

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 TIME WARNER INC. ET AL.  
WITNESS HALSTEIN STRALBERG TO ABM/TW ET AL.-T2-34 & 36  
(June 18, 2004)

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 provide the responses of witness Stralberg (TW et al.-T-2) to American Business Media interrogatories ABM/TW et al.-T2-1-34 & 36, filed June 4, 2004.

An objection has been filed to ABM/TW-T2-35.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

s/

\_\_\_\_\_  
John M. Burzio  
Timothy L. Keegan

COUNSEL FOR  
TIME WARNER INC.

Burzio & McLaughlin  
Canal Square, Suite 540  
1054 31st Street, N. W.  
Washington, D. C. 20007-4403  
Telephone: (202) 965-4555  
Fax: (202) 965-4432  
E-mail: burziomclaughlin@covad.net

## **RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF AMERICAN BUSINESS MEDIA**

ABM/TW et al.-T2-34. Please provide an estimate of the postage that would be paid at the current Standard rates for the main file issues of the following publications that are analyzed in your response to ABM/TW-T1-3, redirected from witness Mitchell: Time, Time for Kids, In Style, Modern Bride, Golf World, Reader's Digest, Newsweek, TV Guide. In response to this question, you may, if you choose, assume that the current bundling and other mailing characteristics comply with the somewhat different standards that apply to Standard mail. If any of these publications could not be mailed at Standard rates, provide the information for the lowest rate at which it could be mailed (other than Periodicals).

ABM/TW et al.-T2-34. If they could no longer mail under Periodicals rates, publications would need to consider the use of several alternative subclasses, none of which could accommodate all publications. Due to differences in mail piece specifications (e.g., weight limitations), preparation requirements, entry facilities and incentives for worksharing and dropshipping, one cannot answer questions of the type posed without making several assumptions. The assumptions described below, which I employed in order to produce estimates for each listed publication, may not correspond to how the publications would actually use the alternative rate structures. They most certainly do not reflect the extensive product redesign that publishers would undertake in response to a radically different rate structure.

Two of the publications listed (In Style and Modern Bride) weigh more than one pound, at least in the particular issues that I analyzed in my response to ABM/TW et al. -T1-3. I assume these would use bound printed matter (BPM) in the absence of Periodicals rates. I assume the others would use Standard ECR for their carrier route sorted component and the regular standard subclass for their non-carrier route portion.

Both Standard and BPM mailers are encouraged to enter their mail at the destinating BMC (DBMC) if they cannot bring it to the DSCF or DDU, and they are given rate incentives for doing so. Periodicals mailers, on the other hand, are given rate incentives for bringing their mail to the DADC, if they cannot bring it to the DDU or DSCF, and are not encouraged to enter mail at the DBMC. All the listed publications, with the exception of Golf World, enter at the DADC most of the volume that they do not

enter at the DSCF. (Golf World's non-SCF volume is mostly in Zones 1&2). Because there are fewer BMC's than ADC's, publishers would find it easier to accumulate enough volume for DBMC entry than they now do for DADC entry. For the purposes of this analysis I have therefore assumed that the volumes currently entered at the DADC or in Zones 1-4 would be entered at the DBMC if mailed as Standard/BPM.

The alternative subclasses all have higher cost coverage than Periodicals, and for that reason alone one would expect Periodicals that switched to pay higher rates. In particular, ECR, the subclass I assume would be mostly used by Time, Newsweek, TV Guide and Reader's Digest, has a cost coverage of 201% under PRC costing.<sup>1</sup> Within both Standard subclasses there are both regular and nonprofit rates. Nonprofit Standard rates also have a higher cost coverage than Periodicals.<sup>2</sup> I have estimated the rates that each publication weighing less than one pound would pay both under regular and nonprofit Standard rates. That is not to imply that these publications would qualify for nonprofit rates, though presumably Time for Kids would. I show the nonprofit alternative because comparison with a subclass whose cost coverage is closer to that of Periodicals might be just as informative.

Mail pieces using BPM rates are either flats or parcels. Since R2001-1 BPM rates include a discount for flat shaped pieces.<sup>3</sup> I have assumed that In Style and Modern Bride both would qualify for the BPM flats rates, that their barcoded pieces would qualify for the BPM 3-cent automation discount and that their carrier route presorted pieces would qualify for the BPM carrier route rate.

---

<sup>1</sup> See Docket No. R2001-1, Opinion And Recommended Decision Approving Stipulation And Agreement, Appendix G.

<sup>2</sup> Nonprofit and regular rates were combined within both Standard subclasses in R2001-1 and cost coverage no longer computed separately. However, in the Commission's R2000-1 Opinion, nonprofit ECR is shown as having a cost coverage of 136.1%.

<sup>3</sup> The BPM flats/parcel rate differential only reflects the lower costs incurred by flats in the delivery function. It does not include the lower costs of flats in mail processing.

The table below shows, for each publication, estimated postage per piece under current and proposed Periodicals rates as well as hypothetical postage under alternative Standard/BPM rates, based on the assumptions described above.

