

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

COMPLAINT OF TIME WARNER INC. ET AL.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

RESPONSES OF TIME WARNER INC. ET AL.
WITNESS JOSEPH E. SCHICK TO ABM/TW ET AL.-T4-1-47
(June 14, 2004)

Time Warner Inc., Condé Nast Publications, a Division of Advance Magazine Publishers Inc., Newsweek, Inc., The Reader's Digest Association, Inc., and TV Guide Magazine Group, Inc. (collectively, Time Warner Inc. et al.) hereby provide the responses of witness Schick (TW et al.-T-4) to American Business Media interrogatories ABM/TW et al.-T4-1-47, filed May 28, 2004.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

s/ _____
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Response of Witness Schick to ABM/TW et al.-T4-1

ABM/TW et al.-T4-1. Please state when you first agreed to support the proposal contained in the complaint that initiated this proceeding.

Response

I can't be certain of the date, but it was some time in the last quarter of 2003.

Response of Witness Schick to ABM/TW et al.-T4-2

ABM/TW et al.-T4-2. (a) When you agreed to support the proposal in the complaint that initiated this proceeding, had you seen the rates proposed by witness Mitchell?
(b) If not, did those rates cause you to reconsider?

Response

a) No.

b) No.

Response of Witness Schick to ABM/TW et al.-T4-3

ABM/TW et al.-T4-3. Do you believe that the rates proposed by Witness Mitchell, if implemented with less than two years' notice, would seriously harm a significant segment of the Periodicals industry?

Response

No.

Response of Witness Schick to ABM/TW et al.-T4-4

ABM/TW et al.-T4-4. At page 2, line 21, through page 3, line 2, you state that if postage rate minimization is the only goal, you will maximize presort, automate and barcode as much as possible and maximize dropshipping. Why have you not included palletization in this list?

Response

Palletization should have been included in that statement.

Response of Witness Schick to ABM/TW et al.-T4-5

ABM/TW et al.-T4-5. When Quad/Graphics creates sacks, as described at page 3, lines 8-11, do you do so inefficiently?

Response

It is my belief that everything Quad/Graphics does is done efficiently, including preparation of sacks.

Response of Witness Schick to ABM/TW et al.-T4-6

ABM/TW et al.-T4-6. You testify at page 3, lines 11-18, that “in many cases” mail in 5-digit sacks will be delivered more quickly than mail on an ADC pallet. Is it also true that, in many cases, mail in 5-digit sacks will be delivered more quickly than mail in 3-digit sacks?

Response

To my knowledge, there have not been any studies that show a difference in delivery times for mail in 5 digit sacks versus mail in 3 digit sacks. I would think that if the sacks were both entered at the same postal facility and each contained the same type bundles (5 digit and/or carrier route), there would not be any measurable difference in delivery time. To that end, in the next 60 days the USPS will initiate a very simple service test, using Confirm, on the impact of moving from 6-24 piece sacks, and which will include looking at the effect of moving the mail from 5 digit to 3 digit sacks. This study is in response to discussion at the IDEAlliance Conference in April about cost-based rates, and the fact that no one can make an educated decision on the impact of cost-based rates and the USPS Flats Strategy without knowing how it might affect delivery. The reality is that there is nothing to base the decision on without knowing what’s happening today, and nobody seems to have definitive data.

Response of Witness Schick to ABM/TW et al.-T4-7

ABM/TW et al.-T4-7. When the Postal Service receives an ADC pallet with 5digit bundles, how does it process those bundles? Include in your answer (at least) (a) at what type of facility the pallet is opened, (b) how the bundles are sorted mechanically, (c) to what level(s) they are sorted, (d) into what type(s) of containers the bundles are placed after sorting and for shipment, (e) how they are shipped to the next facility, and (f) the type of facility to which they are shipped.

Response

If the mail was dropshipped at an ADC:

- a) ADC pallets would be processed at an ADC.
- b) Bundles are usually sorted on the SPBS (Small Parcel and Bundle Sorter).
- c) 5 digit bundles would be sorted to the 5 digit level.
- d) Bundles usually are sorted into some type of rolling stock/cart.
- e) The rolling stock is loaded on a USPS trailer, unless the ADC is also an SCF (Sectional Center Facility). If the ADC is also an SCF, the bundles would be moved to the appropriate flat sorter within the facility.
- f) The USPS trailer would move to the appropriate SCFs.

Response of Witness Schick to ABM/TW et al.-T4-8

ABM/TW et al.-T4-8. Does Quad/Graphics print any weekly Periodicals on Friday night/Saturday that the publisher seeks to have delivered to the reader on Monday? If so, how and when are those publications typically containerized, transported and entered into the mail when the destination is the west coast?

Response

We do print weekly Periodicals on weekends that require certain percentages of delivery on Mondays. Depending on the print location and total copy count, the mail will either be transported by truck or air. We try to utilize over-the-road truck transportation as much as possible by using team drivers and combining the weeklies with our other dropship mail. The majority of the mail is prepared on pallets. Where there is not enough volume to palletize, we are containerizing the sacks in cardboard sleeves on pallets. The mail is then entered at the appropriate SCF.

