

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

COMPLAINT OF TIME WARNER INC. et al.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

**FOURTH SET OF DISCOVERY REQUESTS
DIRECTED BY THE MCGRAW-HILL COMPANIES
TO COMPLAINANTS' WITNESS MITCHELL
MH/TW et al. – T1 – 39-44
(June 25, 2004)**

Pursuant to Rule 26 of the Commission's Rules of Practice, The McGraw-Hill Companies, Inc. hereby submits follow-up interrogatories to Complainants' witness Mitchell (TW et al. – T1) to clarify his responses filed on June 22, 2004 to MH/TW et al. – T1 – 1-18.

/s/

Timothy W. Bergin, Esq.
1201 Pennsylvania Ave., N.W.
Suite 500
P.O. Box 407
Washington, D.C. 20044
(202) 626-6608
tbergin@ssd.com

Counsel for
The McGraw-Hill Companies, Inc.

FOURTH SET OF DISCOVERY REQUESTS
DIRECTED BY THE MCGRAW-HILL COMPANIES
TO COMPLAINANTS WITNESS MITCHELL
MH/TW et al. – T1 – 39-44

MH/TW et al. – T1-39: With reference to your response to MH/TW et al. – T1 – 3:

- (a) Please explain fully the basis for your statement that “[i]f the volume reduction is large, there is a possibility that the marginal [transportation] cost will decline, due to scale effects,” and reconcile your statement with the statement by witness Stralberg in response to MH/TW et al. – T2 – 8 that “when volume declines dramatically the marginal costs might increase for the volume that remains.”
- (b) Please explain fully the basis for your statement that a large reduction in volume may result in “lower volume variability of the Postal Service’s transportation systems.”
- (c) Please explain fully the basis for your statement that a lower volume variability of the Postal Service’s transportation systems “would result in lower unit transportation costs, not higher ones.”
- (d) Please explain fully the empirical basis for your statement, regarding the unit cost of handling sacks when mailers shift to pallets, that “the percentage decrease in the numerator [cost] is the same as the percentage decrease in the denominator [volume],” and reconcile your answer with the testimony by witness Stralberg in response to MH/TW et al. – T2 – 8 that: “Regarding sack sorting and other sack handling operations, there may be some disagreement over how volume variable those costs are. I do not know the answer to that question.”

MH/TW et al. – T1 – 40: With reference to your response to MH/TW et al. – T1 – 7, please explain whether you are suggesting that the “value of the service received” may not be the same for the 3-digit pallet and the 3-digit sacks, and explain fully the reasons for your answer, and reconcile it with your response to MH/TW et al. – T1 – 1.

MH/TW et al. – T1 – 41: With reference to your response to MH/TW et al. – T1 – 11(b), please explain fully how “[a]ll of the 23.8 cents” is included in the DADC, DSCF and DDU pound rates when each of those rates is less than 23.8 cents.

MH/TW et al. – T1 – 42: With reference to your response to MH/TW et al. – T1 – 11(a):

- (a) Please confirm that according to your analysis of PRC LR-9 in Docket R2001-1, the full revenue leakage associated with the unzoned editorial pound rate is \$214.3 million. If you do not confirm, please explain fully.
- (b) Please confirm that the above-referenced \$214.3 million represents the difference between revenue generated by the flat editorial pound rate and the revenue that would be generated by editorial pounds if, in lieu of the flat editorial pound rate, editorial pounds were assessed the zoned pound charges that apply to advertising matter. If you do not confirm, please explain fully.
- (c) Please confirm that no portion of the above-referenced \$214.3 million is recovered from the flat editorial pound charge. If you do not confirm, please explain fully.
- (d) Please confirm that a Periodical comprised of 100% editorial content would not pay any portion of the above-referenced \$214.3 million, regardless of whether it was mailed a relatively short distance or a relatively long distance. If you do not confirm, please explain fully.
- (e) Please confirm that under the current rate structure, the above-referenced \$214.3 million is to be recovered fully from the zoned pound charges for advertising content. If you do not confirm, please explain fully.
- (f) Please confirm that the extent to which a Periodical mailer pays any portion of the above-referenced \$214.3 million depends solely on the advertising percentage of the Periodical, and not at all on the distance that it is mailed. If you do not confirm, please explain fully.

MH/TW et al. – T1 – 43: With reference to your response to MH/TW et al. – T1 – 13(b), please explain fully and precisely what “additional amount” – beyond the flat editorial pound charge – is paid by editorial pounds to recover revenue leakage associated with the flat editorial pound charge.

MH/TW et al. – T1 – 44: With reference to your response to MH/TW et al. – T1 – 14, please put aside the assumption adopted in your testimony that all local and regional publications have an average proportion of advertising content, and answer the interrogatory as asked.

