of

palletization, dropshipping and other worksharing. If you do not confirm, please explain fully.

MH/TW et al. – T1-20: With reference to the statement at page 30 lines 13-15 of your testimony that “[s]ince mailers have *options* concerning not only what kind of container to use but also container makeup, these costs should be recognized in rates (emphasis added):”

(a) Please reconcile that statement with the statement at page 28 lines 8-10 of your testimony that “no argument is being made, and no position taken, that ... *all* mailers find themselves in situations where changes are feasible ...” (emphasis in original).

(b) Please state what percentage of outside-county Periodicals should, as a general matter in your view, “find themselves in situations where changes are feasible” and “have options” before Periodicals costs and rates can fairly and equitably be de-averaged in an effort to redistribute costs more precisely. Please explain your reasoning fully.

(c) Assuming that the proposed rate structure were to be adopted, please provide your best estimate of the respective percentages of outside-county Periodicals that would not in fact likely find themselves in situations where changes are feasible in order to (i) move significantly from sacks to pallets and/or (ii) increase dropshipping significantly. Please specify the precise sources and/or bases for your answers and provide any necessary calculations.

(d) Assuming that the proposed rate structure were to be adopted, please provide your best estimate of the percentage of outside-county Periodicals that may be threatened with or pushed into insolvency as a result of higher postage rates. Please specify the precise sources and/or bases for your answer and provide any necessary calculations.

(e) Please provide your best estimate of the price elasticity of demand associated with increases in postage rates for high-editorial/low-circulation Periodicals under the proposed rate structure. Please specify your sources precisely and provide any necessary calculations.

MH/TW et al. – T1- 21: With reference to your testimony at pages 37-39, and note 33 in particular, regarding the proposed discount of 10.1 cents per pound of editorial matter, in lieu of the current flat editorial pound charge, please confirm that if a high-zone mailer incurred total postage of 60 cents per piece prior to application of the proposed editorial

pound discount, while a low-zone mailer incurred total postage of 25 cents per piece prior to application of that discount, and each piece weighed one pound and was 100% editorial, the proposed editorial pound discount would result in a greater than 40% reduction in postage for low-zone, low-cost mailer, but would result in a less than 17% reduction in postage for high-zone, high-cost mailer. If you do not confirm, please explain fully.

MH/TW et al. – T1-22: With reference to your testimony on page 39 lines 3-12, comparing the treatment of higher-zone publications under the current and proposed rate structures:

(a) Please confirm that under the current rate structure, the flat editorial pound charge mitigates, in proportion to editorial percentage of mailed Periodicals, the higher Postal Service transportation rates that would otherwise be charged higher-zone Periodicals, with the aim of thereby fostering widespread dissemination of editorial content. If you do not confirm, please explain fully.

(b) Please confirm that under the proposed rate structure, the pound charge for a 100% editorial publication mailed from zone 8 would increase from 19.3 cents per pound to 49.8 cents per pound. If you do not confirm, please explain fully.

(c) Please confirm that the assertion at page 39 lines 7-12 of your testimony that higher-zone publications would be “treated quite favorably” and receive a “high form of consideration” under the proposed rate structure means only that you did not mark up the proposed zone charges by 1.3% -- resulting, for example, in a proposed zone 6 charge of 36.2 cents rather than 36.7 cents. If you do not confirm, please explain fully.

(d) Please confirm that high-editorial Periodicals tend to lack the mail volume and density necessary to prepare their mail on pallets and/or dropship it, and could accordingly incur new sack charges ranging from \$1.53 to \$3.30 per sack under the proposed rate structure. If you do not confirm, please explain fully.

(e) Please confirm that there may be a significant number of high-editorial/low-circulation Periodicals for whom co-palletization and/or co-mailing may not be viable options presently or in the near future in view of the limited availability of efficient co-palletization and co-mailing services, the substantial capital and operating costs of those services, the delays in delivery time occasioned by those services, and/or other factors. If you do not confirm, please explain fully.

(f) Please confirm that the proposed rate structure is designed to send strong price signals to higher-zone/higher-editorial Periodicals to minimize their use of Postal Service transportation to the extent possible, and instead to utilize competing

transportation providers to the extent that they are less expensive than Postal Service transportation. If you do not confirm, please explain fully.

