

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 ROBERT W. MITCHELL TO NNA/TW ET AL.-T1-1-36
(June 28, 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 Mitchell (TW et al.-T-1) to National Newspaper Association interrogatories NNA/TW et al.-T1-1-36, filed June 14, 2004.

NNA/TW et al.-T1-37-40 have been redirected to witness Stralberg.

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

Responses of Witness Mitchell to NNA/TW et al.-T1-1

NNA/TW et al. T-1-1 Have you provided consulting services to any newspapers or newspaper organizations? If so, please list their titles, the dates and nature of your services and explain how they use the mail, particularly periodicals rate mail. You may omit speaking engagements if no individual services were offered pursuant to those engagements.

RESPONSE

No.

Responses of Witness Mitchell to NNA/TW et al.-T1-2

NNA/TW et al. T1-2 With respect to your statement on p. 1, second paragraph, would you agree that the Postal Reorganization Act requires more than just “efficient rates?” If not, please explain how you believe the requirements in Section 3622 should be interpreted.

RESPONSE

Yes. It must be said, however, that I find most if not all of the § 3622 factors to be well aligned with notions of efficient rates. See also my response to ABM/TW et al.-T1-15.

Responses of Witness Mitchell to NNA/TW et al.-T1-3

NNA/TW et al. T1-3 Do you believe the intended purpose of the unzoned editorial rates was to achieve “efficient rates?”

RESPONSE

No.

Responses of Witness Mitchell to NNA/TW et al.-T1-4

NNA/TW et al. T1-4 Do you believe any aspect of the intent of the unzoned editorial rate was to recognize a higher degree of value to the recipient from editorial content in periodicals as opposed to the advertising content?

RESPONSE

Not in the way you suggest. Note first that the zoned advertising rate was a creation of 1917, but the flat editorial rate was a continuation of what had been in effect for some time. The inclination of Congress was to zone the full weight of the publications. Given a strong response from those whose rates would have thereby increased, and arguments that publishing zones would evolve, a compromise decision was to leave in place a low, unzoned rate, but for editorial only, and to put into effect a zoned advertising rate. I believe this low rate was left unzoned as a way of continuing the status quo, of avoiding or tempering a large rate increase for many magazines, and in hopes that the specter of publishing zones could be avoided.

Responses of Witness Mitchell to NNA/TW et al.-T1-5

NNA/TW et al. T1-5 Would you agree that a rate structure with an unzoned editorial rate, if taken alone as a decision driver for publishers, would tend to encourage a higher degree of editorial content as opposed to advertising content in comparison to a zoned rate? If not, why not?

RESPONSE

No. The benefit (and encouragement) given to editorial matter is just as high in the proposed rates as in the current rates. In fact, since the proposed rates are more efficiently designed in almost all respects, the proposed rates should provide even more encouragement to editorial matter than the current ones, as the *MOAA* court apparently had in mind when it said, regarding the unzoned editorial rate, that “the divergence from cost principles has the probable tendency of increasing overall costs of distribution, and thereby reducing the market-clearing level of distribution.” 2 F.3d 408, 436 (D.C. Cir. 1993).

Responses of Witness Mitchell to NNA/TW et al.-T1-6

NNA/TW et al. T1-6 Please refer to your statement on p. 6 that your proposed rates leave considerable room for improvement in the future. What improvements do you have in mind? Do you believe the charges for any of the mail that you believe to be inefficient should be higher? If so, how much higher?

RESPONSE

By the statement referenced, I meant primarily that the proposed rates would establish an improved platform from which the future could be faced. I have no particular adjustments in mind and see no reason at this point for arguing that any particular rates should be higher. As experience is gained under the new structure, the flow models and the costing could be improved and refined. There might also be associated adjustments in postal regulations relating to Periodicals preparation.

Responses of Witness Mitchell to NNA/TW et al.-T1-7

NNA/TW et al T1-7 Do you believe that the so-called ECSI values are recognized only in cost coverages? Please explain your answer.