Response of Witness Schick to ABM/TW et al.-T4-9

ABM/TW et al.-T4-9. Do you agree that the Postal Service's processing and transportation system is, over time, becoming increasingly geared toward handling pallets and away from handling sacks?

Response

Yes, just as it once became increasingly geared toward transporting mail by truck and airplane and away from transporting it by railroad and steamship.

Response of Witness Schick to ABM/TW et al.-T4-10

ABM/TW et al.-T4-10. Have you ever worked on developing a container that has a capacity lower than that of a pallet but that would be less costly for the Postal Service to handle than a sack? If so, please provide the details of that work, including its results.

Response

I chaired two different MTAC work groups that were focused on alternate preparation for flats and developing a new flats container. They were Alternate Flats Preparation and Flats Container Development. The final reports and resolutions of these work groups are attached.

MTAC Issues Tracking System (MITS)

Issue Title	Preparing Flats Using Alternate Packaging		
Issue Originator	Val Scansaroli		
Originator Association	Agricultural Circulation Association		
USPS Sponsor	Bob Williamson		
Steering Committee Sponsor	Jack Widener		
Issue Statement	Escalating flat mail postage rates compel industry and the Postal Service to focus more intently on improving flat sorting efficiencies for cost reduction. The elimination (or modification) of packaging has been identified as a key element of this endeavor. Rather than developing isolated aspects of the process, the work group will be tasked with designing a delivery system for flats from binding line, through induction point of USPS flat sorting devices.		
Impact on Other Issues or Procedures	Adaptations to make-up rules in the DMM are anticipated. Transportation systems could be affected.		
Desired Results	Faster and more efficient mail processing of flat mail, translating to measurable net "system" cost reductions		
Industry Work Group Leaders	Joseph Schick	Association Gravure Assn of America Inc.	Phone Number 414 566-4134
USPS Work Group Leaders	Timothy Haney	Association United States Postal Service	Phone Number 202-636-1334
Latest Work Group News	Please review and offer comments for this proposed workgroup.		

Resolution After 4 months of testing alternative methods of preparing flats (different than the current packaged flats preparation), the work group did come up with some solid recommendations. The recommended actions are: 1) Create 5-digit auto schemes for flat mail. 2) Develop a new method of preparing flats using a new "container", different than the shrink-wrapped and strapped packaging currently being used. 3) Develop a container that replaces a number of currently prepared packages to reduce the number of handlings for the Postal Service and mailers. (A new work group is being created to accomplish this task, and work has already been initiated.) 4) Develop a presort to fit the new container, ensuring the container is always full...following the same principle of letters. This would mean an increase to the minimums required for presort. The Postal Service is also in the process of publishing a more detailed report of the actual test that was conducted by the work group. It will be added to this issue upon completion.

Issue Title	Flats Container Development		
Issue Originator	Joseph Schick		
Originator Association	Gravure Assn of America Inc.		
USPS Sponsor	Sammy Seals		
Steering Committee Sponsor	Robert Lindsay		
Issue Statement	As a result of the testing done by the Alternate Flats Preparation Work Group, a recommendation was made to develop a new methodology and container for the preparation of flat-size mail.		
Impact on Other Issues or Procedures	This will provide an opportunity to: move towards higher required minimums for presort; bypass SPBS operations for a larger portion of the mail; reduce problems associated with package integrity; improve productivity on flat sorters; and reduce costs associated with "prepping mail for flat sorters".		
Desired Results	To develop a new "container" for the preparation of flats that will facilitate a reduction in cost for the Postal Service at induction on the flat sorters, while helping to reduce mailers' production/preparation costs and facilitating automation for all. (Lowest Combined Costs)		
Industry Work Group Leaders	Joseph Schick	Association Gravure Assn of America Inc.	Phone Number 414 566-4134
USPS Work Group Leaders	John Brown		

Final Report

Flats Container Development Work Group (#71)

November 5, 2003

Work Group Leaders: John Brown, USPS
 Joe Schick, Quad/Graphics, Inc.

The Flats Container Development Work Group was created as an offshoot of the Alternative Flats Preparation Work Group. Developing a new flats container/package alternative was one of the recommendations that were brought forward by that work group.

The stated purpose of the Flats Container Development Work Group was: ***To develop a new "container" for the preparation of flats that will streamline the process of mailers' preparing flats in a way that allows the mailings to move from the mailer's facility directly to the flat sorter, bypassing and reducing the prep work associated with today's packaging requirements.*** Such a container would facilitate lower costs for the Postal Service from reduced handlings (minimizing bundle sortation and manual preparation activities), decrease mailers' production/preparation costs and facilitate automation for all resulting in "Lowest Combined Costs." This includes trying to also help facilitate the movement of mail from sacks to some other container, and then onto pallets for mailers that may not have sufficient flats volumes or the need to completely change how they prepare flats.

