

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF TIME WARNER INC.
WITNESS MITCHELL (TW-T-3) TO INTERROGATORIES
OF UNITED STATES POSTAL SERVICE (USPS/TW-T3-9-14)
(October 18, 2006)

Time Warner Inc. (Time Warner) hereby provides the responses of witness Robert W. Mitchell (TW-T-3) to Postal Service interrogatories USPS/TW-T3-9-14 (filed OCTOBER 4, 2006).

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

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**RESPONSES OF WITNESS MITCHELL (TW-T-3) TO INTERROGATORIES
OF THE UNITED STATES PORTAL SERVICE**

USPS/TW-T3-9. Please refer to page 1, lines 5-8 of your testimony. Is it your testimony that the QBRM discount for letters should be either 3.2 cents or 4.0 cents, and that the QBRM discount for cards should be either 2.9 cents or 3.5 cents? If this is not your testimony, please explain fully.

RESPONSE:

The numbers in your re-statement are the same as my numbers, but the emphasis is different. My sentence ending “and certainly that neither discount be reduced” (line 8) is to suggest that I believe the arguments for increasing the discounts to 4.0 cents (letters) and 3.5 cents (cards) are strong and that the arguments for not reducing them from their current levels (3.2 cents and 2.9 cents, respectively) are even stronger.

**RESPONSES OF WITNESS MITCHELL (TW-T-3) TO INTERROGATORIES
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USPS/TW-T3-10. Please refer to page 3, lines 23-25; page 3, lines 25-27; page 5, lines 2-4; and page 5, lines 13-14 of your testimony. Please explain why you have only mentioned envelopes in these general references to QBRM.

RESPONSE:

I can see that what you suggest is basically correct, although the two references to page 3 are part of a comparison of QBRM to NSAs, which have involved envelopes primarily. Otherwise, the only explanation I can provide is that I was probably thinking more of envelopes when I wrote it. My recommendation preserves the current pattern of a somewhat lower discount for cards.

**RESPONSES OF WITNESS MITCHELL (TW-T-3) TO INTERROGATORIES
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USPS/TW-T3-11. Please refer to page 5, line 27 of your testimony. Would your sentence be more accurate if it read, “a considerable number of reply pieces are distributed...” rather than “a considerable number of reply pieces are sent out...”? Please explain fully.

RESPONSE:

If you mean that “sent out” implies use of the mail and that “distributed” includes other methods of distribution as well, I agree.

**RESPONSES OF WITNESS MITCHELL (TW-T-3) TO INTERROGATORIES
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USPS/TW-T3-12. Please refer to page 5, line 24 through page 6, line 5 of your testimony, where you discuss the “multiplier effect” of BRM. In your view, is BRM a mail product with a high value of service under 39 U.S.C. § 3622(b)(2) because of this multiplier effect?

RESPONSE:

I do not see a relation between value of service and the multiplier effect. Suppose a rate of 10 cents is set for BRM and, after considering all of the characteristics of BRM, including its multiplier effect, mailers decide to purchase 10 million pieces. The resulting revenue is \$1 million and it is clear that mailers are receiving a value of at least \$1 million. At this position, the value of service question can be asked, and it involves quantifying how mailers would respond if the rate were to be increased to a level above 10 cents. If the volume falls off sharply (indicating a high elasticity), then there is little value to draw on to increase rates, meaning that the total value being received is not much above \$1 million. If the volume decline is limited (indicating a low elasticity), then there is considerable value to draw on to increase rates, meaning that the total value being received is substantially above \$1 million. The answer can only be found empirically. I see no way of arguing that the presence of a multiplier implies that the volume decline would be limited. Note that further comment on the role of a multiplier effect is provided in the paragraph beginning on line 26 of page 12 of my testimony.

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USPS/TW-T3-13. Please refer to page 6, lines 8-11 of your testimony. Please confirm the following:

(a) The QBRM with a quarterly fee per-piece fee was decreased from 1 cent to .8 cent as a result of Docket No. R2001-1. If you do not confirm, please explain.

(b) The QBRM without a quarterly fee per-piece fee is proposed (in this proceeding) to decrease from 6 cents to 5 cents. If you do not confirm, please explain.

(c) The QBRM quarterly fee is proposed (in this proceeding) to decrease from \$1,900 to \$1,800. If you do not confirm, please explain.

RESPONSE:

(a-c) My testimony does not address the fees associated with counting and rating BRM, and I have not examined them.

**RESPONSES OF WITNESS MITCHELL (TW-T-3) TO INTERROGATORIES
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USPS/TW-T3-14 Please refer to page 8, lines 21-22 of your testimony. When you refer to the price of QBRM, are you speaking of the price paid for the return piece of QBRM only? Please explain fully.

RESPONSE:

I am speaking of the net price, after the discount. If the First-Class rate were 42 cents and the QBRM discount were 4 cents, the price of QBRM would be 38 cents.