RESPONSE

I believe reduced cost coverages may be the best way to recognize ECSI values in a balanced and fair way that does not cause other problems. My belief on this point appears, by my reading, to be consistent with that of the *MOAA* court, which said that the recognition and encouragement of ECSI value is not a justification for advantaging long-haul and disadvantaging short-haul publications, whether dropshipped or not. 2 F.3d 408, 436 (D.C. Cir. 1993).

Responses of Witness Mitchell to NNA/TW et al.-T1-8

NNA/TW et al T1-8 Would a periodical unable to change its mailing makeup or drop shipping practices to take advantage of your proposed rates experience the low cost of periodicals rates that you believe Congress intended in your recitation of the legislative history on p. 8? If not, do you believe Congress intended only periodicals considered “efficient” to benefit from low rates? Please explain your answer.

RESPONSE

It is difficult to see at the present time that anyone is experiencing the “low cost of periodicals rates,” whatever that may mean. Except in a general way, I believe it is treacherous to read too much into what Congress may have intended. The better approach is to look at what Congress did. It arranged a separate subclass for periodicals; it emphasized recognizing costs and mail preparation; it required recognition of ECSI value (but said nothing about an unzoned editorial rate); and it said that rates should be fair and equitable. For Nonprofit Periodicals, which have received substantial benefits in the past, it said that there should be a discount of only 5 percent (and even then on only some rate components). It has not authorized a subsidy for any special rates. It created an expert Postal Rate Commission (on this point, see my response to ABM/TW et al.-T1-15). Under these conditions, it may be that the most that mailers can ask for is that their rates reflect little or nothing more than the costs the Postal Service actually experiences. However you might define the term, I certainly don’t believe that Congress intended only “efficient” periodicals to benefit from low rates, and there is nothing in the proposed rates or my testimony that so suggests.

Responses of Witness Mitchell to NNA/TW et al.-T1-9

NNA/TW et al T1-9 Please refer to the “small publications” identified by you on p. 6, lines 21-22. Do you have specific publications in mind? If so, please name them. If not, please explain whether this statement is meant to be hypothetical.

RESPONSE

I do not have specific publications in mind, but their existence is far from being hypothetical. It has been common in rate parlance for some years to refer to small publications, even when it may not clear exactly how they should be defined. Many times the options open to mailers and the characteristics of their mailings are determined more by their density than their size. For example, the *Washingtonian* magazine hits a relatively high proportion of the households in many Washington D.C. neighborhoods, and thus has many characteristics of largeness, even though its circulation is small compared to many magazines with broad national distributions. It probably sorts to carrier route.

The paragraph you cite refers to the proposal to create an ADC presort level. Mailers with a good bit of volume for the ADC but not enough volume for 3- and 5-digit bundles might find this option attractive. Unless they are a local or regional publication, these would be publications with relatively low circulations.

Responses of Witness Mitchell to NNA/TW et al.-T1-10

NNA/TW et al. T1-10 Please refer to your commentary on technological advancements and mailer adjustments on p. 11. Do you believe the Postal Service adjusted its operations to the mail, or the mailers to the Postal Service? Please explain your response.

RESPONSE

I believe that the Postal Service and mailers usually work together on these things, in many ways, including MTAC. See also my response to NNA/TW et al. T1-11.

Responses of Witness Mitchell to NNA/TW et al.-T1-11

NNA/TW et al. T1-11 If you responded to NNA's interrogatory 10 that you believe the Postal Service adjusts its operations to the mail, do you believe it attempted to adjust to all of the mail in the periodicals mailstream or only that mail that it deemed "efficient?" Please explain your response, in particular with respect to adjustments for periodicals.

