

DOCKET SECTION

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

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POSTAL RATE & FEE CHANGES, 1997

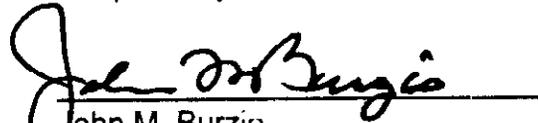
Docket No. R97-1

RESPONSES OF TIME WARNER INC. TO INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE (USPS/TW-35-36)
(February 23, 1998)

Time Warner Inc. (Time Warner) hereby provides its responses to the following interrogatories of the United States Postal Service: USPS/TW-35-36 (filed February, 12, 1998).

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

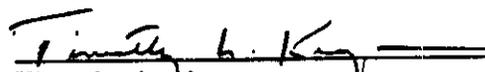

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Timothy L. Keegan

February 23, 1998

RESPONSES OF TIME WARNER INC. TO UNITED STATES POSTAL SERVICE

USPS/TW-35. In response to USPS/TW-24-28, Time Warner provided certain information for a representative issue which approximates the average weight and circulation of each title.

- a) Please describe generally how Time Warner Inc.'s mailings are prepared and how that preparation has changed for each of the last ten years.
- b) Please indicate, by year, the changes in make-up such as changes in average bundle size, changes in containerization, and the average number of bundles and pieces per container.
- c) Please indicate in percentage terms, what savings, if any, Time Warner Inc. has experienced in its mail preparation costs (excluding postage) due to changes in the make-up of its mailings.
- d) Even if a percentage cannot be calculated for such savings, as requested in subpart c) above, please indicate whether or not Time Warner Inc. has experienced savings.

Response

- a) Our first step in the preparation of mail is to clean and update the subscriber database.

This function is accomplished by running all of the subscriber addresses through several address correction programs including National Change of Address (NCOA), Address Change Service (ACS), Address Element Correction (AEC), Group One - Code One Plus, and Pitney Bowes - Finalist. It is our firm belief that by investing time, effort and dollars into address quality, we reduce USPS mail processing costs and help provide timely service to our customers. The cost of address quality includes the software purchases, increased CPU time on our mainframe to run the addresses through the correction programs, and the cost of using outside correction services such as the USPS' operation in Memphis. Estimated annual cost for address cleanup is \$1.2 million. Once the subscriber files are prepared, the names are then grouped together by entry point, pallet, and finally package level per DMM regulations. This

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grouping of names takes place regardless of any differences in advertising, editorial, or consumer marketing content, since the use of selective binding allows us to create single packages for the USPS that contain multiple editions of our magazines. The utilization of selective binding began on January 1, 1990. While we do not have specific information on how mailing preparation has changed for each of the last ten years, our response to interrogatory USPS/TW-2 (b) clearly indicates the benefits of selective binding. As an example, Time Magazine's carrier route sortation level improved from 69% in 1988 to 87% in 1997. In addition, Time Warner's percentage of SCF mail also increased significantly during this same period from 23% in 1988 to 54% in 1997. With the increase in mail entered at the SCF level, we experienced a corresponding increase in transportation costs. In fact, each year Time Inc. incurs over \$5 million in subscriber copy transportation costs for TIME, SPORTS ILLUSTRATED, PEOPLE, ENTERTAINMENT WEEKLY, FORTUNE, MONEY, AND LIFE. This increase in mail entered at the SCF should have resulted in reduced handling of our products within the Postal Service and a reduction in mail processing costs.

Two additional mail preparation changes in the past ten years have been the addition of barcodes to our flat mail in 1993 and the changes which were required as the result of reclassification. Once again, both of these changes were initiated by the Postal Service with a goal of utilizing automation and streamlining mail processing operations, yet the cost data submitted by the Postal Service indicates that neither change positively influenced the rising mail processing cost problem.

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- b) This data is not available other than the representative issue data supplied in the responses to USPS/TW-1-34.

