

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 JOHN STEELE GORDON TO USPS/TW ET AL.-T3-1-13
(June 24, 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 Gordon (TW et al.-T-3) to United States Postal Service interrogatories USPS/TW et al.-T3-1-13, filed June 10, 2004.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

s/

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Response of Witness Gordon to USPS/TW et al.-T3-1

USPS/TW et al.-T3-1. Have you testified previously as a witness on behalf of any party in any regulated industry? If your response is yes, please provide the dates, subject of your testimonies, parties you represented, and the entity before which you appeared.

RESPONSE

No.

Response of Witness Gordon to USPS/TW et al.-T3-2

USPS/TW et al.-T3-2. On page 13, lines 9-12 of your testimony, you state, "[t]here is no longer the slightest chance that setting postal rates for editorial content in Periodicals class mail by zones to reflect actual costs would cause the country to be divided by these zones." When did you first hear of, or become aware of, the concept of zoning of Periodicals rates for editorial content, in the postal ratemaking context? Please describe the circumstances as you remember them.

RESPONSE

I became aware of postal zones for periodicals in the spring of 2004, in consultation with James O'Brien of Time Warner.

Response of Witness Gordon to USPS/TW et al.-T3-3

USPS/TW et al.-T3-3.

(a) Do you agree that your testimony describes the impact that rotary presses, electricity, the telegraph, the telephone, printing technologies, the radio, the television, satellite technology, transistors, microprocessors, computers, personal computers, and the internet have all had on the American "neighborhood's" ability to communicate with each other? If not, please explain.

(b) Of the changes described in your testimony, please confirm that, as of today, the one technology that had the greatest impact on your "zoned editorial" conclusion (expressed on page 13, lines 9-12) is the use of personal computers and laptop computers to access the internet. If not confirmed, please explain.

RESPONSE

a) I agree.

b) All the technologies mentioned have had a major impact on communication.

Undoubtedly, computers and the Internet will have, in the fullness of time, the greatest impact, but the technology has not yet reached maturity or saturation, although the latter is happening rapidly.

Response of Witness Gordon to USPS/TW et al.-T3-4

USPS/TW et al.-T3-4. On page 4, line 27, through page 5, line 4 of your testimony, you state, "[t]hus it made sense for the Congress, in formulating the Post Office's mandate to hold this vast, sprawling country together by facilitating the distribution of printed matter, to set uniform postal rates for magazines, regardless of where they were printed or where they were sent, in 1876 and to maintain uniform rates for editorial matter when it zoned the rates for advertising matter in 1917." On page 12 lines 22-23 of your testimony, you state, "[w]ith the addition of Hawaii and Alaska, the United States, geographically, is far larger and more far-flung than it was in 1917."

(a) Are there any areas in this far-flung country where internet service/access is not available, is available to a limited extent, is of poor quality, and/or is cost prohibitive? If so, where?

(b) Are there any subsets of the population, demographically speaking, for which computer ownership and/or internet access is cost prohibitive? If so, please describe the affected groups.

RESPONSE

a) I am not aware of any such areas.

b) Few people today cannot afford a computer and nearly all libraries provide internet access at little or no cost.

Response of Witness Gordon to USPS/TW et al.-T3-5

USPS/TW et al.-T3-5. Have you conducted any market research studies, or are you aware of any such studies, that have measured consumer preferences for accessing publications online versus reading them in hardcopy form? If so, what were the conclusions of those studies?

RESPONSE

I am not competent to conduct market research studies, nor do I know of any on this subject.

Response of Witness Gordon to USPS/TW et al.-T3-6

USPS/TW et al.-T3-6. An August 2000 U.S. Census Bureau study can be accessed at the following website: <http://www.census.gov/prod/2001pubs/p23-207.pdf>. On page 2 of the study referenced above there is a heading entitled "[h]igh Income households are more likely to have computers or Internet access." Do you agree with this statement? If not, please explain why not.

RESPONSE

I agree with the statement.

Response of Witness Gordon to USPS/TW et al.-T3-7

USPS/TW et al.-T3-7. The Postal Service publishes a survey that it conducts each year, referred to as the Household Diary Study. A copy of the 2000 Household Diary Study was filed as a library reference in Docket No. R2001-1, and can be accessed at the following Postal Rate Commission website address:

<http://www.prc.gov/docs/27/27167/USPS-LR-J-104.pdf>. Page 41 of the 2000 Household Diary Study states: "[i]ncome would seem to influence volumes since periodicals are typically received through a paid subscription (55 percent in 2000). Figure 5.1 shows that as income increases, Periodicals Volumes increase." Do you agree with this statement that as household income increases, the number of periodicals received per household per week increases? If not, please explain why.

RESPONSE

I do not have the knowledge that would allow me to agree or disagree with the statement.

Response of Witness Gordon to USPS/TW et al.-T3-8

USPS/TW et al.-T3-8. Throughout your testimony you describe how communications technologies have changed to an extent such that the United States has become "one vast neighborhood." On page 11 lines 21-22 of your testimony you state, "Thus magazines that could once only be delivered by mail, can now be delivered electronically at very little cost." If high income households are more likely to have computers and internet access, why do they also receive more periodicals in the mail than low income households, when a greater proportion of high income households could, at least in some cases, access those publications online?

RESPONSE

Your question seems to assume that high-income household do not receive more periodicals that are not currently available online than low-income households. I don't know of any reason to make that assumption. Putting that aside, I assume that many individuals have not yet adjusted or are in the process of adjusting to accessing periodicals online, and that many are only now discovering the online availability of periodicals to which they already have a mail subscription. Some, presumably, prefer to receive both forms, since there are places, such as beaches and bathtubs, where receiving a periodical in electronic form would be inconvenient at best. Some, of course, may simply prefer hard copy form.

Response of Witness Gordon to USPS/TW et al.-T3-9

USPS/TW et al.-T3-9. Are there types of publications which consumers are more likely to access online (assuming they are available) and types of publications which consumers would prefer to receive in hardcopy? If so, please describe the types of publications that consumers would prefer in each instance.

RESPONSE

Publications whose information is extremely time-sensitive would be better distributed over the Internet. Otherwise I have no opinion.

Response of Witness Gordon to USPS/TW et al.-T3-10

USPS/TW et al.-T3-10. For publications that offer online alternatives, do the online editions of those publications offer 100 percent of the information that is in the hardcopy publication? If not, please estimate the percentage of the hardcopy information that is generally available in online editions of an average publication?

RESPONSE

I have no basis on which to generalize or offer percentages. I do know that some publications--such as The Wall Street Journal, The New Republic, National Review, and the Weekly Standard--provide more information in their online than in their hardcopy versions.

Response of Witness Gordon to USPS/TW et al.-T3-11

USPS/TW et al.-T3-11. Please estimate the average time the average American Periodicals consumer spends reading an online publication?

RESPONSE

I do not have the information necessary to make such an estimate.

Response of Witness Gordon to USPS/TW et al.-T3-12

USPS/TW et al.-T3-12. Please estimate the average time the average American Periodicals consumers spends reading a hardcopy publication?

RESPONSE

I do not have the information necessary to make such an estimate.

Response of Witness Gordon to USPS/TW et al.-T3-13

USPS/TW et al.-T3-13. Please confirm that there are situations in which consumers are away from home and/or their computers, so that reading the online versions of publications is not possible, or is undesirable (e.g., commuting to work on mass transit, waiting for appointments, etc.). If not confirmed, please explain.

RESPONSE

I so confirm.