RESPONSE

I don't think that the Postal Service has skewed any developmental role to certain categories of mail to the unfair exclusion of others. I say this based not only on general observation but on the fact that some years ago I interviewed extensively every Branch Manager, every General Manager, and every Director at the Postal Service's development center. There was strong interest in all cases in developing low-cost ways to handle all of the mail. It does not follow, however, that pushing with equal force in all areas will cause all areas to move forward by the same amount. I believe engineers should have the option, indeed have the obligation, of saying: "Here is what we are capable of offering you. It has a low cost. We can offer you a rate based on that cost. We are sorry we were not able to make all costs low."

Responses of Witness Mitchell to NNA/TW et al.-T1-12

NNA/TW et al T1-12 Do you believe that newspapers were part of the mailstream when Congress created the preferences for periodicals mail that you refer to in section III of your testimony? If so, please explain how you think the technological advances you have in mind on p. 6 have benefited them.

RESPONSE

I believe newspapers were an important part of the mailstream in 1917. I haven't attempted to assemble statistics, but I also believe they were often light in weight, sometimes containing only a few pages. I cannot provide expert testimony on the details of newspaper machinability today. I do understand that it has been difficult to design machinery to handle them. This difficulty is not limited to the Postal Service alone, but also to its contractors around the world and to other countries and their postal services.

Responses of Witness Mitchell to NNA/TW et al.-T1-13

NNA/TW et al T1-13 Do you believe that publishers that do not prepare mail on pallets are uniformly indifferent to postal costs as your niece is to her landlord's water bill.

RESPONSE

No. It has been my experience that many publishers go out of their way to work with the Postal Service and to cooperate in organized efforts like MTAC. But in the absence of appropriate signals and incentives, they may stop short of the kinds of changes in ongoing productive operations that are needed, even in cases where it might cost them little or nothing to make the changes.

Responses of Witness Mitchell to NNA/TW et al.-T1-14

NNA/TW et al T1-14 On p. 16, you assert that in some cases some publishers have a choice between preparing one 24-piece bundle and 24 sacks with one piece each, and that appropriate price signals would cause the publishers to value the sack more highly. Assuming that statement means you believe that in some cases, publishers do not have a choice, do you believe that the publishers who do not have a choice should also be found to “value the sack?” If your answer is yes, please explain how the price signal will influence mailer choice if there is no choice?

RESPONSE

I certainly do not believe that the value a publisher puts on using a sack, in an absolute sense or relative to other alternatives, is or will be affected by any price signals received. Also, it is not necessary to “find” what value a particular publisher might place on a sack; given appropriate signals, the mailer will reveal his preference, which will reflect the valuation he places on the alternatives.

Responses of Witness Mitchell to NNA/TW et al.-T1-15

NNA/TW et al T1-15 Assume a 3,000 circulation newspaper in a Midwestern city has 15 pieces going from a midwestern city to residents of its town who have chosen to winter in Florida. Assume that these 15 individuals live in 15 different zip codes, in three different 3 digit zones. Assume further that each of these 15 individuals have chronically complained about slow and irregular delivery to the postmaster, who has advised unless the publisher creates 15 5-digit sacks with one piece each, service will not improve.

- a. What price signal would you wish to send to this publisher?
- b. Is this the sort of publisher whom you have in mind with the analogy to your niece?
- c. If the Postal Service routinely could not achieve regular delivery with a mixed ADC bundle for this mail, will a price signal to the publisher be the appropriate economic sanction to solve an inefficiency problem?
- d. Should the publisher be punished for the Postal Service's inability to achieve reasonable service standards?

RESPONSE

a. My role has not been to "wish" to send specific signals to specific mailers. The rates I propose are cost-based and fair, among other attributes. This mailer should pay them. I do not see why this mailer should be able to make a decision that imposes substantial costs on others. I also believe the service issue for sacks should be examined. It is difficult to understand any reason why 1-piece sacks should whip through the system while pieces going through major processing operations should be delayed. In this regard, see the response of witness Schick to ABM/TW et al.-T4-6.

b. To a considerable extent, yes.

c. Paying prices that reflect the resource implications of decisions made is not a sanction, economic or otherwise. There would be an improvement in efficiency, whether or not the mailer decided to change what he is doing.