There were a number of considerations that the group recognized in changing the way flats are prepared and containerized. They included, but were not limited to:

- Will it require changes to minimum package size?
- Can it be applied to all presort categories, and not just automated?
- Can the mail be compensated within the container/package?
- Could 3-digit containers become the norm, or would it create capacity issues?
- If 3-digit containers were the norm, would it facilitate larger minimum package size requirements and mitigate a postage hit?
- Will the cost to retool printers' operations be offset with deeper discounts based on potential USPS savings?
- What is the impact on dropshipping efficiency and cost?
- What is the impact on postal operations...hardware and floor space?
- Can this be applied to both the AFSM100 and FSM1000?
- If a new type of container is created, who will supply?

A number of concepts were discussed and tested in the last year by the work group. The concepts tested were:

- Blue Plastic Trays (USPS)
- Black Plastic Trays (USPS)
- Disposable (One-Time Use) Cardboard Trays (Lockheed Martin)
- Plastic Tubs (Muller Martini)
- Increased Package Size – Current Environment (Muller Martini)

- Newsstand-Type Package Preparation (R.R. Donnelley)
- Ergo Cart (USPS)
- "Logs of Flats" (Printers)
- Flats Feed Assist Device (USPS)
- Formed Plastic Tray (Rehrig Pacific)
- Flat Tubs Replacing Sacks (Christian Science Monitor)
- Extended Package/Tray – Compensated (Siemens)

Participating mailers were given prototype test trays and guidelines for preparing the mailings for transport to the postal test site. Once the pallets arrived at the test site, they were brought into the facility in close proximity to the flat sorting machine, and the pallets were maneuvered by a pallet transpositioner onto a pallet table.

Upon the receipt of the pallets, USPS Engineering evaluated the condition of the mailing prior to induction on the AFSM 100 machine, and reports were prepared. These reports summarized the condition of the pallet load and containers of flat mail as it arrived, and were given individually to the participants that provided the test mailings. The test phase proved that package integrity is inherently a key factor since it enhances automated processing with full, non-compensated containers of flats performing the best.

The Postal Service decided that at this time, only non-carrier route mail would be applicable for consideration in any new container. Carrier route mail bypasses the flat sorters, and therefore, would continue to be prepared in packages as is done today with varying types of packaging material.

Because that premise was maintained throughout our test process, it became apparent that mailers would not have enough mail to certain zip codes to create larger packages or flat trays/tubs. That proved to be the case even when changes were made to current presort parameters, including the opportunity to combine auto and nonauto mail in the same package, and with the implementation of the 5-digit scheme (L007) for AFSM100 flats. We found that for the test site the size of the average package only increased by a few pieces, or the additional copies being grouped together pushed the mail to the next higher presort category.

Conclusion:

Operationally, the concept of a new flats container proved to be a viable alternative for the preparation of flats reducing the prep work associated with today's packaging requirements. However, regardless of the concept tested, the results were basically the same. Because of constraints caused by current presort parameters; we could not greatly reduce the current number of packages being created in a mailing by trying to build larger packages or a new type of tray.

In addition, the idea of creating two separate mail-packaging processes, one for carrier route presort as currently done and the other utilizing a new flats container, within one mailing and on one production line, was not embraced by printers and

other mailers represented in the work group. This did not follow the thinking of “lowest combined costs” for both the mailers and the Postal Service.

The crux of the issue the Container Group faced is the dichotomy of the input stream to the USPS.

The majority of flats coming off of the mailers’ bindery lines are prepared for manual delivery such as newsstands, newspapers, and USPS Carrier Route bundles. This method of preparation, small shrink wrap bundles weighing less than 20 pounds, is incompatible with automated processes that desire large containers in excess of 60 to 80 lbs, which exceed recommended manual lifting capacity. The current printers/publishers operations are highly automated and efficient in the preparation of flats. The wholesale changes required on the printers/publishers end, to make up logs, trays, etc. could compromise the cost effectiveness of the current operation.

Correspondingly, the USPS cannot afford to potentially lose revenues through the implementation of a process or rate structure change that improves its automation processing, at the expense of its Carrier Route mail.

However, if the flats distribution process changes from manual to automation through the introduction of technology, the business case for both the USPS and the printers/publishers may change to allow the Flat Mail Preparation process to become more automation friendly.

As a result, we feel that any further testing at this time would not be warranted. However, if the Postal Service were to go forward with either the Flats Sequencing System (FSS) or Delivery Point Packaging (DPP) at some point in the future, there may be an application for one or more of the concepts that were tested.

Recommendations:

The ideas and concepts developed and tested by this work group can facilitate lowest combined costs for the USPS and the mailing industry. There is additional work to be done by both sides before automated flats processing can be fully realized.

1. The mailing industry needs to continue to work toward building larger packages.
2. The USPS needs to explore changes in presort and preparation requirements that would make the flats container an attractive alternative to preparing flats.
3. MTAC should consider reactivating this workgroup at a later date when a decision has been made for either DPP or FSS.