- c) Time Warner has made a substantial investment in the utilization of selective binding technology. Not only are there zero savings in mail preparation costs, our operating costs are significantly higher. Selective binding is 13.5% more expensive than conventional binding. In addition to increased binding costs incurred on an ongoing basis, Time Warner also paid \$37,873,000 in capital costs to our printers for the installation of selective binding equipment. Once again, this clearly demonstrates the great lengths that mailers have gone to over the past ten years to increase mailer worksharing and drive costs out of the Postal Service.

- d) See response to USPS/TW-35 c).

RESPONSES OF TIME WARNER INC. TO UNITED STATES POSTAL SERVICE

USPS/TW-36. In response to USPS/TW-24-28, Time Warner Inc. provided pallet and sack information for a representative issue which approximates the average weight and circulation of each title. If possible, please provide a similar table of pallet and sack information only for mail that was dropshipped to destination.

RESPONSE

Please see attached spreadsheets.

Attachment To
Response to USPS/TW-36
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TIME

	<u>Dropship</u>
5 DIGIT pallets:	479851
Unique city pallet:	926887
3 DIGIT pallets:	2131374
SCF pallets:	13018
ADC/SDC pallets:	29582
BMC pallets:	0
Mixed BMC pallets:	0
Pieces Per 5 DIGIT pallet:	1162
Pieces Per Unique city pallet:	3678
Pieces Per 3 DIGIT pallet:	3394
Pieces Per SCF pallet:	1627
Pieces Per ADC/SDC pallet:	1972
Pieces Per BMC pallet:	0
Pieces Per Mixed BMC pallet:	0
Average Weight of 5 DIGIT pallets:	421
Average Weight of Unique city pallets:	1331
Average Weight of 3 DIGIT pallets:	1229
Average Weight of SCF pallets:	589
Average Weight of ADC/SDC pallets:	714
Average Weight of BMC pallets:	0
Average Weight of Mixed BMC pallets:	0
CR sacks:	19166
FIRM sacks:	-
5 DIGIT sacks:	16658
3Dig Uni City sacks:	2098
3 DIGIT sacks:	4944
SCF sacks:	-
ADC/SDC sacks:	2398
Mixed sacks:	-
Pieces per CR sack:	48
Pieces per FIRM sack:	-
Pieces per 5 DIGIT sack:	25
Pieces per 3Dig Uni City sack:	12
Pieces per 3 DIGIT sack:	14
Pieces per SCF sack:	-
Pieces per ADC/SDC sack:	9
Pieces per Mixed sack:	-
Volume mailed in trays:	0
Pieces per tray:	0

SPORTS ILLUSTRATED

<u>Dropship</u>	
5 DIGIT pallets:	319276
Unique city pallet:	663903
3 DIGIT pallets:	1542970
SCF pallets:	7111
ADC/SDC pallets:	20102
BMC pallets:	0
Mixed BMC pallets:	0
Pieces Per 5 DIGIT pallet:	739
Pieces Per Unique city pallet:	2645
Pieces Per 3 DIGIT pallet:	2457
Pieces Per SCF pallet:	1016
Pieces Per ADC/SDC pallet:	1546
Pieces Per BMC pallet:	0
Pieces Per Mixed BMC pallet:	0
Average Weight of 5 DIGIT pallets:	284
Average Weight of Unique city pallets:	1018
Average Weight of 3 DIGIT pallets:	945
Average Weight of SCF pallets:	391
Average Weight of ADC/SDC pallets:	595
Average Weight of BMC pallets:	0
Average Weight of Mixed BMC pallets:	0
CR sacks:	8694
FIRM sacks:	0
5 DIGIT sacks:	7760
3Dig Uni City sacks:	134
3 DIGIT sacks:	1776
SCF sacks:	
ADC/SDC sacks:	77
Mixed sacks:	
Pieces per CR sack:	33
Pieces per FIRM sack:	0
Pieces per 5 DIGIT sack:	16
Pieces per 3Dig Uni City sack:	19
Pieces per 3 DIGIT sack:	31
Pieces per SCF sack:	0
Pieces per ADC/SDC sack:	8
Pieces per Mixed sack:	0
Volume mailed in trays:	0
Pieces per tray:	0