Responses of Witness Mitchell to NNATW et al.-T1-15

d. I do not see that any punishment is involved. It is true that mailers can get low rates and good service only from a postal service whose technical efficiency is high and that succeeds in providing service according to standard.

Responses of Witness Mitchell to NNA/TW et al.-T1-16

NNA/TW et al T1-16 If the Postal Service told you it intended to remove all sack sorters from its facilities and to replace a mechanized process with manual labor, would more efficient mail be created if mailers were told to prepare their mail in some other form better suited to manual sorting?

RESPONSE

I hope the Postal Service does not arbitrarily remove its sack sorters and its mechanized processing systems. But whatever it does, its costs should be reflected in its rates. My understanding is that the Postal Service works regularly with mailers on regulations relating to preparation, including containerization.

Responses of Witness Mitchell to NNA/TW et al.-T1-17

NNA/TW et al T1-17 If the Postal Service told you that periodicals in polybags routinely created jamming in automated sorting machines, would you recommend a price signal that discouraged the use of polybags?

RESPONSE

If a polybag would not go through a machine, I would not try to put it through a machine. Whatever is done, the rate for a polybag should reflect the cost of processing and delivering a polybag. I do not see any reason why a mailer should be able to make a decision to use a polybag, presumably because he finds that to be an effective and valuable alternative, to the neglect of the cost implications of that decision, and then receive a subsidy for doing it.

Responses of Witness Mitchell to NNA/TW et al.-T1-18

NNA/TW et al T1-18 Have you done any analyses of the operational issues and or the cost consequences of the issues surrounding polybags and the use of automated sorting machines? If you have, please provide copies of your work.

RESPONSE

No.

Responses of Witness Mitchell to NNA/TW et al.-T1-19

NNA/TW et al T1-19 If the Postal Service told you that carriers required a greater amount of time to handle periodicals on 8.5 x 11 sheets than those on 5x7 sheets, would you recommend a price signal that discouraged publishers from using 8.5 x 11 sheets?

RESPONSE

Under current definitions, a 5x7 sheet qualifies as a letter, unless it is over one-quarter of an inch thick. I have long been in favor of a letter/flat rate differential for Periodicals. Currently we have a poorly constructed arrangement that provides only a larger barcode discount for letters than for flats.

If there were a letter/flat differential in Periodicals, or some other similar rate differential, possibly like the one you suggest, I would be emphatically against referring to it as a structure designed to discourage mailers from sending the higher-cost pieces, just as General Motors does not discourage you from buying its higher-priced automobiles and SUVs. Ask yourself the following question: "If the Postal Service, which is a governmental organization owned by the people of the United States, had available an efficient, low-cost mailstream for handling and delivering 'letters' and it did not make that mailstream available to you, a 'letter' mailer or a potential 'letter' mailer, but rather persisted in presenting you with a much higher rate that happens to be designed for higher-cost flats, simply because many of your friends send flats, how would you feel?"

Responses of Witness Mitchell to NNA/TW et al.-T1-20

NNA/TW et al T1-20 If the Postal Service told you that greater efficiency would be achieved if all magazines dispensed with color or typography on their covers so that optical character readers could better identify and read mailing labels, would you recommend a price signal that discouraged publishers from using attractively designed covers?

RESPONSE

The technical efficiency of the Postal Service is not going to be affected by whether it produces a different proportion of high and low cost products. If it is economic efficiency that has the potential of being increased, the way to achieve it is to give fair signals in rates, based on costs, and to let the mailers choose. It is not to tell mailers to stop doing something that you don't like.