The ideas and concepts that have been proposed in the work group in the last few months, but have not been acted upon, will be transitioned to the appropriate MTAC work group, which will probably be the Flat Mail Preparation Optimization Work

Group. These ideas relate more to changes in presort and preparation requirements than to container development issues. They are:

1. Sequencing various presort categories on a pallet so that carrier route is separated from all other categories, allowing the Postal Service to be able to sort to an operation and move the packages more efficiently within a processing facility.
2. Building on the Christian Science Monitor test, which allows the use of flat tubs for entry into specific postal facilities instead of sacks.
3. Determining methods for increasing the maximum number of pieces/weight in a presorted package of flats. (Such as 3-digit scheme, this is already under consideration by the USPS.)

The decision has been made to sunset the work group.

Response of Witness Schick to ABM/TW et al.-T4-11

ABM/TW et al.-T4-11. (a) Please explain the details of the change in presort parameters for IN STYLE discussed at page 3, lines 21-23. (b) Were there any increased costs to Quad/Graphics from making this change? c) Were there any decreased costs to Quad/Graphics from making this change? (d) How many bundles and pieces were in sacks before the change? (e) How many bundles and pieces were in sacks after the change?

Response

- a) The following presort changes were made: Sack minimums were set to 24 pieces; the MADC sack minimum was set to 1; the ADC minimum pallet weight was set to 250 lbs; all other pallet minimums were set to 500 lbs; and three digits pallets were not allowed.
- b) No.
- c) Yes. We were able to reduce the number of people needed in the bindery and become more efficient moving finished product into and through distribution.
- d) In October 2003 there were 42,477 pieces and 16,666 bundles in 4059 sacks.
- e) In April 2004 there were 23,498 pieces and 9,186 bundles in 1418 sacks.

Response of Witness Schick to ABM/TW et al.-T4-12

ABM/TW et al.-T4-12. With respect to the IN STYLE situation, (a) why do you compare the costs of origin-entered sacks with the costs of destination-entered pallets? (b) Are you in fact drop shipping the pallets? (c) If so, why? (c) Did you in fact origin enter the sacks? (d) If so, why didn't you drop ship the sacks? (e) What is the weight and the editorial percentage of IN STYLE?

Response

- a) I was referencing the cost associated with the mailing from the time and place it was handed over to the Postal Service.
- b) Yes.
- c) Because the savings associated with dropshipping is greater than the cost of transportation.
- d) Unless a client has specific needs, we do not dropship sacked mail. If required, we will dropship sacks, but at a much higher cost (in many cases making it cost-prohibitive) than palletized mail, due to extra handlings and the need to containerize the sacks.
- e) The weight was 1.676 lbs and the editorial percentage was 43.20%.

Response of Witness Schick to ABM/TW et al.-T4-13

ABM/TW et al.-T4-13. (a) Why are there any sacks for IN STYLE? (b) If the rates proposed in this case were adopted, would there be any copies of IN STYLE in sacks? (c) If so, why?

Response

- a) Application of current mail preparation rules determine that a certain number of sacks can and will be created. Depending on which options are chosen, that number can increase or decrease, at instruction by the owner of the mail.
- b) There may be residual copies remaining in sacks. The rates and rules will determine how many sacks are created.
- c) As stated in b), the rates will determine if sacks are used.

Response of Witness Schick to ABM/TW et al.-T4-14

ABM/TW et al.-T4-14. In your comailing operation, do the participants in the individual pools vary from month to month (or week to week)?

Response

They can vary from week to week depending on individual schedules and frequency.

Response of Witness Schick to ABM/TW et al.-T4-15

ABM/TW et al.-T4-15. You testify at page 7, lines 1-2, that you have 120 publications in your comailing pools. (a) How many of the 120 comail their main file? (b) How many Periodicals printed by Quad/Graphics would save postage costs if they participated in comail pools with their main files, but do not participate?

Response

- a) 108 publications comail their main file as well as their supplemental or back issue mailings.
- b) Virtually all the Periodicals we print would benefit to some extent by participating in our comail pools.

Response of Witness Schick to ABM/TW et al.-T4-16

ABM/TW et al.-T4-16. What reason do publications give for choosing not to participate in comailing pools?

Response

Publications that choose not to participate usually fall into 3 categories:

- 1) Weekly publications that cannot add time to their schedule.
- 2) Longer run (large circulation) publications that would not see enough presort, pallet, and dropship gain to change their production schedules.
- 3) Publications that utilize inside the book inkjet and personalization technology, which at this time can only be done inline (as the publication is being bound).

Response of Witness Schick to ABM/TW et al.-T4-17

ABM/TW et al.-T4-17. What does “[w]e are comailing on a weekly basis” (page 7, lines 4-5) mean?

Response

It means that we schedule our comail pools every week, and manage the production within that weekly schedule.

Response of Witness Schick to ABM/TW et al.-T4-18

ABM/TW et al.-T4-18. How many comail pools does Quad/Graphics run per month?

Response

Corporate wide we are now averaging 10 per month.

Response of Witness Schick to ABM/TW et al.-T4-19

ABM/TW et al.-T4-19. (a) How many Quad/Graphics comail pools per month include at least one participant that is comailing at least 250,000 pieces? (b) How many comail pools per month include at least one participant that is comailing at least 100,000 pieces?

