

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

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

Docket No. C2004-1

FOLLOW-UP INTERROGATORIES OF TIME WARNER INC. ET AL.
TO UNITED STATES POSTAL SERVICE WITNESS TANG
(TW ET AL./USPS-RT2-21-22)
(September 30, 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 United States Postal Service witness Tang (USPS-RT-2).

If witness Tang is incapable of providing an answer to any question, it is requested that an answer be provided by the Postal Service as an institution or by another person capable of providing an answer.

Respectfully submitted,

s/ _____
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**FOLLOW-UP INTERROGATORIES
OF TIME WARNER INC. ET AL. TO WITNESS TANG (USPS-RT-2)**

TW et al./USPS-RT2-21 Please refer to your response to TW et al./USPS-RT2-2. Please provide the average number of pieces per bundle and the average number of bundles per container separately for sacked pieces and palletized pieces.

TW et al./USPS-RT2-22 Please refer to your response to TW et al./USPS-RT2-7, in which: (1) you say that you “doubt that comparing the CPI-U index to Mr. Mitchell’s ‘index of Periodicals rates, at a constant markup index’ contributes usefully to the Periodicals pricing discussion” and that Mitchell “relies on assumptions” that the “Periodicals subclasses would or should have maintained the same markup index over approximately a two-decade period”; (2) you describe your testimony as “point[ing] out that one way to look at the changes in Periodicals rates over the past two decades is to look at the price of an average Periodicals piece”; and (3) you discuss certain characteristics of the markup index, such as how it might be affected by an increase in Periodicals worksharing relative to that in other subclasses.

- (a) Please explain how the “price of an average Periodicals piece” is affected by an increase over time in the level of worksharing in Periodicals.
- (b) Do you have any fundamental reason for taking the position that one of the objectives in the development of quantity-weighted price indexes is to abstract from the effects of changes such as changes in product mix and in the degree of worksharing? Explain any non-no answer.
- (c) Please explain how the “price of an average Periodicals piece” is affected by reductions in the cost coverage of Periodicals.

- (d) Please identify with particularity any evidence suggesting that the purpose of Mitchell's "index of Periodicals rates, at a constant markup index" was anything other than to help isolate and quantify the basic increase in Periodicals costs due to factor prices and resource usage (corrected for changes in volume, product mix, worksharing, and cost coverage).
- (e) Do you agree that another approach to developing an index of basic Periodicals costs would be to identify a complete (i.e., exhaustive) set of component unit costs for the various Periodicals processing, transporting, and delivery operations, and to construct a quantity-weighted index of these components over time (much as is done in the construction of price indexes)? Explain any non-yes answer.
- (f) Has the Postal Service developed a basic cost index for Periodicals of the kind referred to in the previous part of this question? If it has, please supply that index.