

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 AMERICAN BUSINESS MEDIA TO
TW et al./ABM-T3-11(b) and 13-16 TO
WITNESS JOYCE MCGARVY
(October 14, 2004)

American Business Media hereby provides the responses to Time Warner Inc., et al.'s Interrogatories TW et al./ABM-T3-11(b) and 13-16, filed September 27, 2004 and September 30, 2004 respectively. The answer to Interrogatory 11(b) was inadvertently omitted from the responses filed on October 12, 2004. For clarity, the entirety of Interrogatory TW et al./ABM-T3-11 and the response are included with these responses.

The interrogatories are stated verbatim and followed by the responses.

Respectfully submitted,

/s/ David R. Straus

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October 14, 2004

Response of ABM to TW et al./ABM-T3-11

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.

RESPONSE

a. Yes. In the situation you present, the mailer made the changes and the Postal Service enjoyed the assumed cost savings under one set of rates. If the rates are later changed, the rate reduction to that mailer will not reflect any incremental savings to the Postal Service, although if other mailers adopt the practice being rewarded, there will be incremental savings. I don't think that this is a complicated concept. Before the introduction of bar code discounts, some mailers were barcoding their mail. Then the discount was introduced, and more mailers barcoded their mail. I'm sure that the Postal Service had to estimate the revenue loss associated with the rate reduction for first set of mailers, for which there would be no incremental cost savings.

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Another way to look at this is to assume that there is no “adoption of the same practices by other mailers.” And let’s go back to the barcode example. If after the introduction of the barcode discount there had been no more barcoding than there was before its introduction, there would have been lower revenues but, because there were no incremental cost savings, no savings to offset the revenue reduction. If at the time the cost coverage hovered near zero, an immediate rate increase might have been necessary, all because there was no “incremental” cost saving.

It would be wrong to read too much into this answer. I am not saying that it is never appropriate to reflect in rates practices that are already in place for some mailers, either to encourage those practices in others or even to make the rates more fair. I supported the barcode discount, even though some were already barcoding, and the existing pallet discount, even though many were already palletizing. That support does not change the fact, however, that there were mailers who enjoyed rate reductions without changing a thing and without being responsible for incremental cost savings.

b. As I just stated, I have no “recommended policy” of denying rate recognition to cost-saving practices that have already been undertaken. I was merely pointing out that there will be big savings to the complainants with no incremental cost reductions. Although Time Warner’s costing experts are better equipped to respond to these questions, I do believe that, if I had such a recommendation, which again I do not, implementation of such a policy would likely make it impossible to achieve lowest combined mailer/USPS costs absent unusual circumstances. Such unusual circumstances would include a situation in which all mailers are set in their ways and

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the mailer practice that saved USPS costs didn't cost the mailer anything, or was less costly than not undertaking the practice. I have in mind, for example, walk-sequencing of saturation mail lists, which I understand is basically part of virtually any obtained list, and so, again as I understand it, walk sequencing which saves the Postal Service money costs the saturation mailer nothing. I also have in mind palletization of large volume mailings, which can be less expensive for the mailer than sacking the same mailings. But I don't mean to quibble with you. I understand that if none of the changes proposed here are implemented, lowest combined mailer costs will not be achieved. I also agree with statement in part (2) of the question that if cost saving characteristics continue to be developed but are not recognized in rates, the disparity will grow. If as in the past some cost savings characteristics are recognized and some are not in order to reflect policies other than "lowest combined cost," this effect will be diminished.

Response of ABM to TW et al./ABM-T3-13

TW et al./ABM-T3-13:

In response to TW et al./ABM-T3-5 you list the Periodicals published by Crain Communications, along with the printers serving each publication.

- a. Please specify the frequency (e.g., weekly, biweekly, monthly, etc.) for each of the listed publications.
- b. Please provide at least a rough estimate of the average percent editorial content of each publication.
- c. Please refer to your response to TW et al./ABM-T3-4 and indicate, for each Crain publication, the minimum number of pieces per sack normally specified when you develop the presort for a given issue.
- d. Which, if any, of Crain's publications are airlifted to some locations in order speed delivery?
- e. Which, if any, of Crain's publications do not maintain a website at which some or all of their editorial contents can be accessed?
- f. Which, if any, of Crain's publications do not on their websites provide news that is updated more frequently and accessible to the subscribers sooner than the printed version?
- g. Which, if any, of Crain's publications limit access to the editorial contents on their websites to paying subscribers?

RESPONSE

- a. See chart below.
- b. See chart below.
- c. The minimum number is six in all cases.
- d. Advertising Age, Automotive News, Business Insurance, TelevisionWeek, Investment News, Modern Healthcare, Waste News, Pensions & Investments, Tire Business, RCR Wireless, Plastics News.

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- e. Coin-Op, Drycleaner, and Laundry News do not.
- f. All of the publications with websites may update their information between issues, although all of the new content may not appear in the next issue.
- g. Based upon the further explanation that “paying subscribers” refers to people who pay for either a hard copy subscription or pay for web access (or both), I believe after inquiry within the company that Modern Physician, B-to-B, Waste News and Pensions & Investments are the only Crain websites that do not have unlimited free access. I have been advised, however, that within the next couple of months both Autoweek and Televisionweek will begin to limit access to paying customers and that, within six months, Workforce will as well.

CHART FOR 13a. AND 13b.