Response

a) 8.

b) 9.

Response of Witness Schick to ABM/TW et al.-T4-20

ABM/TW et al.-T4-20. Is it correct that, in the comail pool portrayed in your Exhibit A, there are two titles contributing more than 500,000 pieces to the pool, two more titles contributing between 200,000 and 500,000 pieces, four titles contributing between 100,000 and 200,000 pieces, four titles contributing between 50,000 and 100,000 pieces and one title with fewer than 50,000 pieces?

Response

The exhibit shows only 13 of the 45 titles included in the comailing, as its caption indicates. You are correct in regard to the number of titles with more than 500,000 copies, the number of titles with 200,000 – 500,000 copies, the number of titles with 100,000 – 200,000 copies, and the number of titles with 50,000 – 100,000 copies. However, there were in fact 33 titles with fewer than 50,000 copies. A copy of the relevant table from the exhibit, but showing all 45 titles included in the comailing, is attached to this response.

Summary of Titles Used in Co-mail Analysis (First 13 Of 45 Titles)							
Title ID	Production Run Type	Postal Class	Rate Type	Processing Category	Mailed Pieces	Piece Weight by Version	Ad% by Version
1	Main Run	Periodical	Regular	Flat	571,558	0.7310	41.39
						0.7009	40.73
						0.7009	41.39
						0.3494	34.00
2	Main Run	Periodical	Regular	Flat	511,771	0.6560	46.53
3	Main Run	Periodical	Regular	Flat	288,024	0.5319	49.85
						0.4601	39.70
						0.4033	47.91
4	Main Run	Periodical	Non-Profit	Flat	266,824	1.2863	52.00
						1.2765	52.00
						1.2589	52.00
						1.2492	52.00
						1.2394	52.00
						0.6177	33.52
5	Main Run	Periodical	Non-Profit	Flat	185,140	0.2660	43.00
6	Main Run	Periodical	Regular	Flat	164,576	1.2472	52.00
						0.4073	47.91
						0.3671	34.00
						0.3641	43.78
						0.3604	43.78
7	Main Run	Periodical	Regular	Flat	113,926	1.2198	52.00
8	Supplemental	Periodical	Regular	Flat	103,613	1.2316	52.00
9	Main Run	Periodical	Regular	Flat	92,495	0.5887	35.00
10	Supplemental	Periodical	Regular	Flat	77,757	1.2668	52.00
11	Main Run	Periodical	Regular	Flat	72,045	0.4422	38.05
12	Main Run	Periodical	Regular	Flat	52,453	0.6433	52.43
13	Supplemental	Periodical	Regular	Flat	38,073	1.2687	52.00
						0.7323	42.03
						0.6890	56.25
						0.6650	59.14
						0.6550	58.24
						0.6192	35.00

Summary of Titles Used in Co-mail Analysis							
Continued – Titles 14-45							
Title ID	Production Run Type	Postal Class	Rate Type	Processing Category	Mailed Pieces	Piece Weight by Version	Ad% by Version
14	Main Run	Periodical	Regular	Flat	25,678	0.3533	34.53
15	Main Run	Periodical	Regular	Flat	23,289	0.6241	46.00
16	Main Run	Periodical	Regular	Flat	16,345	0.3387	50.00
17	Supplemental	Periodical	Regular	Flat	13,955	0.9327	57.35
18	Supplemental	Periodical	Non-Profit	Flat	13,727	0.6350	56.25
19	Supplemental	Periodical	Regular	Flat	13,086	0.9840	51.90
20	Supplemental	Periodical	Regular	Flat	12,338	0.5410	43.75
21	Supplemental	Periodical	Regular	Flat	9,841	0.5918	53.24
22	Supplemental	Periodical	Regular	Flat	9,614	1.1055	46.10
23	Supplemental	Periodical	Regular	Flat	9,381	0.5636	36.70
24	Supplemental	Periodical	Regular	Flat	8,951	0.3357	40.62
25	Supplemental	Periodical	Regular	Flat	8,793	0.6416	31.40
26	Supplemental	Periodical	Regular	Flat	8,331	0.4099	36.04
27	Supplemental	Periodical	Regular	Flat	7,686	0.5900	56.28
28	Supplemental	Periodical	Non-Profit	Flat	7,287	0.7152	43.67
29	Supplemental	Periodical	Regular	Flat	6,904	0.3474	59.17
30	Supplemental	Periodical	Regular	Flat	6,238	0.4727	51.00
31	Supplemental	Periodical	Regular	Flat	5,697	0.6243	50.60
32	Supplemental	Periodical	Regular	Flat	4,600	0.2965	0.00
33	Supplemental	Periodical	Regular	Flat	4,326	0.4326	16.00
34	Supplemental	Periodical	Regular	Flat	4,246	0.2993	36.07
35	Supplemental	Periodical	Non-Profit	Flat	3,981	0.4870	42.26
36	Supplemental	Periodical	Regular	Flat	3,847	0.5950	42.82
37	Supplemental	Periodical	Non-Profit	Flat	3,814	0.2292	18.38
38	Supplemental	Periodical	Regular	Flat	3,261	0.4757	32.26
39	Supplemental	Periodical	Regular	Flat	2,801	0.6536	57.00
40	Supplemental	Periodical	Regular	Flat	2,753	0.4787	31.72
41	Supplemental	Periodical	Regular	Flat	2,512	0.4670	46.80
42	Supplemental	Periodical	Non-Profit	Flat	2,435	0.4027	13.95
43	Supplemental	Periodical	Regular	Flat	2,157	0.4984	40.60
44	Supplemental	Periodical	Regular	Flat	1,868	0.4308	36.10
45	Supplemental	Periodical	Regular	Flat	1,553	0.4465	37.90

