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

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REBUTTAL TESTIMONY
OF
CHRISTOPHER D. KENT
ON BEHALF OF
THE AMERICAN BANKERS ASSOCIATION

November 20, 2006

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Introduction

I am Christopher D. Kent, a Senior Managing Director at FTI Consulting; my office is at 1201 Eye Street, NW, Suite 400, Washington, DC 20005. Since 1974, I have been regularly involved in calculating revenues, costs, lost profits and project valuations associated with a wide variety of industries and endeavors, with a special emphasis on rate making in regulated/semi-regulated industries.

During the period between about 1990 and 1994 I directed numerous projects my firm performed for the United States Postal Service (USPS or Postal Service). These projects ranged from a feasibility analysis of a USPS National Control Center, to operating efficiency studies at distribution centers, to examining the viability of an integrated management system. My detailed qualifications are appended to this testimony as Appendix I. I have previously appeared before the Postal Rate as a rebuttal witness on behalf of the Newspaper Association of America in Docket No. R2000-1 and I presented direct testimony in Docket No. MC2002-2.

I. Overview of Testimony

The purpose of my testimony is to rebut the OCA's notion that a discount rate based upon the "avoided costs" measured for bulk and Single-Piece First-Class mail together should be in the appropriate basis for a discount for First-Class Presort mail. Specifically, I respond here to the OCA's claim that presort discounts based upon the costs "avoided" simply by presorting bulk metered mail

(BMM) set appropriate limits on the rate discounts offered for bulk First-Class Presort mail. In doing so, I also synthesize, in a common sense format and using plain English, the reasons why the Postal Service's proposal to "de-link" the pre-sort rate structure from the previous single piece rate structure is fair and equitable and is both consistent with the principles of the Efficient Component Pricing Rule (ECPR) and a logical business step by the Postal Service.

II. The Background

Thirty years ago the Postal Service first introduced the concept of discounted rates for First-Class mail with what were referred to as "workshare" discounts. The concept of workshare discounts is quite straight-forward: mailers perform work on their mail prior to the time that it enters the USPS mail stream which enables the Postal Service to eliminate certain volume variable costs. In exchange for performing that work, the rates that the Postal Service charges those mailers are reduced.

In addition to being fair, such a concept is consistent with sound public policy. We live in a world of limited resources and if a mailer can perform a task more efficiently than the Postal Service can perform that task then the expenditure of less of the limited resources is good for the public. Moreover, such efforts tend to keep rates down, and as mailers save postage, they tend to mail more.

Taken at the simplest level, to implement such workshare discounts, the Postal Service has traditionally proposed, and the Commission has adopted an approach whereby:

> … the structure of and approach to the relationship between the Single-Piece and Workshare rate categories in First-Class Mail have remained relatively constant. Workshare rates are determined by applying discounts to Single-Piece rates. These rate differentials (discounts) are based on estimates of costs avoided through each type of worksharing activity (e.g., prebarcoding and/or various levels of presortation). The cost differentials are developed by estimating avoidance of postal mail processing and related operations costs in comparison to a representative benchmark for workshare mail generally.

Taufique USPS-T-32 at 12

In this docket, on behalf of the Postal Service, Witness Taufique proposes that the Commission recommend First-Class Mail rates and classifications designed to achieve three principal objectives:

1. De-link the presort rate design from a Single-Piece rate design;

2. Establish shape-based rates, along with the elimination of a heavy piece discount and limitations to the application of a nonmachineable surcharge; and

3. Eliminate Automation Carrier Route rate categories.

My testimony addresses the first of these three objectives, delinking, which severs the linkage between single-piece and presort First-Class rates. Instead of determining presort rates by subtracting "avoided costs" from a theoretical benchmark construct of single-piece mail (traditionally bulk metered mail or "BMM"), the Postal Service proposes to set rates for the two kinds of mail so that each will make about the same unit contribution per piece. Taufique Direct (USPS-T-32) at 12-17; Bentley Direct (MMA-T-1) at 6.

III. The First-Class Mail Market

As a preliminary matter, it is important to note that starting 30 years ago and continuing through to today, the Postal Service has used the concept of First-Class rate discounts as an incentive to encouraging the best use of resources. As stated clearly by Witness Taufique, "while the requirements for these discounts have evolved over time, the Postal Service's goal of increasing the automation capability of First-Class mail has been implemented through the rate structure." Taufique-T-32 at 11.

Those rate incentives have proven successful during the last three decades. From a business perspective it is important to recognize that, presumably in large measure due to the rate incentives offered, the nature of First-Class mail has changed during the last 30 years.