<u>PUBLICATION</u>	<u>FREQUENCY</u>	<u>EDITORIAL %</u>
Advertising Age	Weekly	51%
Automotive News	Weekly	43%
BtoB	Monthly	51%
Business Insurance	Weekly	53%
TelevisionWeek	Weekly	55%
Crain’s Cleveland Business	Weekly	51%
Investment News	Weekly	52%
Modern Physician	Quarterly	67%
Modern Healthcare	Weekly	59%
Rubber and Plastic News	Bi-Weekly	66%
Waste News	Bi-Weekly	58%
Pensions and Investments	Bi-Weekly	53%
Tire Business	Bi-Weekly	58%
RCR Wireless News	Weekly	54%
Crain’s Chicago Business	Weekly	46%
Plastic News	Weekly	23%
AutoWeek	Weekly	58%
Workforce Management	Monthly	55%
Crain’s Detroit Business	Weekly	52%
Ad Age’s Creativity	Monthly	53%
Crain’s New York Business	Weekly	53%
Coin-Op	Monthly	44%
American Dry Cleaners	Monthly	52%
Laundry News	Monthly	64%

Response of ABM to TW et al./ABM-T3-14

TW et al./ABM-T3-14:

You refer, in your response to TW et al./ABM-T3-1, to two sets of co-palletized titles, represented on lines 77 and 78 of Exhibit LB-1.

- a. Do all the co-palletized titles belong to Crain, or are they co-palletized also with other titles? If they are co-palletized with titles not belonging to Crain, please explain how you accounted for that fact when you estimated the impact of the proposed rates.
- b. Please specify the frequency of publication for the two sets of co-palletized titles.
- c. Do you generally palletize the same titles together each time?
- d. When did Crain start to co-palletize?
- e. Please confirm that Crain was co-palletizing some titles in 2001 and describe any significant changes in the program since then.
- f. What is the minimum pallet weight required in your co-palletization program before making up a pallet to a given destination?
- g. Please confirm that the bundles which do not make it onto a pallet in your co-palletization program are not co-sacked with bundles from other titles but sacked separately for each title. If not confirmed, please explain the procedures used.

RESPONSE

- a. All of the titles belong to Crain.
- b. Set 1 contains 4 weeklies and 1 monthly. Set 2 contains 4 weeklies, 4 bi-weeklies, and 1 monthly.
- c. Yes, depending on the frequency.
- d. About 15 years ago.
- e. Confirmed, and there have been no significant changes since then.
- f. The minimum pallet weight is 250 pounds.

Response of ABM to TW et al./ABM-T3-14

g. Confirmed.

Response of ABM to TW et al./ABM-T3-15

TW et al./ABM-T3-15:

At page 7 of your testimony you refer to your “concern that the service we need will be seriously eroded if we move, for example, from 5-digit sacks to 3-digit sacks.” You also refer to a Postal Service study at Carol Stream that appeared to show the opposite result of what you had expected, and express concern that the study may have used a too small sample.

Apart from the recent Postal Service study that you refer to, has Crain Communications performed any experiment or analysis to determine, for sacks entered at origin and going to distant post offices, how the presort level of the sack and the bundles in it affect delivery time, all other factors being equal? If yes, please describe the results of any such study along with the methodology used. If no, please state whether you are aware of such studies performed by other mailers and, if you are, what the results were.

If you are aware of only the recent Postal Service study that appeared to contradict your expectations, and not of any other studies from which definite conclusions can be drawn, please explain fully what your concern is based on. Please explain also what you mean by “the service we need” and whether, in your opinion, that service is being met today.

RESPONSE

Crain has not performed and I am not aware of any other studies. It is difficult to “explain fully” the source of my concern. It is based upon my years of experience in the industry and my basic understanding of how the Postal Service operates. Despite the absence of any scientific data underlying my beliefs concerning delivery times, the concerns are real, and we act on them. I know that there are others in the industry who feel the same way, and I have heard from other Periodical mailers that they’ve been told by local postal officials (although I have not been told that myself) that service will be better if they mail in smaller sacks that travel unopened deep into the system. There appears to be a substantial concern among small Periodicals mailers that sacks are less likely to be “lost” and thus delayed than are bundles. The service we need depends upon the frequency of the title, but for weeklies, where our concern is greatest, we need delivery that is both fast and consistent. For monthlies, speed and consistency are somewhat less important, but we still expect, or at least hope, that our publications

Response of ABM to TW et al./ABM-T3-15

will consistently be delivered roughly the same number of days after they are entered into the mail. As for whether the service we need is being received today, I guess the best answer I can give is “usually.” We work very hard and spend considerable sums of money, for example for airlifting, in order to obtain the generally good service we receive. There are of course problems that arise from time to time, but Crain is fortunate that it is big enough to have someone in my position, and with my staff, to work with the Postal Service to identify and resolve problems as they arise.

Response of ABM to TW et al./ABM-T3-16

TW et al./ABM-T3-16:

According to the response of ABM to TW et al./ABM-68, you were involved in analyzing the impact of the proposed rates on “Crain and Computerworld publications.”

- a. Please confirm that Computerworld is the title of a Periodical.
- b. Did you analyze more than one Computerworld publication? If yes, what were the names of the others?
- c. Please specify the line(s) in Exhibit LB-1 that summarize your analysis of Computerworld titles.
- d. Which ABM member media organization owns Computerworld?

RESPONSE

- a. Confirmed.
- b. Yes. The others were InfoWorld and NetworkWorld.
- c. Lines 88-90 (on both the original and the enlarged, corrected versions).
- d. ComputerWorld is a division of IDG.