

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
FOLLOW-UP INTERROGATORIES
TW et al./ABM-T1-10-12 TO
WITNESS NICK CAVNAR
(October 15, 2004)

American Business Media hereby provides the responses to Time Warner Inc., et al.'s Interrogatories TW et al./ABM-T1-9, filed October 4, 2004.

The interrogatories are stated verbatim and followed by the response.

Respectfully submitted,

/s/ David R. Straus

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October 15, 2004

Response of ABM to TW et al./ABM-T1-10

TW et al./ABM-T1-10:

Please refer to your response to TW et al./ABM-T1-8. You state that you did not analyze any particular titles to substantiate your belief that many publications would switch to Standard mail if the proposed rates were to take effect, but that your experience justifies such a conclusion. You indicate that your experience indicates roughly a 20% present rate differential between Periodicals and Standard, and point to the fact that eleven, or about eight percent, of the publications in witness Bradfield's exhibit LB-1 are shown with increases over 20%. Extrapolating the eight percent "to the 25,000 or more Periodicals in the mail," you claim that this shows your initial claim, about many Periodicals converting, to be accurate.

- a. Are you familiar with the postal regulations for preparing Standard flats in sacks?
- b. Are you familiar with the differences in make-up requirements between Periodicals and Standard flats?
- c. Are you familiar with the 125 pieces or 15 pounds minimum for sacks of Standard flats, as spelled out in DMM sections M610.4 and M820.5?
- d. In drawing the conclusion that many Periodicals would switch to Standard if the proposed Periodicals rates were to take effect, did you assume that those Periodicals could simply switch to Standard rates without any change in preparation method? If no, what types of changes did you think they would make?
- e. Would it surprise you if a detailed analysis were to show that practically all the Periodicals whose postage would increase by 20% or more under the proposed rates are entered in sacks that contain far less than the minimum that would be required if they were mailed under Standard rates?
- f. Please assume, for the purpose of answering the following, that the proposed rates are about to be implemented and that a given Periodical faces a 25% postage increase. Assume further that the mailer investigates the use of Standard rates and learns that he would pay only 20% more than at present, i.e., 5% less than he would have to pay under the new Periodicals rates. However, he also learns that in order to qualify for Standard rates, his publication would have to be prepared differently, using many fewer sacks, and that with such a change in preparation method he could qualify for Periodicals rates that are no higher than those he used to pay, or 20% less than what he would have to pay under Standard rates. Under the above hypothetical, what do you believe is the likelihood that the mailer would: (1) stay with Periodicals rates, make no change in preparation method and therefore pay 25% more postage than before, (2) change his preparation method to qualify for Standard rates and pay 20% more under Standard rates; or (3) change his preparation method but stay with

Response of ABM to TW et al./ABM-T1-10

Periodicals rates and pay no more in postage than at present? Please explain your answer and indicate what other factors you believe might affect this mailer's decision.

RESPONSE

- a. Not in great detail.
- b. Again, I am aware that there are differences, but am not versed in the details.
- c. Yes.
- d. The point of my testimony seems to have been misunderstood. I made no statements or inferences regarding publishers switching to Standard mail if the proposed Periodicals rates were to take effect. I merely stated that for smaller publications lacking workable options for co-mailing or co-palletization, the proposed rates could push their cost for Periodicals postage higher than the cost of Standard mail.
- e. No, that would not surprise me.
- f. I believe that the likelihood of a publisher taking any of the steps above would vary according to factors beyond the cost of postage only. Publishers are also highly concerned about delivery standards and service to subscribers. If the only way a publication could lower costs—whether as Periodicals or Standard mail—was to put all copies on mixed-ADC sacks or pallets, and if that caused a serious degradation in service compared to sacks, then publishers might well feel unable to change their preparation methods.

Response of ABM to TW et al./ABM-T1-11

TW et al./ABM-T1-11:

Please refer to your answer to TW et al./ABM-T1-1. Is your confidence that Hanley Wood's titles would not be adversely impacted by the proposed rates based solely on the fact that you use co-palletization? If no, please explain which other characteristics of your titles you believe would insulate them against any adverse impact of the proposed rates.

RESPONSE

I should make clear that I am not completely confident Hanley Wood's publications would escape adverse impact if the proposed rates were adopted. However, I do not expect a severe impact because our use of co-palletization has substantially reduced the number of containers used in preparing our mail, which would reduce the impact of the container charge proposed in those rates. We also have access, through our printer, to a very extensive network for drop-shipping, and so might actually benefit from the proposed zoning of editorial rates. I can think of no other characteristics of our titles that would insulate them from adverse impact.

Response of ABM to TW et al./ABM-T1-12

TW et al./ABM-T1-12:

Please refer to your answer to TW et al./ABM-T1-2. Assume that the proposed rates are implemented. Even if you have not analyzed it fully, please describe what if any changes you believe Hanley Wood would make in its current mailing practices? Please explain also what role you personally would play in defining, planning and implementing such changes.

RESPONSE

If the proposed rates were implemented, we would work with our fulfillment houses (which provide our presort service) to determine the actual impact of the rates and of any possible changes in our mail preparation. If there were an adverse impact, or if we saw any opportunities for substantial additional savings, we would work with our printer, R.R. Donnelley, to determine whether our current co-palletization and drop-shipping could be enhanced in any way, without deterioration of our delivery standards.

My own role would be to make the final decision on adopting any changes, using the analysis and information provided by our vendors.