Response of Witness Schick to ABM/TW et al.-T4-21

ABM/TW et al.-T4-21. Please provide the names of the Periodicals identified as Titles 7-13. If, after inquiry, any of the publishers (that are not also complainants) refuse to allow you to release those names, then provide the name of the publisher.

Response

Because of confidentiality, we cannot provide the names of the publishers or the publications.

Response of Witness Schick to ABM/TW et al.-T4-22

ABM/TW et al.-T4-22. Your Exhibit A pool contains 2.7 million copies. (a) How many pieces are in your average pool? (b) How many pieces are in each of your largest five pools? (c) How many pieces are in each of your smallest five pools?

Response

- a) We have different comail processes in more than one plant. The averages are: 4,086,300 copies, 1,169,745 copies, 188,658 copies, and 31,033 copies.
- b) 8,448,002 copies, 7,029,004 copies, 6,716,229 copies, 5,903,991 copies, and 5,807,313 copies.
- c) 32,332 copies, 32,090 copies, 26,932 copies, 26,362 copies, and 25,521 copies.

Response of Witness Schick to ABM/TW et al.-T4-23

ABM/TW et al.-T4-23. You state at page 9, lines 21-22, that “a balance must be maintained for ES value of periodicals.” A balance between what and what?

Response

A balance between-rates that foster efficiency and rates that recognize the ECSI value of periodicals. I believe such a balance can best be achieved by recognizing ECSI in a way that treats all editorial matter equally and requires the smallest divergence possible from rates that promote efficient mailing practices.

Response of Witness Schick to ABM/TW et al.-T4-24

ABM/TW et al.-T4-24. (a) Do you believe that cable television has substantially diminished the value of print media for the distribution of material with educational, cultural, scientific and informational value? (b) If so, should the ECSI value of Periodicals continue to be recognized in postal rates?

Response

Let me first say that as a printer, I believe that all printed material continues to have value and that hard copy distribution will be sustained for the foreseeable future.

- a) It seems logical that any widely successful new communications technology will have some effect on the roles played by pre-existing technologies. But there seems to be little agreement about either the magnitude of such effects or whether they are positive or negative, even long after the new technology is thoroughly established.

- b) See my response to ABM/TW et al.-T4-25 (b).

Response of Witness Schick to ABM/TW et al.-T4-25

ABM/TW et al.-T4-25. (a) Do you believe that the internet has substantially diminished the value of print media for the distribution of material with educational, cultural, scientific and informational value? (b) If so, should the ECSI value of Periodicals continue to be recognized in postal rates?

Response

- a) See my response to ABM/TW et al.-T4-24 (a).
- b) The recognition of ECSI value in Periodicals rates is a policy issue for Congress and the Commission to address. I possess no special expertise on the subject. However, I can say, in the context of your question, that developments in communications technology such as radio, records, broadcast and cable television, the compact disk, and the internet have an effect on the role not just of print media but of all pre-existing channels of communication. Note that those technologies have substantially expanded the availability, and lowered the cost of access to information.

Response of Witness Schick to ABM/TW et al.-T4-26

ABM/TW et al.-T4-26. Do you believe that people in business are more likely to rely upon information they receive in specialized business periodicals or on information they find in an internet news group?

Response

I have no idea how common it is for businesses to rely on internet news groups, or how reliable they consider the information in news groups to be. But there is no doubt that businesses rely more and more for information on internet resources (as distinct from internet news groups). My impression is that these resources consist mostly of sites that are used on a repetitive basis and whose institutional character is as well known as that of business periodicals in the same field. In addition, I think it is likely that the internet's extensive indexing, cross-referencing, and linking to related sources give it a tremendous advantage as a source of many types of business information. I therefore cannot say that businesses in general are more likely to rely on the information they find in print media than the information they find on line.

Response of Witness Schick to ABM/TW et al.-T4-27

ABM/TW et al.-T4-27. Do you believe that medical pract[it]ioners are more likely to rely upon information they receive in specialized medical periodicals or on information they find in an internet news group?

Response

I know nothing about the likelihood of their relying on internet news groups.

However, with respect to internet resources in general, I would not be surprised to find that doctors today are more likely to seek out specialized medical information from some of the large on-line databases sponsored by leading research hospitals and universities and national medical institutions.