<b>Table ABM-T2-34: Estimated Per Piece Rates Under Different Rate Structures</b>					
	Current Rates	Proposed Rates	Standard Reg	Standard NP	BPM
Time	17.67	15.30	23.35	13.76	
Time For Kids	29.51	37.78	56.67	39.40	
In Style	61.50	53.37			75.98
Modern Bride	65.44	60.69			82.02
Golf World	22.80	22.40	25.35	15.75	
Reader's Digest	20.00	17.00	28.26	17.22	
Newsweek	17.44	14.51	23.30	13.82	
TV Guide	16.54	12.39	26.25	15.22	

**RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF  
AMERICAN BUSINESS MEDIA**

ABM/TW et al.-T2-36. Please respond to the following questions related to your response to ABM/TW-T1-3, redirected from witness Mitchell:

- (a) Please explain why Time for Kids has only 1.04 pieces per bundle and state how, if at all, it would change its mailing practices if the rates proposed by witness Mitchell were adopted.
- (b) Please explain why only 4.07% of BMX is palletized, provide its mailed per-copy circulation, and state where it is printed, and how, if at all, it would change its mailing practices if the rates proposed by witness Mitchell were adopted.
- (c) Please explain why, if DNR, Footware and the other publications listed in the first column of page 12 of the data are co-mailed, only 65.6% of the copies are palletized.
- (d) Why are only 36.99% of the copies of Executive Technology (page 12) palletized, and where is it printed?
- (e) Please explain why 23% of the pieces of American Woodworker (page 14) are palletized and 11% are co-palletized, while most copies appear to be sacked? Where is it printed?
- (f) Please state which of the publications listed in the data are weekly publications with circulations of less than 100,000.

ABM/TW et al.-T2-36.

a. Please note that the number of pieces per bundle for Time for Kids is exactly 1.00, not 1.04. A supplementary response to ABM/TW-T1-3, correcting this mistake, was filed on June 10, 2004.

Time for Kids is a classroom publication. It is mailed in "firm bundles," each of which contains the copies for each student and the teacher in one classroom. A firm bundle is not opened by the Postal Service. It is handled, delivered and priced as a single piece. Since each bundle in fact is also a piece (though it contains many copies - a typical copy may be 8 pages) there is exactly one piece per bundle.

I don't know how Time for Kids would change if the proposed rates were adopted. However, I can offer the following comments. The firm bundles in which Time for Kids is mailed are treated exactly the same way as carrier route bundles in the Postal Service's mail processing system. That is they are sorted in bundle sorting operations, normally performed either manually or on SPBS machines, until they reach the carrier who will deliver them. But since bundle sorting is slower than flat sorting, a firm bundle

may incur higher sorting costs than individual flats. While current rates treat a firm bundle as if it were an individual flats piece, the proposed rates recognize that it is a bundle and is handled like a bundle. For this reason, Time for Kids would experience a substantial rate increase under the proposed rates.

I believe, however, that there may be a way to bring about a significant reduction in the costs of processing the type of firm bundles that Time for Kids uses, although such a change may require the cooperation of Postal Service regulators. Because each such firm bundle is a piece that stays intact until it has been delivered and because it is flat shaped and falls in the same weight range as Periodicals flats, it should be able to be prepared for machinability on AFSM-100 machines, pre-barcoded and sorted together with other flats on AFSM-100 machines rather than bundle sorters. Furthermore, unlike current practice, it should be able to be packaged into presorted packages together with other firm bundles going to the same Zip code. In this way, it might be possible for Time for Kids to be processed much more efficiently through the postal system than is the case today.

b. The mailed per-issue circulation of BMX is 18,495 pieces. I presume the reasons it does not palletize more than 4.07% are that (1) its volume is too small to achieve more palletization on its own; and (2) it does not at this time participate in a comail or co-palletization program.

I don't know what changes would be made by BMX, but obviously comailing and/or co-palletization programs and dropshipping would look more attractive if the proposed rates were adopted.

c. DNR, Footware News, Supermarket News and Home Furnishing News have a combined volume of 73,262 pieces per issue. See my answer to ABM/TW et al.-T2-1. I presume that if they were not comailed but mailed individually, they would be able to palletize substantially less than 65.6% of their volume.

d. The mailed per-issue circulation of Executive Technology is 30,273 pieces. I presume the reasons it does not palletize more than 36.99% are that (1) its volume is too small to achieve more palletization on its own; and (2) it does not at this time

participate in a comail or co-palletization program. Executive Technology is printed at Fry Communications in Mechanicsburg, PA.

e. Only certain portions of a given issue are selected for co-palletization. The quantities can vary significantly from issue to issue. American Woodworker is printed in Clarksville, TN.

f. DNR, Footware News, Supermarket News and Home Furnishing News are weekly publications with less than 100,000 circulation. The others are either not weekly, or have circulation over 100,000 or both. Note, however, that Women's Wear Daily is a daily publication with circulation under 100,000.