

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

Experimental Rate and Service Changes To
Implement Negotiated Service Agreement With
Capital One Services, Inc.

Docket No. MC2002-2

**ANSWERS OF NEWSPAPER ASSOCIATION OF AMERICA
WITNESS CHRISTOPHER D. KENT TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE (USPS/NAA-T1-1-13)
January 30, 2003**

The Newspaper Association of America hereby provides submits the answers of
Christopher D. Kent to interrogatories of the United States Postal Service, filed January
16, 2003.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By:

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all
participants requesting such service in this proceeding in accordance with section 12 of
the Rules of Practice and the Presiding Officer's Rulings.

January 30, 2003

William B. Baker

**ANSWERS OF NEWSPAPER ASSOCIATION OF AMERICA
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USPS/NAA-T1-1. Please refer to page 3, line 12 of your testimony where you claim that the Postal Service “will experience” a loss of revenue “from the discounts it is granting COS.” Please confirm that if Capital One sends fewer than 1.225 billion PERMIT-identified First-Class Mail pieces, it will in fact receive no discounts at all.

ANSWER:

Not confirmed; the proposed NSA lists a second set of discounts if COS’s volume falls below 1.225 billion pieces in the first year of the NSA (see proposed NSA, pp 4-5).

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USPS/NAA-T1-2. Please reconcile your claims of “no evidence” of the mail mix of Capital One’s mail as compared to the FCM average mix on page 8, lines 3-4 of your testimony, with witness Crum’s response to NAA/USPS-T3-16 and Attachment A, Page 1 to testimony of witness Crum, USPS-T-3.

ANSWER:

The two distributions do not correspond. First, Attachment A, page 1 of witness Crum’s testimony deals with total COS FCM mail while witness Crum’s response to NAA/USPS-T3-16 contains the distribution for only UAA First-Class Mail.

Second, the two distributions have different levels of detail regarding the levels of subclasses and shapes described: Attachment A breaks down COS mail by shape and level of presort; witness Crum’s response to NAA/USPS-T3-16 groups letters and cards together without differentiating presorted letters.

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USPS/NAA-T1-3. Please refer to page 9, lines 18-20 of your testimony, where you discuss the reduction of the costs of physical returns under PARS because the mailpiece will be caught and identified at a much earlier stage.

- a) Please confirm that in this part of your testimony you are referring to the fact that PARS will be able to intercept certain pieces at the origin processing plant and before it reaches the delivery unit. If you cannot confirm, please explain.
- b) Please confirm that the only mail that PARS will intercept before it reaches the delivery unit is mail bearing an address covered by a change of address order or to a post office box that has closed. If you cannot confirm, please explain.
- c) Please confirm that the only mail that should be physically returned that PARS would intercept before the delivery unit is mail where a forwarding order has expired or a post office box has closed. If you cannot confirm please explain.
- d) Please confirm that PARS will intercept mail has been sorted to the AADC, 3-Digit, or 5-Digit only at the destinating processing facility.
- e) Please refer to Attachment A, p. 1 to the testimony of witness Crum, USPS-T-3. Please confirm that in FY2001, almost 1 billion pieces were sorted to the AADC, 3-Digit, or 5-Digit.
- f) Please assume that Capital One's mail mix reflected in Attachment A, p. 1 remains the same after PARS is implemented. Please confirm that at best, only a very small part of Capital One's mail will be intercepted at the origin facility.

ANSWER:

- a) Not confirmed. I am referring to the fact that PARS will be able to intercept certain pieces prior to where they are intercepted in the current process, not solely at the origin processing plant.
- b) This is my understanding.
- c) This is my understanding.

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- d) This is my understanding.
- e) Confirmed.
- f) Confirmed, given the assumption.