Response of Witness Schick to ABM/TW et al.-T4-28

ABM/TW et al.-T4-28. Do you agree or disagree with the following statement, and why: setting postal rates for periodicals in a manner that recognizes their educational, cultural, scientific and informational value is no longer necessary, given the changes in communications, printing, information sharing and transportation in the past 100 years.

Response

Disagree. See my response to ABM/TW et al.-T4-25(b).

Response of Witness Schick to ABM/TW et al.-T4-29

ABM/TW et al.-T4-29. Your testimony, for example at page 11, lines 1-2, states that, with the proper incentives, the mailing industry will react. Does Quad/Graphics' comailing and copalletizing operations indicate that the present rate structure offers adequate incentives for printers to provide those services?

Our venture into comailing was initiated when Quad/Graphics was a one-plant printer. We decided to give it a try because we thought it would help us compete in an industry where we were the "little guy." Over time the incentives have grown, and we have attracted more publishers. I do believe that today there are adequate incentives to provide comailing services. I do not believe that there are currently adequate incentives to offer copalletization services. We are only able to claim copalletization discounts as a result of comailing.

Response of Witness Schick to ABM/TW et al.-T4-30

ABM/TW et al.-T4-30. Approximately how many periodical printers are there in the United States?

Response

I do not know.

Response of Witness Schick to ABM/TW et al.-T4-31

ABM/TW et al.-T4-31. Approximately how many periodical printers in the United States offer comailing services?

Response

I do not know.

Response of Witness Schick to ABM/TW et al.-T4-32

ABM/TW et al.-T4-32. Approximately how many periodicals (that are entered into the mail) are printed at printers that do not offer comailing services?

Response

I do not know.

Response of Witness Schick to ABM/TW et al.-T4-33

ABM/TW et al.-T4-33. Approximately how many periodical printers in the United States offer copalletizing services?

Response

I do not know.

Response of Witness Schick to ABM/TW et al.-T4-34

ABM/TW et al.-T4-34. Approximately how many periodicals are printed at printers that do not offer copalletizing services?

Response

I do not know.

Response of Witness Schick to ABM/TW et al.-T4-35

ABM/TW et al.-T4-35. (a) If a Quad/Graphics customer signed a three-year printing contract and six months later asked to be let out of the contract, because the customer found another printer that could print and mail its products less expensively, is it Quad/Graphics' policy to let that customer out of that contract without penalty? (b) What is the policy of other printers in this situation, insofar as you are aware?

Response

- a) All contracts are written differently, and I would say that in most cases both sides have out clauses that allow the business relationship to be discontinued. Some may provide for clean separations without penalties, while others may include penalties.
- b) I do not know, but would suspect that the policies would be similar.

Response of Witness Schick to ABM/TW et al.-T4-36

ABM/TW et al.-T4-36. You testify at page 11, lines 3-15, that, with greater incentives for more highly workshared periodicals, more printers and other mailers will invest in the technology, software and other processes necessary to take advantage of those incentives. Would you characterize those investments as major?

Response

It is impossible to generalize, although the cost of some technologies, such as software and computers, may be lower or be declining more rapidly than the cost of others.

Response of Witness Schick to ABM/TW et al.-T4-37

ABM/TW et al.-T4-37. Please state your understanding of the Postal Service's investigation of delivery point sequencing flats.

Response

I know that the Postal Service is in the R&D phase of a bid process with a number of major equipment vendors, trying to determine whether sequencing of flats would be cost effective.

Response of Witness Schick to ABM/TW et al.-T4-38

ABM/TW et al.-T4-38. Is there a reasonable chance that, if the Postal Service does in fact move forward with delivery point sequencing of flats, and does so at the plant or SCF level, the value to the Postal Service of the carrier route and 5digit presort will be significantly reduced or eliminated?

Response

It is my understanding that the sequencing of flats would result in the elimination of carrier route bundles, as we know them today. However, it is also my understanding, based on comments by the Postal Service, that 5 digit bundles would be retained and be the sort of preference.

Response of Witness Schick to ABM/TW et al.-T4-39

ABM/TW et al.-T4-39. Would it be irrational for a printer that has not made the investment necessary to comail on a large scale to defer making that investment until the Postal Service has decided what it intends to do with delivery point sequencing of flats?

Response

That would be the individual decision of each printer. In my opinion, based on comments from the Postal Service regarding future rate structures, there will be more value placed on the number of bundles and containers produced in each mailing and the handlings associated with those bundles and containers. There will also be a premium placed on getting out of sacks. For those reasons, there should always be value in comailing and copalletization.

Response of Witness Schick to ABM/TW et al.-T4-40

ABM/TW et al.-T4-40. You state at page 11, lines 16-19, that there are “situations” in which a printer or publisher may not be able to change its mail preparation or design as a reaction to the type of rate structure you support in this case. Separately for printers and publishers, please list and explain all such situations of which you are aware.

Response

I am not familiar with all of the situations that may occur for other printers and the publishing industry. However, situations that I can relate to with our clients and our production process would be:

- 1) Publications with daily or weekly production schedules that would be difficult to adjust or expand.
- 2) Publications with different trim sizes (digest or tabloid) because of limited comailing partners of the same size in the same location.
- 3) Publications that use printed poly specific to their publication.
- 4) Publications that insert multiple pieces into a polybag along with the publication.

