

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 INTERROGATORIES OF TIME WARNER INC. ET AL.
TO NATIONAL NEWSPAPER ASSOCIATION WITNESS HEATH
(TW ET AL./NNA-T1-1-8)
(September 17, 2004)

Pursuant to sections 25, 26 and 27 of the rules of practice, 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 direct the following interrogatories to National Newspaper Association (NNA) witness Heath (NNA-T-1).

Time Warner Inc. et al. request that, in responding to these requests, NNA follow the guidelines set out in Time Warner Inc. et al.'s First Set of Interrogatories to NNA, filed July 27, 2004, which are incorporated by reference herein. If witness Heath is incapable of providing an answer to any question, it is requested that an answer be provided by another person capable of providing an answer.

Respectfully submitted,

s/ _____
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**FIRST SET OF INTERROGATORIES
FROM TIME WARNER INC. ET AL. TO WITNESS HEATH (NNA-T-1)**

TW et al./NNA-T1-1 Your testimony discusses the possible use of containers other than sacks, such as tubs or APC's, to enter low-volume newspapers. At page 10 you describe experiments in some locations where the outgoing portion of certain newspapers is entered in tubs:

“In these experiments, newspapers may place small bundles or even unbundled loose newspapers prepared in proper sortation in the white, two-handled tubs that are so ubiquitous within the system that I suspect every office has several.

These tubs do not seem to present the same problems with opening and emptying that sacks have sometimes created. They are cheap, easy to handle and easy to stack. They go right to FSM1000 flat-sorting machines.”

- a. Please explain what you mean by the term “proper sortation.”

- b. Please confirm that when newspapers are entered in this manner, the tubs, unlike sacks and pallets, are not presorted or labeled for particular ADC, 3-digit or 5-digit destinations but rather used for placement of all outgoing bundles and loose pieces. If not confirmed, please explain how the tubs are used.

- c. Is it your understanding that these tubs are used only to transport the mail to the nearest processing plant, where the tubs are emptied of their contents? If not please explain how you believe the tubs are being used in the processing and transportation of newspapers.

- d. Assume that in a given tub a newspaper mailer enters a bundle of ten newspapers that is presorted to a distant ADC. In addition, he enters some loose pieces. Based on your understanding of how the Postal

Service handles the mail in these tubs, do you believe that the ADC bundle will maintain its integrity until it gets to the destination ADC? Or do you believe it will be broken at the originating processing plant and its pieces sorted on an FSM-1000 (assuming such a machine exists at that plant)?

- e. If a tub, as you indicate, goes directly to an FSM-1000 machine, which sorts pieces rather than bundles, can one then not conclude that the bundling of those pieces, which would have to be undone before they are fed into the machine, simply adds to the work that must be done by postal clerks and that it would be better to simply leave the pieces unbundled? If you have received or are aware of any comments regarding this point by Postal Service officials, please describe them.
- f. Would you agree that the tubs in question can be viewed as having a Mixed ADC presort level?
- g. Under the current rate structure, do mailers who use these tubs pay the basic presort rate?

TW et al./NNA-T1-2 On page 10, you refer to some mailers of small newspapers being allowed simply to enter bundles of newspapers on a postal facility's loading dock, or placing them in APC's or other rolling stock.

- a. Do the practices you describe refer to outgoing newspapers that will be taken to the nearest processing facility for distribution to the rest of the world?

- b. Are you referring to bundles that are presorted and secured according to regulations covering the bundling of Periodicals? Or are you also referring to loose copies? Please explain.
- c. Are you aware, and have you personally observed, what happens to these bundles after they arrive at the processing facility?
- d. Based on your own observations and on your understanding from conversations with Postal Service officials, please state what you believe happens to the newspaper bundles that are entered in this manner after they arrive at the processing plant. Are they taken to a (manual or mechanized) bundle sorting operation, from which the bundles are sent on to their different destinations, or are they just taken to a piece sorting operations where individual copies are sorted?
- e. Would you agree that an APC used in this manner has a Mixed ADC presort level, given that it may contain mail to any ADC?

TW et al./NNA-T1-3 You indicate on page 8 that a typical small newspaper may send about 750 copies at Outside County rates.