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PEOPLE

	<u>Dropship</u>
5 DIGIT pallets:	285729
Unique city pallet:	426967
3 DIGIT pallets:	1012812
SCF pallets:	5710
ADC/SDC pallets:	14899
BMC pallets:	0
Mixed BMC pallets:	0
Pieces Per 5 DIGIT pallet:	646
Pieces Per Unique city pallet:	1832
Pieces Per 3 DIGIT pallet:	1685
Pieces Per SCF pallet:	634
Pieces Per ADC/SDC pallet:	709
Pieces Per BMC pallet:	0
Pieces Per Mixed BMC pallet:	0
Average Weight of 5 DIGIT pallets:	318
Average Weight of Unique city pallets:	901
Average Weight of 3 DIGIT pallets:	829
Average Weight of SCF pallets:	312
Average Weight of ADC/SDC pallets:	349
Average Weight of BMC pallets:	0
Average Weight of Mixed BMC pallets:	0
CR sacks:	3023
FIRM sacks:	0
5 DIGIT sacks:	7547
3Dig Uni City sacks:	3784
3 DIGIT sacks:	10353
SCF sacks:	0
ADC/SDC sacks:	2058
Mixed sacks:	0
Pieces per CR sack:	19
Pieces per FIRM sack:	0
Pieces per 5 DIGIT sack:	10
Pieces per 3Dig Uni City sack:	21
Pieces per 3 DIGIT sack:	22
Pieces per SCF sack:	0
Pieces per ADC/SDC sack:	9
Pieces per Mixed sack:	0
Volume mailed in trays:	0
Pieces per tray:	0

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EW

	<u>Dropship</u>
5 DIGIT pallets:	20840
Unique city pallet:	213053
3 DIGIT pallets:	373946
SCF pallets:	90413
ADC/SDC pallets:	108492
BMC pallets:	0
Mixed BMC pallets:	0
Pieces Per 5 DIGIT pallet:	2084
Pieces Per Unique city pallet:	2567
Pieces Per 3 DIGIT pallet:	2527
Pieces Per SCF pallet:	1773
Pieces Per ADC/SDC pallet:	2646
Pieces Per BMC pallet:	0
Pieces Per Mixed BMC pallet:	0
Average Weight of 5 DIGIT pallets:	755
Average Weight of Unique city pallets:	930
Average Weight of 3 DIGIT pallets:	915
Average Weight of SCF pallets:	642
Average Weight of ADC/SDC pallets:	958
Average Weight of BMC pallets:	0
Average Weight of Mixed BMC pallets:	0
CR sacks:	7242
FIRM sacks:	0
5 DIGIT sacks:	9556
3Dig Uni City sacks:	1901
3 DIGIT sacks:	5561
SCF sacks:	0
ADC/SDC sacks:	1286
Mixed sacks:	0
Pieces per CR sack:	25
Pieces per FIRM sack:	0
Pieces per 5 DIGIT sack:	15
Pieces per 3Dig Uni City sack:	14
Pieces per 3 DIGIT sack:	16
Pieces per SCF sack:	0
Pieces per ADC/SDC sack:	15
Pieces per Mixed sack:	0
Volume mailed in trays:	0
Pieces per tray:	0

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FORTUNE

	<u>Dropship</u>
5 DIGIT pallets:	17564
Unique city pallet:	184490
3 DIGIT pallets:	257683
SCF pallets:	44475
ADC/SDC pallets:	74676
BMC pallets:	0
Mixed BMC pallets:	0
Pieces Per 5 DIGIT pallet:	1255
Pieces Per Unique city pallet:	1662
Pieces Per 3 DIGIT pallet:	1562
Pieces Per SCF pallet:	988
Pieces Per ADC/SDC pallet:	1149
Pieces Per BMC pallet:	0
Pieces Per Mixed BMC pallet:	0
Average Weight of 5 DIGIT pallets:	1072
Average Weight of Unique city pallets:	1421
Average Weight of 3 DIGIT pallets:	1335
Average Weight of SCF pallets:	845
Average Weight of ADC/SDC pallets:	982
Average Weight of BMC pallets:	0
Average Weight of Mixed BMC pallets:	0
CR sacks:	499
FIRM sacks:	0
5 DIGIT sacks:	1377
3Dig Uni City sacks:	889
3 DIGIT sacks:	1025
SCF sacks:	0
ADC/SDC sacks:	610
Mixed sacks:	0
Pieces per CR sack:	14
Pieces per FIRM sack:	0
Pieces per 5 DIGIT sack:	9
Pieces per 3Dig Uni City sack:	17
Pieces per 3 DIGIT sack:	12
Pieces per SCF sack:	0
Pieces per ADC/SDC sack:	7
Pieces per Mixed sack:	0
Volume mailed in trays:	0
Pieces per tray:	0