This question, and some others you have asked, goes toward the possibility of developing rates that recognize cost differences that could be large in number, small in size, difficult to quantify, and of questionable existence. Ease of administration and use can become important at some point, and complexity could become an issue. Basically, however, the Postal Service should tell mailers what it can do for them, what it costs, and let them choose. The following question, which you should ask yourself, and which is similar to a question I suggest in my response to NNA/TW et al T1-19, is illuminating: Suppose the Postal Service had (or could easily offer) two efficient, low-cost, sophisticated mailstreams, one that could handle only black-and-white covers and one that could handle color covers. And suppose further that you are a mailer of inherently black-and-white covers (because you send to handicapped people who are color blind) and that a suitable rate for the black-and-white mailstream is 6 cents while a suitable rate for the color mailstream is 12 cents. How would you feel if the Postal Service refused to make black-and-white mailstream available to you, but instead persisted in charging you 10 cents, which is based on a weighted average of the two lines?

Responses of Witness Mitchell to NNA/TW et al.-T1-21

NNA/TW et al T1-21 Please refer to your footnote 16. Does all cost averaging create a “subsidy” by the units at the lower end of the average to those at the higher end?

RESPONSE

Subject footnote focuses on a particular problem often associated with the provision of welfare. Suppose 4 percent of the miles driven in the United States are driven to and from work by people who make near the minimum wage and are having great difficulty making ends meet. And suppose you believe that the government should help them pay for their gasoline, and that doing so would help the unemployment problem as well because the unemployed would search for jobs over a wider area. Would you achieve this end through a government program that sets all gasoline prices at 50 cents per gallon and funds (in direct payments to the oil companies) the difference between the market price and 50 cents? It is clear that about 96% of the drivers receiving the subsidy would not be the intended recipients. This is a very inefficient way to provide a benefit. Yet that is exactly what would tend to be happening if large groups of mailers were provided lower postal rates when only a few of them were in any kind of needy situation, whatever that might mean. In addition, these low rates would encourage the start-up of new publications whose costs to the nation are higher than their benefits.

Formally, the existence of a subsidy is usually taken to mean that the price is not high enough to cover the incremental costs of the product, for which the attributable (or volume variable) costs are often used as an indicator. Under this definition, averaging will not always imply a subsidy when there is a markup. In the case of Periodicals currently, however, the markups are essentially zero. Therefore, one could argue that almost all averaging produces subsidies. I have not advocated that all averaging be eliminated or that ECSI value not be recognized. I have carefully

Responses of Witness Mitchell to NNA/TW et al.-T1-21

selected important cost variables and designed rates accordingly. I do not think I have gone to any extremes in the number of rates or their complexity, and I do not think difficulties of administration and control are a problem.

Responses of Witness Mitchell to NNA/TW et al.-T1-22

NNA/TW et al T1-22 Please provide the citation to the location on the website, <http://www.citymag.org>, mentioned in your footnote 19 that supports your statement that “very few” regional and city magazines use the In-County rates. If the website does not provide support for your statement, please identify the sources that support your statement.

RESPONSE

I did not intend to suggest that the footnote provided support for that particular statement. When I was considering local and regional publications, I called the MTAC representative of the City and Regional Magazine Association. I asked a number of questions, in response to most of which he declined to provide much information. When I asked if he knew how many of his members use In-County rates, his reply was something to the effect: Oh no, almost none of them do.

Responses of Witness Mitchell to NNA/TW et al.-T1-23

NNA/TW et al T1-23 Have you asked The Baltimore Afro-American whether it uses the in-county rates? If so, please provide the name of the official with that newspaper whom you consulted, and the dates of your conversation. Please also provide any information you collected from that newspaper on its mailing practices.

RESPONSE

No.

Responses of Witness Mitchell to NNA/TW et al.-T1-24

NNA/TW et al T1-24 Please identify the city magazine you cited on p. 23, lines 1 and 12.

RESPONSE

Please see my response to ABM/TW et al.-T1-70.

