

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

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

**ANSWER OF NEWSPAPER ASSOCIATION OF AMERICA  
WITNESS J. GREGORY SIDAK  
TO INTERROGATORY OF  
THE GREETING CARD ASSOCIATION (GCA/NAA-T1-1)  
October 4, 2006**

The Newspaper Association of America hereby provides the answer of witness J. Gregory Sidak (NAA-T-1) to the interrogatory of the Greeting Card Association filed on September 20, 2006. The interrogatory is stated verbatim and is followed by the answer.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

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**CERTIFICATE OF SERVICE**

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

October 4, 2006

William B. Baker  
William B. Baker

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GCA/NAA-T1-1.

Please consider the following two propositions, which might be asserted of some particular mailer activity:

- (1) The activity is the lowest-cost option for the mailer.
- (2) The activity is not one which could be performed by the Postal Service.

Please refer to page 8, line 1, through page 11, line 8, of your prefiled testimony. Under the view of efficient component pricing set out in those pages, would you include as “worksharing” activities, potentially subject to a worksharing discount which would comport with efficient component pricing –

- (a) An activity of which (1) is true?
- (b) An activity of which (2) is true?
- (c) An activity of which both (1) and (2) are true?

Please explain fully the reasons for your answers.

Answer:

To answer these questions I begin by noting that ECP was developed as a method to determine an efficient price for an input owned by the vertically-integrated monopolist. ECP is, therefore, not applicable for determining price differences that fall outside of this realm. That said, if a cost-saving action can be undertaken by both the Postal Service and by the mailer, then that action can be characterized as the mailer competing with the Postal Service for the provision of that cost-saving service. I therefore answer the sub-parts of this question as follows:

- (a) Presuming that this option can be characterized as competition with the Postal Service for the provision of the activity in question, then yes.

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(b) No. If the vertically-integrated monopolist cannot provide the service in question, it cannot charge a different rate to itself than what it could, hypothetically, charge to the competing mailer. Hence, ECP would not apply to this activity.

(c) No. See the explanation to part (b).