

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

COMPLAINT OF TIME WARNER INC ET AL.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
TIME WARNER ET AL. WITNESS MITCHELL
(USPS/TW ET AL.-T1-1-15)

Pursuant to rules 25 through 27 of the Rules of Practice and Procedure, the United States Postal Service hereby directs the following interrogatories and requests for production of documents to Time Warner Inc. et al. witness Mitchell:
USPS/TW et al.-T1-1-15.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

/s/

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June 14, 2004

USPS/TW et al.-T1-1. Between the time that you became aware that you would testify in this proceeding and today, did you conduct any field observations of flats mail processing, distribution, and delivery activities at postal facilities? If your response to this question is yes, please list the dates, facility type, facility location, and tasks observed. Please provide any copies of notes that you may have taken during those observations.

USPS/TW et al.-T1-2. Between the time that you became aware that you would testify in this proceeding and today, did you conduct any field observations of flats printing, binding, mail preparation, and distribution activities at mailer facilities? If your response to this question is yes, please list the dates, mailer names, facility names, facility locations, and tasks observed. Please provide any copies of notes that you may have taken during those observations.

USPS/TW et al.-T1-3. On page 3, lines 16-18 of your testimony, you state “[i]mprovement in our understanding of costs in recent years has brought the existing deficiencies into clearer focus and has suggested new paths that cost recognition should follow.”

(a) Please list the specific “improvements” to which you are referring.

(b) Please list the “suggested new paths” to which you are referring and explain how they correlate to the “improvements” you have listed in your response to (a).

USPS/TW et al.-T1-4. On page 3, lines 18-21 of your testimony, you state that “the makeup of bundles, sacks, and pallets, including their entry points and associated interactions, are now understood to be important cost drivers, but these factors are all but neglected in rates.”

(a) Please list the specific cost drivers that you feel affect bundle costs. For each cost driver, please indicate whether you feel it is neglected in the rates.

(b) Please list the specific cost drivers that you feel affect sack costs. For each cost driver, please indicate whether you feel it is neglected in the rates.

(c) Please list the specific cost drivers that you feel affect pallet costs. For each cost driver, please indicate whether you feel it is neglected in the rates.

(d) Please list the specific cost drivers that you feel affect piece distribution costs. For each cost driver, please indicate whether you feel it was neglected in the rates.

USPS/TW et al.-T1-5. On page 4, lines 1-2 of your testimony, you state, “[i]f the factors that drive costs were reflected in rates, mailers would respond accordingly.”

(a) Please confirm that the mail preparation activities that are performed at a given mailer plant are not only affected by postal operations and equipment, but are also affected by the operations and equipment at the mailer plant. If not confirmed, please explain.

(b) Please confirm that there may be instances where mailers would not necessarily respond to a revised rate structure (e.g., the ability to respond was deemed to require a cost prohibitive investment, etc.). If not confirmed, please explain.

USPS/TW et al.-T1-6. Please see Graph 1 on page 10 of your testimony. Please provide the underlying data points and indicate the source(s) for those data points.

USPS/TW et al.-T1-7. On page 12 lines 14-17 of your testimony you state, “There is little question, for example, that some of the recent growth in the volume of parcel post has been due to cost-based rate innovations, and Standard Mail rates have been moving in the direction of closer alignment with costs.”

(a) Please describe the Parcel Post “cost-based rate innovations” to which you refer.

(b) Please describe the basis for your claim that “Standard Mail rates have been moving in the direction of closer alignment with costs.”

USPS/TW et al.-T1-8. On page 12-13 of your testimony, you describe how mailers have become increasingly sophisticated in their ability to respond to rate signals and specifically mention how this circumstance is related to computers.

(a) Based on that statement and the extensive Periodicals experience you describe in your response to ABM/TW et al.-T1-1, please describe the current level of sophistication for the customers of Periodicals mailers. Specifically address how increased internet usage may have resulted in the adoption of on-line Periodicals subscriptions, rather than Periodical subscriptions that have been obtained through the mail.

(b) Based on your experience working with the various members of the Periodicals industry, as described in your response to interrogatory ABM/TW et al.-T1-1, how has the increased usage of the internet affected Periodicals mail volume?

USPS/TW et al.-T1-9. On page 13, lines 11-13 of your testimony, you state that “many of the costs depend on the quantities and sizes of the bundles, sacks, and pallets in a

mailing, but this fact goes largely unrecognized in rates.” Please state which costs depend on those factors and indicate how they are unrecognized in the rates.