Responses of Witness Mitchell to NNA/TW et al.-T1-25

NNA/TW et al T1-25 Have you asked the publisher of the magazine to which you referred on p. 23, lines 1 and 2, to provide mailing data for this case? If so, please provide copies of the documentation you received. If not, please describe how you learned this information.

RESPONSE

Please see my response to ABM/TW et al.-T1-70. .

Responses of Witness Mitchell to NNA/TW et al.-T1-26

NNA/TW et al T1-26 Does the city magazine discussed in NNA/TW et al T1-24 and 25 belong in Camp 1 or Camp 2 as described on page 24 of your testimony.

RESPONSE

It belongs in Camp 1. Please see my response to ABM/TW et al.-T1-70.

Responses of Witness Mitchell to NNA/TW et al.-T1-27

NNA/TW et al T1-27 Are you aware of any city or regional periodicals that belong in Camp 2? If so, please specify how far away the printer or printers are and why you believe the periodicals have chosen that printer or those printers?

RESPONSE

When I talked to the MTAC representative of the City and Regional Magazine Association, a call discussed further in my response to NNA/TW et al T1-22, I asked if he knew how many of them had their publications printed in the city where they were distributed. His response was something to the effect: No, I would say most of them are printed kind of far away. I did not ask, and know nothing, about any dropshipping that is done. I would assume that the process of selecting a printer for them focused on the package that the printer offered, including price, and that the postage was considered in some part of the process. No one would expect them to consider the costs to the Postal Service of any decision they might make.

Responses of Witness Mitchell to NNA/TW et al.-T1-28

NNA/TW et al T1-28 Please refer to your statement on p. 28 that neither In-county nor Ride-Along rates are affected by your proposal. Does that mean that you believe In-County rates would not be affected if the Commission were to adopt your proposal, or that you have not recommended different rates for In-county? Please explain your response.

RESPONSE

It seems abundantly clear that no decision by the Commission would affect In-County rates, if for no other reason than because the situation there is substantially different. The segment-14 transportation costs in FY 2003 were only \$79,000, and therefore *de minimis*. The use of containers is probably quite different. The question of the flat editorial pound rate does not arise. There is no difference between the rate for advertising and the rate for editorial. The machinability is different. At least for newspapers, the printing is probably all done locally. The option of exceptional dispatch is used heavily. The service needs are different, at least on average. The proximity of the printer to the stations and branches is probably different. With sufficient study, it may well be that an improved structure for In-County could be developed, but we are a long way from that.

Responses of Witness Mitchell to NNA/TW et al.-T1-29

NNA/TW et al T1-29 Are Outside County costing data ever used as proxies for In-County costs? If so, please explain how your proposal would affect their future use.

RESPONSE

Yes. Please see my response to MH/TW et al. – T1-17. I see no reason, however, for any difficulty. The differences will still be available. Also, the passthroughs in In-County are rather arbitrary and would in all likelihood be selected to provide continuity. For another, the Postal Service needs to do separate cost studies for In-County if the rates are to be cost based, and especially if the structure is changed.

Responses of Witness Mitchell to NNA/TW et al.-T1-30

NNA/TW et al T1-30 If the sack charge you propose for 3-digit and 5-digit sacks sent the signal to mailers that the appropriate behavior was to combine the contents of those sacks into mixed ADC sacks and the mailers responded as you wish them to respond, would you expect the service received by those mailers to improve or deteriorate? If you expect the service to improve, please explain your response.

RESPONSE

I do not “wish” mailers to respond in a certain way. The question of sack makeup and service is an important one that needs attention. Please see the response of witness Schick to ABM/TW et al.-T4-6.

Responses of Witness Mitchell to NNA/TW et al.-T1-31

NNA/TW et al T1-31 If your response to NNA/TW et al T1-32 was that you would expect mail to deteriorate, how would you expect to recognize the decline in the value of that mail in your rate structure?

