

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

COMPLAINT OF TIME WARNER INC. ET AL.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

THIRD SET OF INTERROGATORIES OF TIME WARNER INC. ET AL.
TO MCGRAW-HILL WITNESS SCHAEFER (TW ET AL./MH-T1-11-15)
(September , 2004)

Pursuant to sections 25, 26 and 27 of the rules of practice, 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 direct the following interrogatories to McGraw-Hill witness Schaefer (MH-T-1).

Time Warner Inc. et al. request that, in responding to these requests, McGraw-Hill follow the guidelines set out in Time Warner Inc. et al.'s First Set of Interrogatories to McGraw-Hill, filed July 27, 2004, which are incorporated by reference herein. If witness Schaefer is incapable of providing an answer to any question, it is requested that an answer be provided by another person capable of providing an answer.

Respectfully submitted,

s/ _____
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**THIRD SET OF INTERROGATORIES
FROM TIME WARNER INC. ET AL. TO WITNESS SCHAEFER (MH-T-1)**

TW et al./MH-T1-11 Please refer to your testimony at page 4, n. 2, where you state: "McGraw-Hill's total Periodicals postage in 2003 was approximately \$17.5 million. We estimate that postage amounts to about 26% of the cost of manufacturing and distributing our Periodicals as a whole."

For each McGraw-Hill Periodicals class publication, please state:

- a. postage as a percentage of the cost of manufacturing and distributing that publication;
- b. postage as a percentage of the total costs of that publication;
- c. postage as a percentage of the total revenues of that publication.

TW et al./MH-T1-12 Please refer to page 6, ll. 18-20, where you state: "Due largely to their lower circulation, smaller publications already bear a substantially higher cost burden than larger-circulation publications, and would not likely be able to avoid onerous rate increases by changing their mailing practices."

Please confirm that the primary reason that "lower circulation, smaller publications already bear a substantially higher cost burden than larger-circulation publications" is that they have substantially higher costs. If not confirmed, please explain.

TW et al./MH-T1-13 Please refer to page 7, ll. 1-4, where you state: "We further believe that more efficient mailing practices can be fostered and rewarded as appropriate through rate design changes that are more balanced and equitable than those proposed by Complainants."

- a. Please confirm that by "changes that are . . . equitable" you mean changes that recognize in rates less than the full cost savings realized by the Postal Service due to "the more efficient mailing practices" in question and that distribute a portion of those savings to mailers who do not engage in those "more efficient mailing practices." If not confirmed, please explain.
- b. Please confirm that by "rewarded as appropriate" you mean to *exclude* rewards in the form of rate changes that recognize prospective Postal Service cost savings resulting from the continuation by mailers of "more efficient mailing practices" in which they are already engaging. If not confirmed, please explain.

TW et al./MH-T1-14

Please refer to page 7, ll. 12-14, where you state:

"Complainants' proposal in this proceeding to de-average Periodicals costs and rates . . . would result in enormous savings to Complainants (without any change in their mailing practices, or any cost savings to the Postal Service). . . ."

- a. Please confirm that complainants' proposals are based on differences in Postal Service costs associated with differences in mailing practices. If not confirmed, please explain.
- b. Please confirm that the "enormous savings" to which you refer are predicated on mailing practices of the complainants, adopted by them subsequent to 1970.
- c. If your answer to part b is other than "confirmed," please state your understanding of the extent to which, as of 1970, complainants' Periodicals publications were:
 - (1) entered into the mail on pallets rather than in sacks;

- (2) presorted to carrier route or 5-digit;
- (3) dropshipped to destination postal facilities.

d. Please confirm that your statement at p. 7, ll. 12-14 would have been more accurate if you had said: Complainants' proposal in this proceeding to de-average Periodicals costs and rates . . . would result in enormous savings to Complainants (without any *additional* change in their mailing practices, or any *additional* cost savings to the Postal Service).

TW et al./MH-T1-15 Please refer to your testimony at p. 15, ll. 12-20, where you state: "Late last August both Brown Printing and Fairrington Transportation announced plans to commence co-palletization programs and associated drop-ship pools by early next year. Further, Quebecor World announced in early August that it would invest in co-mailing technology to be housed in a new facility in Chicago. . . . I note that these developments are occurring under current postal rate incentives, and thus further call into question the need for the type of rate structure proposed by Complainants."

- a. Is it your understanding that the decisions by printers to initiate the programs to which you refer are based exclusively or primarily on "current postal rate incentives," as opposed to expectations regarding future rate changes that move in the direction of "the type of rate structure proposed by Complainants"?
- b. If your answer to part a was yes, please state fully the basis for your understanding. In particular, please state:
 - (1) whether you have heard the opinion expressed by individuals knowledgeable about postal affairs that the Postal Service desires to force Periodicals mailers out of sacks altogether and is likely to include in its next rate filing more fully cost-based Periodicals rates with substantial increases for sacked mail;

- (2) if you have heard such an opinion expressed, the basis on which you believe that a similar opinion has not played a substantial role in the decisions of printers to initiate the programs to which you refer.