

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

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

Docket No. C2004-1

CORRECTED RESPONSES OF
AMERICAN BUSINESS MEDIA TO
TW et al./ABM-T1-1-8
(September 28, 2004)

American Business Media hereby provides the responses to Time Warner Inc., et al.'s Interrogatories TW et al./ABM-T1-1-8, filed September 15, 2004. A draft version of these responses was erroneously filed earlier today and should be considered withdrawn.

The interrogatories are stated verbatim and followed by the response.

Respectfully submitted,

/s/ David R. Straus
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September 28, 2004

Response of ABM to TW et al./ABM-T1-1

TW et al./ABM-T1-1:

Please provide a list of all Hanley Wood owned or operated publications and the projected rate impact (in dollars and as a percentage of current postage) upon each title if the proposed rates were implemented.

RESPONSE

The Hanley Wood Periodicals titles are listed below.

We have not calculated the impact of the proposed rates on any of these titles. As noted in my testimony, we currently co-palletize our periodical mailings, and do not expect to be adversely impacted, as would be the case if we did not have a co-palletization program available to us.

Aquatics International
Builder
Building Products
The Concrete Producer
Custom Home
The Journal of Light Construction
Multifamily Executive
Pool & Spa News
ProSales
Public Works
Remodeling
Replacement Contractor (currently Periodical Pending)
Residential Architect
Tools of the Trade

Response of ABM to TW et al./ABM-T1-2

TW et al./ABM-T1-2:

Have you conducted any analyses to determine if any changes in mailing behavior could be made to mitigate the impact of the proposed rates upon the Hanley Wood publications? If the answer to this is yes, please provide copies of all such analyses and the data on which they were based (e.g., mail.dat files).

RESPONSE

No. Please note that my testimony makes no statement regarding impact of the proposed rates on Hanley Wood publications, whether adverse or favorable.

Response of ABM to TW et al./ABM-T1-3

TW et al./ABM-T1-3:

Please provide a representative mail.dat file for each Hanley Wood publication.

RESPONSE

Objection filed on September 23, 2004.

Response of ABM to TW et al./ABM-T1-4

TW et al./ABM-T1-4:

- a. Who performs the presort for Hanley Wood publications?
- b. Does this provider utilize parameters that define minimum package size, minimum sack size, and minimum pallet size prior to actually performing the presort?

RESPONSE

- a. Presort for the majority of our magazines is performed by fulfillment services:

- Omeda Communications, Northbrook IL, for Aquatics International, Building Products, The Concrete Producer, Custom Home, Multifamily Executive, ProSales, Remodeling, Replacement Contractor, Residential Architect, and Tools of the Trade
- Palm Coast Data, Palm Coast FL, for Builder and The Journal of Light Construction

Our printer, RR Donnelley, provides presort for two magazines: Pool & Spa News and Public Works.

- b. Yes, both the fulfillment services and Donnelley employ sortation software that functions as described.

Response of ABM to TW et al./ABM-T1-5

TW et al./ABM-T1-5:

Please identify the printer and the printer's location for each Hanley Wood publication.

RESPONSE

All publications printed by RR Donnelley in Pontiac IL.

Response of ABM to TW et al./ABM-T1-6

TW et al./ABM-T1-6:

One page 3, line 10, when referring to Hanley Wood's co-mailed titles, you indicate: "Currently, we net only a one percent savings, based on the cost of single entry postage." Have you evaluated your savings under multiple entry postage? If so, please provide copies of all such analyses and the data on which they were based.

RESPONSE

You appear to have misunderstood the testimony to which you refer.

Perhaps I was too cryptic.

Under our current agreement with RR Donnelley, our payment for co-palletization and drop-shipping is computed as the difference between actual postage paid and 99% of what postage would have been without the co-palletization program. Thus, we net a 1% guaranteed savings compared to the postage we would have paid without co-palletization.

"Postage we would have paid" is typically single-entry postage for our smaller magazines, so we save a net 1% of the single-entry amount. However, if a magazine has enough copies to palletize and drop ship some copies on its own, "postage we would have paid" includes the net drop shipment savings for the individual title. Only residual copies that would have mailed in sacks enter the co-palletization program.

Response of ABM to TW et al./ABM-T1-7

TW et al./ABM-T1-7:

Please provide an advertising rate card for all Hanley Wood publications.

RESPONSE

Copies of the rate cards for our Periodicals have been provided.

Response of ABM to TW et al./ABM-T1-8

TW et al./ABM-T1-8:

On page 21, line 11, you state: "I believe that many Periodicals mailers would see their rates increase above the Standard rates, creating it would seem, an ECSI penalty." Please identify the titles that you have analyzed to reach this conclusion and provide the analysis for each such title. Please provide any mail.dat file and any spreadsheet file used in your analysis.

RESPONSE

My statement is not based upon analysis of any particular titles but upon my own experience in the industry, including a very recent experience when my company actually switched two publications from the Periodicals rate to the Standard rate.

As to my general assessment, I know that the postage cost differential between Periodicals and Standard rates varies with many factors, with weight probably being the most important. I believe that heavy Periodicals tend to pay a bigger penalty when switching to Standard rates. However, a very general rule of thumb used by some in the industry is that Standard rates will be about 20% higher than Periodicals rates. Therefore, if the complainants' rate proposal would raise the rates for a large number of Periodicals by 20% or more, it is fair to assume that many of those would wind up paying more as Periodicals if they mailed at the Standard rate. I note that 21 of the publications shown on Exhibit LB-1 would experience increases of greater than 20%. That's about 15% of the 142 individual titles on the exhibit. Eleven, or almost 8%, have increases over 40%, which would almost certainly push those to costs higher than they would pay at Standard rates. If you extrapolate to the 25,000 or more Periodicals in

Response of ABM to TW et al./ABM-T1-8

the mail, I think that my statement about “many” Periodicals is shown to be accurate.

The recent experience to which I've referred occurred at the beginning of 2002, when Hanley Wood moved two magazines from Periodicals to Standard Mail, after the Postal Service reversed an earlier ruling on the qualification of a sponsored subscription program. I discovered that the actual difference in postage was considerably less than 20%, especially for lighter-weight publications. In fact, the February 2002 issue, weighing 3.3 ounces, mailed at Periodicals rates and paid 25.5 cents per copy. The April 2002 issue, exactly the same size and weight, mailed at Standard rates and also paid 25.5 cents per copy.

Based on that experience, I did not need extensive analysis to conclude that the Periodicals rate for other publications with similar mailing characteristics could easily be pushed higher than Standard rates by the proposal in the complaint.