

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 INTERROGATORIES OF TIME WARNER INC. ET AL.
TO AMERICAN BUSINESS MEDIA WITNESS MCGARVY
(TW ET AL./ABM-T3-8-12)
(September , 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 American Business Media (ABM) witness McGarvy (ABM-T-3).

Time Warner Inc. et al. request that, in responding to these requests, ABM follow the guidelines set out in Time Warner Inc. et al.'s First Set of Interrogatories to ABM, filed July 27, 2004, which are incorporated by reference herein. If witness McGarvy 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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**SECOND SET OF INTERROGATORIES
FROM TIME WARNER INC. ET AL. TO WITNESS MCGARVY (AMB-T-3)**

TW et al./ABM-T3-8 Please refer to your testimony at p. 6, ll. 13-17, where you state: " I know from the study we and a few other American Business Media members did of the impact of the proposed rates, the results of which were provided to Time Warner in discovery and provided as an exhibit to Lou Bradfield's testimony, that rate increases of 50% and more under the proposed rates would not be rare."

- a. Please confirm that the "study" referred to applied the proposed rates to the current mailing practices of a sample of ABM-member publications. If not confirmed, please explain.

- b. Please confirm that the "results" of the "study" referred to accurately represent the "impact" of the proposed rate on the publications studied only if one assumes that those publications will be entirely unable to adapt their current mailing practices in response to the economic incentives created by the proposed rates. If not confirmed, please explain.

- c. Please confirm that your testimony does not report the results of any study, by yourself or others, of the ability of any publication or group of publications to adapt their mailing practices in response to the proposed rate changes. If not confirmed, please explain.

TW et al./ABM-T3-9 Please refer to your testimony at p. 8, ll. 13-18, where you state: "if rates were as proposed by Time Warner, the task of figuring out how to best "package" a mailing would be enormous and, I would think, simply beyond the capability of many small publishers. I know that we were not even able to calculate the postage at the proposed rates with our present mailing characteristics without

mail.dat files (that not all publishers produce) and a new program developed by Time Warner."

- a. Please confirm that by "we," you mean Crain Communications. If not confirmed, please identify the persons to whom "we" refers.
- b. Please confirm that the same "we" who "were not even able to calculate the postage at the proposed rates with our present mailing characteristics without mail.dat files . . . and a new program developed by Time Warner" are not able to calculate postage at the *current* rates without mail.dat files and a program that was developed *subsequent to* the Commission's recommendation of the current rates. If not confirmed, please explain.

TW et al./ABM-T3-10 Please refer to your testimony at p. 12, ll. 11-15, where you state: "the five companies initiating this case would save, collectively, more than \$50 million annually at the rates they propose without changing a thing about the way they prepare and present their mail, and without saving the Postal Service a penny."

Assume that a mailer changes its mailing practices, e.g., by moving a portion of its mail out of sacks onto pallets and beginning to dropship a portion of its mail, and that as a consequence the costs to the Postal Service of handling that mail are reduced. Under the assumptions described, do you agree that the mailer has changed the way it prepares and presents its mail, saving the Postal Service a penny (or more)? If you do not agree, please explain fully.

TW et al./ABM-T3-11 Please refer to your statement cited in the previous interrogatory and additionally to your statement at lines 21-23 on the same page: "The postage savings would not reflect any incremental cost reductions to the Postal

Service, because there are no changes in mailing necessary to achieve them."

Please make the same assumptions as in the previous interrogatory and the further assumption that, subsequent to the changes in mailing practices described, a rate reduction is implemented for the purpose of recognizing both the lower Postal Service costs that will result from the continuation into the future of the mailer's changed mailing practices (rather than reversion to its previous practices) and the adoption of the same practices by other mailers.

- a. Under the assumptions specified, is it your position that the postage savings to the mailer who had adopted the changed practices prior to the rate change "would not reflect any incremental cost reductions to the Postal Service, because there are no changes in mailing necessary to achieve them"?
- b. If your answer to part a is other than an unqualified no, please confirm that your recommended policy of denying rate recognition to cost-saving practices that have already been undertaken (1) makes impossible the achievement of lowest combined mailer/USPS costs and (2) causes the disparity between actual costs and lowest combined costs to increase over time, as cost-saving mail characteristics that are unrecognized in rates multiply and accumulate. If not confirmed, please explain.

TW et al./ABM-T3-12 Please refer to your testimony at p. 13, ll. 6-12, where you state:

It would be far preferable, I submit, for the Postal Rate Commission at the conclusion of this case to encourage the Postal Service to investigate and study all of the issues raised in this proceeding, and to propose in the next case any rate structure changes, with associated rates, that it believes will both encourage mailers to continue the move away from sacks and give some degree of protection to those mailers who, due to their size, their business models or other factors would not be able to avoid large, crippling increases if the proposals did not account for their existence.

Please confirm that your testimony does not identify or demonstrate the existence of even a single mailer who "would not be able to avoid large, crippling increases" under the rates proposed. If you do not confirm, please name or describe with specificity every mailer whom your testimony so identifies.