

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-T1-14-20)**  
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 17, 2003. At request of the Postal Service, certain typographical errors have been corrected in questions 14 and 18.

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

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William B. Baker

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**USPS/NAA-T1-14.** Please refer to your Table 1 on page 10 of your testimony. Please confirm that the figures in Table 1 are based on the assumptions that PARS is implemented on schedule, that it has been fully deployed throughout the country, and that all projected cost savings have been realized. If you do not confirm, please explain fully.

**ANSWER:**

Not confirmed. The figures in Table 1 are based on the assumption that COS physical returns costs are, for whatever reasons, less than the FCM average physical returns costs.

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**USPS/NAA-T1-15.** Please refer to your Table 1 on page 10 of your testimony. Please complete the following table to take into account reductions in the electronic “return” cost of 33.2 cents provided in USPS-LR-1/MC2002-2, page 2, in the same increments as the physical return costs. Please note that the physical returns cost at differences of -10% and -35% have been revised to correct errors in your original table.

Difference from USPS Estimate	Physical Returns Cost	Electronic “Return” Cost	Return Cost Savings for FY2003	Total Contribution as a Result of the NSA
0%	\$0.535	\$0.332	\$13,094,000	\$8,205,000
-10%	\$0.482	\$0.299		
-24%	\$0.407	\$0.252		
-35%	\$0.348	\$0.216		

**ANSWER:**

Please note that although I have accepted the changes at 10% and 35%, the physical returns costs in my original table were correct when rounding the percentages to whole numbers.

Difference from USPS Estimate	Physical Returns Cost	Electronic “Return” Cost	Return Cost Savings for FY2003	Total Contribution as a Result of the NSA
0%	\$0.535	\$0.332	\$13,094,000	\$8,205,000
-10%	\$0.482	\$0.299	\$11,827,200	\$6,938,200
-24%	\$0.407	\$0.252	\$9,996,800	\$5,107,800
-35%	\$0.348	\$0.216	\$8,588,800	\$3,699,800

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**USPS/NAA-T1-16.**

(a) Please confirm that your Table 1 assumes an address change service success rate of 85 percent.

(b) Please complete the following table, assuming that the address change service success rate is 87 percent.

Difference from USPS Estimate	Physical Returns Cost	Electronic "Return" Cost	Return Cost Savings for FY2003	Total Contribution as a Result of the NSA
0%	\$0.535	\$0.332		
-10%	\$0.482	\$0.299		
-24%	\$0.407	\$0.252		
-35%	\$0.348	\$0.216		

(c) Please complete the following table, assuming that the address change service success rate is 90 percent.

Difference from USPS Estimate	Physical Returns Cost	Electronic "Return" Cost	Return Cost Savings for FY2003	Total Contribution as a Result of the NSA
0%	\$0.535	\$0.332		
-10%	\$0.482	\$0.299		
-24%	\$0.407	\$0.252		
-35%	\$0.348	\$0.216		

(d) Please complete the following table, assuming that the address change service success rate is 93 percent.

Difference from USPS Estimate	Physical Returns Cost	Electronic "Return" Cost	Return Cost Savings for FY2003	Total Contribution as a Result of the NSA
0%	\$0.535	\$0.332		
-10%	\$0.482	\$0.299		

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-24%	\$0.407	\$0.252		
-35%	\$0.348	\$0.216		

**ANSWER:**

a) Confirmed.

**b) 87% Address Change Service Success Rate**

Difference from USPS Estimate	Physical Returns Cost	Electronic "Return" Cost	Return Cost Savings for FY2003	Total Contribution as a Result of the NSA
0%	\$0.535	\$0.332	\$13,376,000	\$8,487,000
-10%	\$0.482	\$0.299	\$12,108,800	\$7,219,800
-24%	\$0.407	\$0.252	\$10,137,600	\$5,248,600
-35%	\$0.348	\$0.216	\$8,729,600	\$3,840,600