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MONEY

	<u>Dropship</u>
5 DIGIT pallets:	68369
Unique city pallet:	401720
3 DIGIT pallets:	872135
SCF pallets:	34264
ADC/SDC pallets:	51898
BMC pallets:	0
Mixed BMC pallets:	0
Pieces Per 5 DIGIT pallet:	855
Pieces Per Unique city pallet:	1732
Pieces Per 3 DIGIT pallet:	1776
Pieces Per SCF pallet:	1105
Pieces Per ADC/SDC pallet:	1128
Pieces Per BMC pallet:	0
Pieces Per Mixed BMC pallet:	0
Average Weight of 5 DIGIT pallets:	561
Average Weight of Unique city pallets:	1138
Average Weight of 3 DIGIT pallets:	1167
Average Weight of SCF pallets:	726
Average Weight of ADC/SDC pallets:	741
Average Weight of BMC pallets:	0
Average Weight of Mixed BMC pallets:	0
CR sacks:	3305
FIRM sacks:	0
5 DIGIT sacks:	15466
3Dig Uni City sacks:	5210
3 DIGIT sacks:	15350
SCF sacks:	0
ADC/SDC sacks:	310
Mixed sacks:	0
Pieces per CR sack:	20
Pieces per FIRM sack:	0
Pieces per 5 DIGIT sack:	9
Pieces per 3Dig Uni City sack:	30
Pieces per 3 DIGIT sack:	30
Pieces per SCF sack:	0
Pieces per ADC/SDC sack:	8
Pieces per Mixed sack:	0
Volume mailed in trays:	0
Pieces per tray:	0

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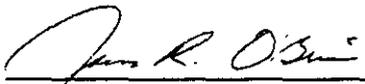
LIFE

	<u>Dropship</u>
5 DIGIT pallets:	0
Unique city pallet:	64772
3 DIGIT pallets:	156620
SCF pallets:	10239
ADC/SDC pallets:	16418
BMC pallets:	0
Mixed BMC pallets:	0
Pieces Per 5 DIGIT pallet:	0
Pieces Per Unique city pallet:	2234
Pieces Per 3 DIGIT pallet:	2373
Pieces Per SCF pallet:	1463
Pieces Per ADC/SDC pallet:	1493
Pieces Per BMC pallet:	0
Pieces Per Mixed BMC pallet:	0
Average Weight of 5 DIGIT pallets:	0
Average Weight of Unique city pallets:	1113
Average Weight of 3 DIGIT pallets:	1182
Average Weight of SCF pallets:	729
Average Weight of ADC/SDC pallets:	743
Average Weight of BMC pallets:	0
Average Weight of Mixed BMC pallets:	0
CR sacks:	558
FIRM sacks:	0
5 DIGIT sacks:	16899
3Dig Uni City sacks:	656
3 DIGIT sacks:	3690
SCF sacks:	0
ADC/SDC sacks:	49
Mixed sacks:	0
Pieces per CR sack:	19
Pieces per FIRM sack:	0
Pieces per 5 DIGIT sack:	13
Pieces per 3Dig Uni City sack:	19
Pieces per 3 DIGIT sack:	38
Pieces per SCF sack:	0
Pieces per ADC/SDC sack:	8
Pieces per Mixed sack:	0
Volume mailed in trays:	0
Pieces per tray:	0

DECLARATION

I, James R. O'Brien, declare under penalty of perjury that the foregoing answer is true and correct, to the best of my knowledge, information and belief.

Date: 2/20/98



James R. O'Brien
Director, Distribution & Postal Affairs