(g) Please confirm that to the extent some mailers were eventually able to respond to such price signals and did manage in the future to switch to less expensive competing transportation, the unit costs of Postal Service transportation may increase even further for other mailers who are unable to do so, and who therefore remain dependent on Postal Service transportation. If you do not confirm, please explain fully.

MH/TW et al. – T1-23: With reference to the experimental co-palletization dropship discounts for high-editorial/heavy-weight/small-circulation Periodicals recently proposed by the Postal Service in Docket No. MC2004-1:

(a) Please confirm that the proposed experimental discounts go a fair way toward meeting the objections raised to the current pallet discount at page 58 lines 33-35 of your testimony that “the discount is the same for a) heavy-weight and light-weight pieces and b) pieces transported a short distance and those carried long distances, even though the cost savings vary with both weight and distance.” If you do not confirm, please explain fully.

(b) Please confirm that the proposed experimental discounts, in conjunction with the current pallet discount, dropship pallet discount, and experimental co-palletization discounts from the outside-county Periodicals piece rates, reflect in principle a reasonable and measured alternative approach to achieving significant progress toward efficiency goals underlying the rate structure proposed by complainants here, but without the high degree of cost de-averaging and potentially severe rate impact upon high-editorial/low-circulation Periodicals that would flow from complainants’ proposed rate structure. If you do not confirm, please explain fully.

MH/TW et al. – T1-24: Please provide the following information or your best estimate, and specify the precise source of your answer and provide any necessary calculations: (a) the number of outside-county Periodicals, non-profit Periodicals and classroom Periodicals, respectively; (b) the number of outside-county Periodicals that generally have approximately 70% or more editorial content, and the number that generally have approximately 85% or more editorial content; (c) the number of outside-county Periodicals that are weeklies or have higher frequency; (d) the average mailed circulation and average weight of outside-county Periodicals, and the ranges of the circulation and weight; (e) the average mailed circulation and average weight of those groups of Periodicals specified in subpart b above; (f) the number of outside county Periodicals that are “higher zone publications” as you use that term at page 39 line 4 of your testimony, and please provide your most precise definition of that term; and (g) the number of such higher zone publications in the groups of Periodicals specified in subpart b above.

MH/TW et al. – T1-25: With regard to the proposed rate structure presented at page 43 of your testimony:

(a) Please explain whether it is anomalous that, alone among the container level and bundle level combinations, a 5-D bundle in a 5-D/CR container would pay no bundle charge.

(b) Please explain whether it is anomalous that (i) the charge for an origin-entered 3-D/SCF sack is lower than both the charge for an origin-entered ADC sack and the charge for an origin-entered 5-D/CR sack, while (ii) the charge for a DBMC-entered 3-D/SCF sack is identical to the charge for a DBMC-entered ADC sack and lower than the charge for a DBMC-entered 5-D/CR sack, while (iii) the charge for a DADC-entered 3-D/SCF sack is higher than the charge for a DADC-entered ADC sack and lower than the charge for a DADC-entered 5-D/CR sack, and (iv) the relationships among the corresponding pallet charges are identical to the above-described relationships among sack charges except that the charge for a DADC-entered 3-D/SCF pallet is higher than both the charge for a DADC-entered ADC pallet and the charge for a DADC-entered 5-D/CR pallet.

MH/TW et al. – T1-26: With respect to the statement at page 27 lines 19-20 of your testimony that the proposed rates “preserve all applicable discounts:”

(a) Please confirm that the difference between the 5-digit Bar-Mach piece rate and the Carrier Route Basic rate under the proposed rates at page 43 of your testimony is 7.3 cents while the difference between the current 5-digit Automation flat rate and the current Carrier Route Basic rate is 6.3 cents. If you do confirm, please reconcile the differential with your above-quoted testimony. If you do not confirm, please explain fully.

(b) Please confirm that the difference between the SCF/3-digit Bar-Mach rate and the 5-digit Bar-Mach rate under the proposed rates is 3.6 cents while the difference between the current 3-digit Automation flat rate and the current 5-digit Automation flat rate is 5.7 cents. If you do confirm, please reconcile the differential with your above-quoted testimony. If you do not confirm, please explain fully.

MH/TW et al. – T1-27: Please explain fully what you mean when you refer to “unnecessary or inefficient transportation over long distances” at page 17 line 18 of your testimony.

MH/TW et al. – T1-28: Please specify the precise sources for the discussion rate history at page 8 line 2-5 and page 19 line 11 through page 20 line 15.