USPS/TW et al.-T1-10. On page 13, lines 13-15 of your testimony, you state that “the costs of handling bundles depend on the makeup (e.g., ADC, SCF, 3-digit, or 5-digit) of their containers and where they are entered, but neither are these factors recognized in rates.”

(a) Based on this statement and the statement referenced in USPS/TW et al.-T1-13, please confirm that the occurrence of broken bundles also affects Periodicals costs. If not confirmed, please explain.

(b) Please confirm that the materials which mailers use to secure bundles is one element that affects bundle breakage. If not confirmed, please explain.

(c) Please describe the different materials and methods that Periodicals mailers use to secure bundles.

(d) In general, are there differences as to the materials and methods that large Periodicals mailers use to secure bundles, when compared to small Periodicals mailers? If so, please describe these differences.

(e) Have you conducted any studies that evaluate the appropriateness of various mailer bundling materials, given their impact on bundle breakage in postal facilities? If so, please provide the results of those studies.

(f) Do you believe that the materials used to secure bundles by mailers (in terms of the likelihood those materials would result in broken bundles) should also be incorporated into the rates a given mailing should be assessed? If not, please explain why not.

USPS/TW-et al.-T1-11. On page 14, lines 11-12 of your testimony, you state that, “[t]he current rates send underdeveloped signals to mailers, thus failing to provide them with a reasonable and valuable avenue for responding to the high costs.” Please confirm that it is possible that, even if the Postal Service, the Commission, and the Periodicals mailing industry expended the resources required to develop alternative price signals and/or respond to those price signals, the result might have little to no effect on Periodicals costs and cost coverage. If not confirmed, please explain.

USPS/TW et al.-T1-12. On page 15, lines 3-5 of your testimony, you state, “[f]or example, with bundles now being sorted on small parcel and bundle sorters (SPBSs), the cost of sorting bundles is virtually independent of the weight of the bundles and the number of pieces in them.”

(a) Have you conducted any studies, or are you aware of any studies, that support your conclusion that the cost of sorting bundles is virtually independent

of the weight of the bundles and the number of pieces in them? If so, please provide the results of those studies. If not, please provide the basis for your claim.

(b) Please confirm that a bundle for a given issue of a periodical would weigh more than a second bundle, if the number of pieces in the first bundle were greater than the number of pieces in the second bundle of the same periodical. If not confirmed, please explain.

(c) When less secure bundling materials are used, isn't it possible that the first bundle described above in (b) might be more likely to break when it is processed? If your response is no, please explain.

(d) When a heavier bundle that contains more pieces is processed through postal dumping mechanisms and equipment, please confirm that it is possible that the weight could not only result in that bundle being broken, but could also result in other nearby bundles being broken? If not confirmed, please explain.

(e) Please confirm that when a heavy bundle containing many pieces breaks, the piece distribution costs would be greater than they would have been had the same number of pieces been secured in multiple bundles prepared at the same presort level, assuming that the multiple bundles did not break. If not confirmed, please explain.

USPS/TW et al.-T1-13. On page 30 of your testimony, you describe the per-sack and per-pallet rates associated with your proposal. Are smaller mailers more likely to enter their mail in sacks when compared to large mailers? Please explain your answer.

USPS/TW et al.-T1-14. Your proposed rate schedule, on page 43 of your testimony, proposes rates that are expressed in terms of dollars per bundle, dollars per sack, and dollars per pallet. Do you believe that these rates would cause some mailers to submit larger bundles, fuller sacks, and larger pallets? If not, please explain why not. If so, would there be instances where that might not necessarily be a good thing? Please elaborate.

USPS/TW et al.-T1-15. On page 54, line 9 of your testimony, you discuss how your proposed rates (page 43) meet the criterion specified in U.S.C. 39 § 3622(b)(4), concerning the effect of rate increases on mailers.

(a) Please confirm that some mailers would experience large rate increases were your proposed rates to be adopted and implemented. If not confirmed, please explain.

(b) Did you consider a phased approach to implementing the proposed rate schedule in order to mitigate the impact of rate shock on some mailers? If not, why not?

(c) When compared to the rates you propose on page 43, do you feel that a phased implementation (incrementally increasing rates for those impacted mailers) would better meet the requirements of U.S.C. 39 § 3622(b)(4)? If not, why not?

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

/s/

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