**c) 90% Address Change Service Success Rate**

Difference from USPS Estimate	Physical Returns Cost	Electronic "Return" Cost	Return Cost Savings for FY2003	Total Contribution as a Result of the NSA
0%	\$0.535	\$0.332	\$13,798,400	\$8,909,400
-10%	\$0.482	\$0.299	\$12,531,200	\$7,642,200
-24%	\$0.407	\$0.252	\$10,560,000	\$5,671,000
-35%	\$0.348	\$0.216	9,011,200	\$4,122,200

**d) 93% Address Change Service Success Rate**

Difference from USPS Estimate	Physical Returns Cost	Electronic "Return" Cost	Return Cost Savings for FY2003	Total Contribution as a Result of the NSA
0%	\$0.535	\$0.332	\$14,220,800	\$9,331,800
-10%	\$0.482	\$0.299	\$12,953,600	\$8,064,600
-24%	\$0.407	\$0.252	\$10,841,600	\$5,952,600
-35%	\$0.348	\$0.216	\$9,433,600	\$4,544,600

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**USPS/NAA-T1-17**

- (a) Please provide the percentage of mail that is returned locally, *i.e.*, the delivery address and return address are processed through the same plant.
- (b) Please confirm that returning mail locally is less expensive than returning mail where the delivery address and the return address are processed through different plants *i.e.*, the origin and destinating plants are not the same.

**ANSWER:**

- (a) I have not performed this analysis.
- (b) I believe this is likely to be true, *ceteris paribus*..

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**USPS/NAA-T1-18.** Please refer to your testimony at page 12, line 5, where you state that NCOA may reduce the forwarding rate somewhat.

- (a) Please confirm that a mailer who uses address lists that have been run through NCOA every 180 days is likely to have a lower forwarding rate than a mailer who uses the same lists that have not run through NCOA or Fast Forward.
- (b) Please confirm that a mailer who uses address lists that has been run through NCOA every 60 days is likely to have a lower forwarding rate than a mailer who uses the same lists but runs it through NCOA every 180 days.
- (c) Please confirm that the average First-Class mailer does not use NCOA.
- (d) Please confirm that the relative changes in forwarding rate as discussed in parts (a) and (b) of this question are not correlated to the return rate.

**ANSWER:**

- a) – b) Confirmed.
- c) I cannot confirm because I do not know the definition of an “average” First-Class mailer.
- d) Confirmed that use of NCOA more or less frequently should not have an effect on a mailer’s return rate, *ceteris paribus*.

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**USPS/NAA-T1-19.** Please refer to your testimony on the forwarding rate, pages 11-12.

- (a) Please confirm that your estimate assumes that Capital One has a higher than average number of addresses with forwarding orders in effect.
- (b) Please confirm that Capital One has repeat forwards, i.e. that it currently mails multiple times to an address with a forwarding order in effect, thus requiring the Postal Service to forward the mail from that address repeatedly. If you do not confirm, please explain.
- (c) At Tr. 2/184, witness Jean testified that Capital One will update within two days of receiving a corrected address. Please confirm that by receiving an ACS notice of the forwarded address, the number of Capital One's repeat forwards will likely decline. If you cannot confirm, please explain.

**ANSWER:**

- a) Not confirmed. The lag time between an address being updated and when it is incorporated into a mailing should also be considered.
- b) I cannot confirm because COS has not provided this information, but I believe it is likely to be true.
- c) Confirmed.



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**USPS/NAA-T1-20.** Please describe your personal experience with the following. For each please describe the tasks you saw performed and the location and years in which you saw them performed.

- (a) Observation of a CFS Unit.
- (b) Observation of a carrier processing UAA mail at a delivery unit.
- (c) Observation of a nixie clerk processing UAA mail at a delivery unit.
- (d) Observation of a mail processing plant handling return to sender mail.

**ANSWER:**

- a) – c) None.
- d) Unknown. I visited the USPS Merrifield, VA and Phoenix, AZ mail processing plants during the early-to-mid-1990s. During those visits I likely saw mail being processed for return to sender, but it was not identified as such.