RESPONSE

Not applicable.

Responses of Witness Mitchell to NNA/TW et al.-T1-32

NNA/TW et al T1-32 If a reduced value of periodicals mail cannot be recognized in your rate structure because you have already assumed a very low cost coverage, would it be a desirable outcome for that mail to disappear from the mailstream as recipients responded to the declining value by ceasing to subscribe or request those periodicals?

RESPONSE

I have not *assumed* a “very low cost coverage”; the Commission has *recommended* a very low cost coverage. I do not believe that coverage can be viewed as a reflection in any well defined way of the value that mailers put on the use of Periodicals mail. The value that mailers put on it, however, does influence how much of it they purchase. I think it would be grossly unfortunate if the rates became so high that mailers disappeared, particularly if those rates were higher than should exist under the honest and economical management of a technically advanced, state-of-the art postal system.

Responses of Witness Mitchell to NNA/TW et al.-T1-33

NNA/TW et al T1-33 Do you believe that all periodicals publishers use computers to prepare their mail and that they will welcome rates that “appear complex?”

RESPONSE

It is possible that there are some mailers that do not use computers. I would expect the volumes of these mailers to be limited, but I would not see them as viewing the proposed structure as complex. They would certainly know where they entered their mail, the number of sacks and their makeup, and the number of bundles. Information on presort levels, zones, and pounds already needs to be know.

Responses of Witness Mitchell to NNA/TW et al.-T1-34

NNA/TW et al T1-34 Do distant subscribers have different values to publishers, depending upon their subscription price structure, the nature of their advertisers or other factors? Please explain your response.

RESPONSE

Except to the inconsequential extent discussed in Appendix A of my testimony, I do not see how the value of a distant subscriber could depend on the subscription price structure.

I would guess that advertisers in local and regional publications might be less interested in the number of distant readers than in the number of local and regional readers.

Responses of Witness Mitchell to NNA/TW et al.-T1-35

NNA/TW et al T1-35 Please explain how you know that periodicals do not or would not “zone” their subscription rates?

RESPONSE

This is discussed on page 60 of my testimony, beginning specifically on line 10.

Over a period of 20 years, I have raised this question many times with many publishers; they usually laugh at the idea.

Responses of Witness Mitchell to NNA/TW et al.-T1-36

NNA/TW et al T1-36 Have you examined any newspapers to determine whether “zoned” subscription rates, or any other type of charge to reflect increased mailing rates beyond local zones are being used? If so, please identify and describe the newspapers you have examined. If not, please explain why you have apparently included newspapers in your statements on p. 60 without undertaking such an examination.

RESPONSE

I have not examined newspapers. I am generally aware that some newspapers give customers an option of having copies sent First Class or Priority, at an extra charge, instead of sent at Periodicals rates.

Responses of Witness Mitchell to NNA/TW et al.-T1-37

NNA/TW et al T1-37 Do you consider the FSM1000 to be a mechanized or automated sorting machine, or neither? Please explain your response.

RESPONSE

This question has been redirected to witness Stralberg.

Responses of Witness Mitchell to NNA/TW et al.-T1-38

NNA/TW et al T1-38 Do you believe an AFSM100 machine is capable of sorting newspapers? Please explain your response.

RESPONSE

This question has been redirected to witness Stralberg.

Responses of Witness Mitchell to NNA/TW et al.-T1-39

NNA/TW et al T1-39 Do you believe an AFSM100 machine is used for sorting newspapers? Please explain your response.

RESPONSE

This question has been redirected to witness Stralberg.

Responses of Witness Mitchell to NNA/TW et al.-T1-40

NNA/TW et al T1-40 If you believe an AFSM100 machine is either not capable of sorting newspapers or is not actually used for sorting newspapers, do you believe the design of the machine or the operational practice were intentionally directed away from potential use for newspaper mail? Please explain your response.

RESPONSE

This question has been redirected to witness Stralberg.