- a. Realizing that the percentages may vary, which portion of the 750 Outside County pieces would typically be to neighboring counties?
- b. Approximately what portion of the 750 Outside County copies would typically go to distant destinations (e.g., to areas served by other ADC's)?
- c. According to the FY2003 billing determinants, there were about 800 million In-County pieces last year. Extrapolating your estimate that a

typical NNA member has circulation of 3,500, of which about 750 are Outside County pieces, that would indicate that about 220 million Outside County pieces are mailed by In-County mailers. Does this appear to you as a reasonable estimate? If no, please indicate what you believe is a reasonable estimate of Outside County pieces sent by In-County mailers. Please indicate also approximately what proportion of the Outside County pieces from In-County mailers you believe is sent beyond neighboring counties to more distant locations. If you believe the numbers are significantly different in and outside “snowbird” season, please provide estimates for both cases.

TW et al./NNA-T1-4

- a. Is it reasonable to assume that of the copies sent by small newspapers to distant locations there seldom are more than at most a few copies that go to the same 5-digit ZIP code area? If it is not, please explain.
- b. If a small weekly newspaper has some copies going to a distant 5-digit zone, how many copies would there need to be to that zone before you would advise the newspaper to use a 5-digit sack to that location?

TW et al./NNA-T1-5 You state at page 8, lines 10-12, “Newspapers would be happy to prepare larger, fewer sacks, if the Postal Service could achieve the delivery it promises with those larger sacks.” You also indicate, at lines 7-8, that use of “skin sacks” helps in getting “not better service, but minimum service at the service expectation set out by the Postal Service.”

- a. In the few cases you know of where mailers are allowed to use tubs or APC’s to enter their Outside County pieces, have you found that this

results in (1) equal or (2) better service than if the pieces were mailed in skin sacks?

- b. Have you found that ability to achieve “reasonable” service without resorting to “skin sacks” varies significantly from one destination to another? Would you say it varies more with the location from which newspapers are mailed or with the destination to which they are sent?
- c. Are you aware of any study, by the industry, the Postal Service or other parties, that compared the service levels achieved for newspapers mailed to distant destinations using, respectively, 5-digit, 3-digit, ADC, or mixed ADC sacks? If yes, please describe all such studies and the results obtained.

TW et al./NNA-T1-6 You state at page 8, lines 3-5, “Newspapers are often told by postmasters to use these low-volume sacks after other efforts to improve service have failed.”

- a. Are you aware of any postmaster or other USPS official telling newspaper mailers that use of low-volume sacks is not advisable because it increases Postal Service costs and that those additional costs will be attributed to the Periodicals class? If yes, how often is this type of advice given?
- b. What "other efforts to improve service" are you referring to?

TW et al./NNA-T1-7 On page 9, line 2, you state that "Forklifts are required to move them [pallets]."

- a. Have you ever seen a pallet being moved by a pallet jack?

- b. Are you aware of the fact that a pallet can be moved by one person using a pallet jack?
- c. Are you aware of the fact that if you type in the words "pallet jacks" into Google, you will receive about 38,200 hits?
- d. Are you aware of the fact that Google displays an ad for pallet jacks that only cost \$219.00 at www.lolbiz.com?
- e. How many rural post offices have receiving docks?
- f. Has NNA conducted any studies of rural post office receiving procedures? If so, please provide any such studies.
- g. When mail arrives at most rural offices from the P&DC or other upstream facility, do not the USPS truck drivers move palletized product from their trucks to the DDUs using a pallet jack and not a fork lift?
- h. Do not most DDUs process their incoming mail on the day that it arrives, so that there is no need to stack pallets at the DDU?
- i. Cannot one person move an empty pallet without the use of a fork lift or pallet jack? If no, please explain fully.

TW et al./NNA-T1-8

On page 9 of your testimony, you discuss Interlink CM2

software.

- a. Please confirm that you are a client of Interlink CM2.

- b. Please confirm that according to its website (www.ilsw.com/about.php) Interlink "has grown to include more than 1,000 daily and weekly newspapers."
- c. Please confirm that the Interlink website contains the following statement: "Interlink's software-based service makes it possible for a clerk to handle your total circulation—everything from billing a renewal to taking the last penny in postal discounts—all without being either a circulation expert or postal wizard."
- d. Please confirm that "taking the last penny in postal discounts" requires Interlink to make programming changes which reflect any changes in the rate structure and DMM rules.
- e. Please confirm that Interlink also states the following on its website: "Interlink's communication system includes more than 10 Centrex phone lines plus a high-speed T1 connection to the Internet. The office computer systems include the latest Windows and Linux servers to manage files, Internet access, and internal and external email. Interlink's web servers are positioned internally and externally for maximum reliability, performance, and security."
- f. If Interlink has such a large customer base, sophisticated computer systems, and the ability to "take the last penny in postal discounts," why would it not keep pace with any rate structure changes resulting from the approval of the proposed rate structure? Please explain fully.