These situations do not preclude being able to make changes to mail prep or production, but they do make it more difficult. Business decisions would have to be made by everyone.

Response of Witness Schick to ABM/TW et al.-T4-41

ABM/TW et al.-T4-41. At page 12 lines 1-5, you analogize to presort bureaus and Parcel Direct. Please explain the operations of presort bureaus and Parcel Direct.

Response

I am not very knowledgeable in regard to presort bureaus, other than knowing basically that they bring in mail from a number of sources that either choose not to or are unable to presort and/or barcode their mail for whatever reason, run the mail through high speed sorting equipment similar to what the Postal Service has deployed to presort and barcode the mail, present the combined mail to the Postal Service, pay the appropriate rate of postage for the combined mailing, and then share in the savings with all of their customers.

Parcel Direct, a consolidator of parcels, was established when incentives were implemented for dropship parcels. We bring in parcels from a number of different clients, who by themselves would not be able to claim those dropship rates (mainly DDU rates). We then run the parcels through our parcel sorters, sort to either the BMC or DDU, and then transport the parcels directly to the destinating facility.

Response of Witness Schick to ABM/TW et al.-T4-42

ABM/TW et al.-T4-42. Does the Postal Service sort bundles of periodicals onto pallets?

Response

To my knowledge, at this time the USPS does not sort bundles of Periodicals onto pallets. The bundles are placed in some type of rolling stock and moved through the system in that manner.

Response of Witness Schick to ABM/TW et al.-T4-43

ABM/TW et al.-T4-43. At page 12, lines 9-10, you state that Quad/Graphics must reduce the time of production in its comailing operation to “improve the speed to market.” Please explain how a comail pool is formed and implemented, including the maximum, minimum and average times in a typical Quad/Graphics pool between when a periodical is ready for printing and when it is ready for dropshipping (or mailing).

Response

Every publication has it's own schedule. Schedules are built by starting at the end of the last process (mail delivered to a subscriber) and moving backward towards the start of the process (paper received at the printing plant). Depending on the number of pages, total print count (including newsstand, bulk, etc.), other work in our plants at the same time, availability of supplied inserts, and any number of other variables, a schedule for the press room, bindery, comail pool and dropship pool is created. The number of days from being on press with the first signature (printed grouping of pages) to when the mail is loaded into a trailer for dropshipment and delivery can vary greatly. It could be as much as 2-3 weeks or as little as 1 day. Depending on the size of the comail pool, it may add 2-5 days to the total production process at Quad. However, when factoring in the number of days gained in postal processing, distribution, and delivery, it usually is either the same or slightly less time end-to-end.

With a comail pool every week, clients fall into the appropriate pool based on when their production schedule makes the finished publication available from the bindery, and when they are able to provide us with their subscriber list for presort. The subscriber lists are really the critical element in comailing. All the lists of all the publications must be in our hands before the combined presort can be done, and once all the lists are presorted as one, there is basically no turning back. The publication is committed to the comail.

Response of Witness Schick to ABM/TW et al.-T4-44

ABM/TW et al.-T4-44. (a) Are participants in comailing pools required to guarantee that they will be ready for printing at any particular time? (b) If so, how big a window are they given? (b) [c] If there is a window, is the window different for different participants or different pools? (d) If time commitments are required, what happens if a particular periodical fails to meet its commitment?

Response

- a) They are required to commit to the schedule that we have all agreed to.
- b) There is always some flexibility in all aspects of the schedule, so it will vary by client.
- c) It does vary, and will depend on the circumstances and can vary based on the other production and jobs that are running in the plant at the time.
- d) As mentioned in ABM/TW et al.-T4-43, once the lists are presorted together, there is no turning back without considerable cost to all parties involved. So there have been very few instances since we started comailing where a client did not participate because of being late. If that were to happen, the list would have to be presorted again at a cost to the publication that caused the problem.

Response of Witness Schick to ABM/TW et al.-T4-45

ABM/TW et al.-T4-45. Why is it beneficial to move volume from postal transportation to private transportation?

Response

I think it's beneficial for 2 reasons: 1) private transportation provides for more control of the product for a longer period of time, reducing the number of bad things that could happen in postal processing and distribution; and 2) moving Periodicals to private transportation in instances where private transportation is more efficient than USPS transportation should help the USPS better control their costs by allowing them to continue to reduce their transportation infrastructure to be more aligned with the current mail volumes that they can transport most efficiently, and should help mailers and the national economy by reducing the total combined cost of transportation and delivery.

Response of Witness Schick to ABM/TW et al.-T4-46

ABM/TW et al.-T4-46. To whose "costs" do you refer on line 12 of page 13?

Response

I am referring to the total combined costs of transportation and delivery.

Response of Witness Schick to ABM/TW et al.-T4-47

ABM/TW et al.-T4-47. Please provide a list of those printers that are willing to co-palletize or pool ship periodicals of other printers with those they print themselves.

Response

I do not know.