

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

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

Docket No. C2004-1

**THIRD SET OF DISCOVERY REQUESTS
DIRECTED BY THE MCGRAW-HILL COMPANIES, INC.
TO COMPLAINANTS' WITNESS MITCHELL
MH/TW et al. – T1 – 29-38
(June 14, 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/

Paul A. DeGiusti
Director, Government Affairs
The McGraw-Hill Companies, Inc.
1200 G Street, N.W., Suite 1000
Washington, D.C. 20005-3802
Tel: (202) 383-3702
Email: paul_degiusti@mcgraw-hill.com

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TO COMPLAINANTS' WITNESS MITCHELL
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MH/TW et al. – T1-29: Referring to your testimony at page 64, estimating Zone 8 postage of \$0.3416 for *The New Republic* under “current” rates, but applying the zoned rates to full weight (not just advertising weight) and applying a 10.1 cent per editorial pound discount in lieu of the flat editorial pound charge, please estimate (a) the zone 8 postage for *The New Republic* under the current rates including the flat editorial pound charge, and (b) the zone 8 postage under (i) current rates (including the flat editorial pound charge) and (ii) the proposed rates for a Periodical with the same relevant characteristics as *The New Republic* except that it has 100% editorial content and weighs one pound. Please set forth and explain your calculations any assumptions made.

MH/TW et al. – T1-30: Referring to your testimony at page 65 lines 12-13, estimating \$49.55 minus the cost of account maintenance as additional profit for a *New Republic* subscriber in zone 8, please specify the amount of the \$49.55 that is attributed to additional advertising revenue, and set forth and explain your calculations and any assumptions made in estimating such advertising revenue.

MH/TW et al. – T1-31: Referring to your testimony at page 66 lines 12-13, estimating \$100.37 minus the cost of account maintenance as additional advertising profit for a *Pit & Quarry* subscriber in zone 8, please set forth and explain your calculations and any assumptions made in arriving at the \$100.37 figure.

MH/TW et al – T1-32: Referring to your testimony at page 66, please state (a) the number and percentage of outside-county Periodicals that are controlled circulation or requester publications, and (b) the number of outside-county Periodicals that are 100% editorial in content. Please specify the precise sources for your answer and provide any necessary calculations.

MH/TW et al. – T1-33: Referring to your testimony at page 65 lines 10-11 and page 66 lines 9-10, please set forth and explain your calculations and any assumptions made in arriving at a 17 cents per copy marginal cost of printing for *The New Republic* while arriving at a 31 cents per copy cost of printing for *Pit & Quarry*.

MH/TW et al. – T1-34: Referring to your testimony at page 65 lines 15-17, please state whether you would generally expect the cost of account maintenance to decline on a per account basis as circulation increased, and vice versa, and explain your answer fully.

MH/TW et al. – T1-35: Referring to your testimony at page 65 lines 13-21:

(a) Please confirm that for a 100% editorial Periodical published weekly, offering an annual subscription for \$20 and having a circulation net of \$5.00, it would be profitable to drop a zone 8 subscriber under the proposed rate structure if it resulted in an increase of 10.1 cents per piece mailed to zone 8. If you do not confirm, please explain fully.

(c) Please confirm that under the proposed rate structure, the pound charge for a one-pound piece mailed to zone 8 by a 100% editorial publication will increase by 20.4 cents (after applying the proposed 10.1 cents per editorial pound discount). If you do not confirm, please explain fully and show any necessary calculations.

(c) Please specify fully the basis, if any, for your statement I that “[a]s a proportion, circ net might be in the neighborhood of 50 percent.”

MH/TW et al. – T1-36: Referring to your testimony at page line 5 and following regarding the “situation where the profit level of the publication is zero:”

(a) Please confirm that a publication is more likely to have a low, negligible or negative profit level to the extent that it has (i) low circulation relative to its fixed costs, (ii) low advertising content, (iii) high editorial content, (iv) high frequency (v) high weight per copy, (vi) is a start-up publication, and/or (vi) is a controlled circulation or requester publication. Please explain your answer fully.

(b) Please confirm that high-editorial/high-zone/low-circulation publications with low, negligible or negative profit levels may be threatened with insolvency by the proposed rate structure if they are unable to increase revenues or cut costs sufficiently to offset the increased postage. If you do not confirm, please explain fully.

(c) Please confirm that to the extent such a publication were to raise its subscription rate in an attempt to offset such increased postage, it would likely lose subscribers. If you do not confirm, please explain fully.

(d) Please confirm that to the extent such publication were unable to alter its mailing practices in order to offset such increased postage, it would have incentives to (i) reduce its editorial content in order to reduce costs and (ii) target its marketing on low-zone/low-cost subscribers rather than high-zone/high-cost subscribers. If you do not confirm, please explain fully.

MH/TW et al. – T1-37: Referring to your testimony at page 32 lines 10-12 that “[f]or zones 1&2 through 8, the number of [editorial] pounds is estimated in my workpapers by assuming that pieces entered in these zones have an average proportion of editorial content:” (a) please explain the basis for your assumption; (b) please explain whether it is likely that pieces entered in the higher zones in fact have a materially higher than average proportion of editorial content, and (c) if that were to be established, please state what effect it would have on your proposed zoned rates and explain your answer fully.

MH/TW et al. – T1-38: Referring to your testimony at page 19 lines 4-8 and page 69 lines 8-9 that “transportation costs today are a much smaller portion of total costs than they were in 1917,” please explain the extent to which that statement applies to *unit* costs of Postal Service transportation of Periodicals. Please specify the sources for your answer and provide any necessary calculations.