

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 ROBERT W. MITCHELL TO OCA/TW ET AL.-T1-1-6
(June 28, 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 Mitchell (TW et al.-T-1) to Office of the Consumer Advocate interrogatories OCA/TW et al.-T1-1-6, filed June 14, 2004.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

s/ _____
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Responses of Witness Mitchell to OCA/TW-T1-1

OCA/TW-T1-1. As a general proposition, all other things being equal, is it correct that if a particular amount of Periodicals volume takes advantage of the proposed rate revisions and discounts, and a smaller amount of Periodicals volume does not take advantage of the proposed rate revisions and discounts, then, on average, the Periodical pieces not taking such advantages will necessarily see unit rate changes larger than the unit rate changes for those Periodicals taking advantage of the proposed rate revisions and discounts? Please explain any “no” answer.

RESPONSE

No. I am assuming that by unit rate changes, you mean net unit postage changes. I do not see that the levels of any net unit postage changes would depend on the amount of volume that does or does not make preparation changes. Also, I do not see any reason why the mailers making changes would tend to be those experiencing rate increases of a certain size. It seems entirely possible that many mailers not making changes would be among those experiencing relatively low increases.

Responses of Witness Mitchell to OCA/TW-T1-2

OCA/TW-T1-2. Please give your estimate of the Periodicals volume that will take advantage of proposed discounts.

RESPONSE

I am not able to provide any estimate of the volume you seek. I would offer two observations, however. First, the proposed rate structure is much more than a change in the discounts available. It involves a significantly different set of options and provides the mailers with a great deal of information that has heretofore not been reflected in rates. Second, given the possibility of many different kinds of adjustments in plans and equipment in response to these new set of options and this new information, and the likelihood that the Postal Service will work with mailers to revise regulations in an effective way, I believe that the number of mailers choosing to make no changes at all would be small. The magnitudes of the changes made, of course, would be expected to vary substantially.

Responses of Witness Mitchell to OCA/TW-T1-3

OCA/TW-T1-3. Please give your estimate of the Periodicals volume that will not take advantage of proposed discounts.

RESPONSE

Please see my response to OCA/TW-T1-2.

Responses of Witness Mitchell to OCA/TW-T1-4

OCA/TW-T1-4. Is it plausible that the price signals given to allegedly “less efficiently” prepared Periodicals mail might drive some of this volume out of the postal system altogether, perhaps even causing some publications to go out of business? Please explain any “no” answer.

RESPONSE

Please see my response to MH/TW et al. – T1-20, part d. Also, on the question of the efficiency with which mail is prepared, see my response to ABM/TW et al.-T1-90.

Responses of Witness Mitchell to OCA/TW-T1-5

OCA/TW-T1-5. Generally speaking, will provision of “efficient” pricing signals, such as those proposed, tend to give higher volume publications that prepare their mail “efficiently” a competitive edge over publications that cannot or do not prepare their mail “efficiently?” Please explain any “no” answer.

RESPONSE

It would be interesting to have a program that would accept a publication name as an input and then instantly display all of its competitors. It is entirely possible that if the input were *Newsweek*, the display would show large, national news magazines that in fact have per-piece postage bills that are approximately the same. Similarly, if the input were *Pit & Quarry*, the display might show aggregate-oriented publications of similar size. But even the best of us, including the most insightful of industry observers, would not be able to agree on who is a competitor and who is not. Moreover, there might be little correlation between per-piece postage and the rates of growth or the levels of profitability.

The rates in virtually all classes of mail are designed to reflect the costs incurred and to send signals concerning associated resource usage, for a range of good reasons. Consequently, they may contribute to any competitive edges that larger mailers have. But it is not clear to me that the ratesetting process for postal rates should be guided by, or indeed could be guided effectively by, some kind of interest in trying to equalize competitive edges, even if differences in postal rates were the only differences among competitors, which they are not. See also my response to MH/TW et al. – T1-22, part c. On the issue of what it means for mail to be efficiently prepared, see my response to ABM/TW et al.-T1-90.

Responses of Witness Mitchell to OCA/TW-T1-6

OCA/TW-T1-6. Please give a ballpark estimate of the pool of revenues that will be de-averaged based upon the TW et al proposal, i.e., the sum of rate reductions for mailers that can utilize the proposed rate revisions and discounts as compared to the sum of rate increases for mailers that do not utilize the rate revisions and discounts.

RESPONSE

I have no way of addressing this question. If I understand it properly, it would seem to require before-and-after-adjustment billing determinants for every publication using Outside County Periodicals rates, as well as an ability to dichotomize publications into those that adjust and those that do not, when in fact it is more of a continuum. Also, it is not true that all mailers who adjust will receive rate reductions, net or before adjustment, or that all mailers who do not adjust will receive rate increases.