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USPS/NAA-T1-4. Please assume the following:

- Mailings A, B and C have the same volume and mail mix.
- All mailings start with the same address list and that the list contains addresses that match the change of address order on file with the Postal Service.
- Mailings A, B, and C are identical in all respects except that:
 - ✓ The list used for Mailing A was run through NCOA 60 days before the mailing. The list used for Mailing B was run through NCOA 180 days before mailing.
 - ✓ The list for Mailing C was not run through NCOA or FastForward. Instead the mail pieces use an address correction service endorsement.
- Assume that each of the mailings is run through PARS.
 - a) Please confirm that PARS will intercept more pieces of Mailing C than Mailing B. If not please explain.
 - b) Please confirm that PARS will intercept more pieces of Mailing B than Mailing A. If not, please explain.

ANSWER:

- a) Confirmed.
- b) Not confirmed. If all matching change of addresses are in NCOA 180 days before mailing, PARS will intercept the same number of pieces for Mailings A and B.

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USPS/NAA-T1-5. While the Postal Service has stated that Capital One's forwarding rate is unknown, please reconcile your comments that there is "no evidence" as to its forwarding rate with witness Crum's comments in POIR 3 regarding its match rate and witness Wilson's comments in his response to APWU-T2-8 regarding its address management practices. Is it your opinion that unless you know a given piece of information with certainty that there is "no evidence" of its existence? Please explain.

ANSWER:

On page 11, my full statement is that "there is no evidence as to COS's actual forwarding rate" (emphasis added). Both witnesses Crum and Wilson make assumptions about COS's forwarding rate, based on the average forwarding rate for all FCM, but neither the USPS nor COS have offered evidence of, and to my knowledge has performed no study to determine, the actual forwarding rate of COS First-Class Mail.

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USPS/NAA-T1-6. Please refer to your testimony on page 10 at lines 1-10. Please confirm that PARS will likely reduce the cost of providing ACS notices.

ANSWER:

It is possible that PARS will reduce the cost of providing some ACS notices. It is likely it will reduce the total USPS cost of returns and forwards.

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USPS/NAA-T1-7. Please confirm that the Capital One NSA reflects the business judgment of the United States Postal Service.

ANSWER:

I assume that it does.

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USPS/NAA-T1-8.

- (a) Please confirm that if the NSA had a net positive contribution of \$10,000, it would be permissible under the Postal Reorganization Act, assuming that other requirements of the Act are met? If you do not confirm, please explain fully.
- (b) What is the minimum contribution necessary to comply with the PRA?

ANSWER:

- a) – b) I am not an attorney and therefore am not qualified to render a legal opinion. Further, it is not the purpose of my testimony to determine if PRA standards are met by the proposed NSA.

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USPS/NAA-T1-9. Please confirm that it is possible that the Postal Service overestimated the costs of providing ACS notice for Capital One mail that would otherwise be returned. If you do not confirm, please explain fully.

ANSWER:

Confirmed.

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USPS/NAA-T1-10. Please refer to your testimony at page 6, line 8, where you state that other mailers have better address hygiene. Please confirm that a key component of address hygiene is that a mailer's list reflects the most current Change of Address information available. If you cannot confirm, please explain fully.

ANSWER:

Confirmed that current Change of Address information is an important component of address hygiene.

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USPS/NAA-T1-11. Please confirm that a mailer who runs NCOA every 60 days will have more current Change of Address information than one who runs NCOA every 180 days.

ANSWER:

Logic would indicate that to be true.

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USPS/NAA-T1-12. Please refer to page 11 of your testimony, footnote 8 and the accompanying text. Please provide a cite to USPS-LR-J-58 where the cost of returns is provided.

ANSWER:

I assume the reference about which you are inquiring should be page 8, footnote 11 of my testimony. USPS-LR-J-58 contains costs of processing and delivering mail. I have extrapolated from the higher processing costs of non-letter mail that it costs more to return these pieces than presorted letters.

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USPS/NAA-T1-13. Please confirm that the cost savings of the NSA relate solely to solicitation mail.

ANSWER:

Confirmed.