A. The Realities of Modern Mail Processing

Without question, the Postal Service's processing environment for "workshared," including "presorted," mail has changed significantly since 1976. At that time, the concepts of recognizing only the "avoided costs" for all First-Class mail and then "converting" (or discounting) from a Single Piece rate had a certain validity. Today, thirty years later, the nature of mail is quite different, as is the nature of mail processing. While in 1976, clerks manually handled presorted mail a bit quicker than non-presorted mail, today a single machine can zip tens of thousands of letters per hour on belts through readers and mechanical gates. Similar machines handle flats and parcels, although at a much slower speed. Because of this difference in handling speed, the cost characteristics of handling letters, flats, and parcels are much different in the modern mail processing environment.

In this Docket the Postal Service proposes to better recognize the much higher costs of flats and parcels by creating a shape-based rate structure.[1] In making its decision to recognize shape, the Postal Service is - and this is an important point - recognizing, within subclasses, cost characteristics that are not "avoided cost" characteristics and doing so without creating separate subclasses. Moreover, the Postal Service proposes an approach not only to recognize shape, but also to further recognize the business reality within First -Class among letters, flats, and parcels, and then build appropriate discounts.

[1] I understand that the United States is not the only county shifting over to shape-based pricing. In Great Britain, the British Post is engaged in a similar shift and has created the rubric "Pricing by Proportion," to characterize and explain its efforts.

B. The Contemporary Bulk First-Class Mail Stream

Just as the Postal Service's mail processing environment has changed dramatically over the last thirty years, so too have the very characteristics of so-called "workshare" mail. Such mail has evolved into a different "type" of mail, and the days of large mass "conversion" from single piece to presort mail are largely over.

For instance, thirty years ago all outgoing First-Class Mail from all banks was single piece mail. Today, the ABA has found that 88% of banks outgoing First-Class Mail is presorted mail, and only 12% single piece mail.[2] This is consistent with the type of mail preparation and processing equipment that has been deployed within the last three decades, and with the effect it has had on mail and mail preparation.

Where individually-prepared single-piece mail once "converted" to "workshared" mail because of mail discounts, now, they generally no longer do. Instead, commercial mail is prepared, printed, bar-coded, presorted, and entered - hundreds of thousands at a time - into the mail stream in bulk at First-Class rates because that is the process that industry routinely uses to create and prepare mail. This process happens in much (if not exactly) the same way as other commercial mail is prepared, printed, barcoded, presorted, and entered into the mail stream in bulk at Standard Mail rates.[3] Thus, mail prepared in bulk - whether it is advertising or statement mail, and whether it is entered as First-Class or Standard Mail - is far different from Single-Piece First-Class Mail.

1. First Class Advertising Mail. Since 2002-2003, the USPS has entered into NSAs involving First-Class Mail with financial institutions, which

[2] While some of that 12% may "convert" in the future, it is clear to the ABA that a certain amount never will convert, since it is not "bulk" mail at all but true individual correspondence from one person in a bank to another.

[3] A mailer could personalize a piece to be sent at First-Class rates more than a piece sent at Standard Mail rates, or not.

have the choice of entering an advertising piece into the mail stream as either First-Class or Standard Mail. Presumably, such decisions are made by the mailer based upon the alternative postage rate levels, the USPS speed of delivery, the mailer's available budget resources, various demographic and profile characteristics of the targeted audience, and the response rate. The advertising piece that can be entered into the mail stream as either First-Class or Standard Mail is a piece that is prepared using the same databases for addressing, and under the same print and quality control processes, whether it enters as First-Class or Standard. Today, 18% of the First-Class Mail received by households is advertising Mail, and - at least judging from my inbox at work - there is no reason to think that the mail received by other businesses is any different. 2005 Household Diary Study at 2.

2. First-Class Statement Mail. When financial institutions prepare monthly statements for credit cards, mortgages, home equity loans, and other personal or business loans and accounts, they too use a uniform piece. That uniform piece is individually personalized, uses the same databases as First-Class Advertising Mail, goes through the same print and quality control processes as First-Class Advertising Mail, and does so in bulk, literally thousands of pieces at a time. In the end, this statement mail has very much the same mailing characteristics as Advertising Mail.[4]

3. Reversion. Were there no First-Class Letter Mail discounts, I believe that little of the 18% of First-Class Mail that is advertising mail would remain in First-Class. I would think that most of it would drop into Standard Mail or other non-mail marketing channels very quickly. Because of the Private Express Statutes, however, were there no First-Class Letter Mail rate discounts, the invoices, bills, and other statements that are entered at bulk First-Class Mail

[4] The one clear exception is address accuracy. Address accuracy of statement mail tends to be much better than the address accuracy of advertising mail because companies almost always know the correct address of the vast majority of their customers, and take great pains to keep it updated. Additionally, it is in their customers' interest to see that the company has correct addresses.

rates would be legally forced to become Single-Piece First-Class Mail, at least at first.

The reality, however, is that the Postal Service has already experienced an erosion of bulk First-Class mail volumes and, if bulk First-Class discount rates were to disappear, the current migration to use of the internet and email would become a stampede. Cf. pages 11-12, infra. In addition, mailers would likely start to consider all sorts of other options to reduce mail. Some of those could include changing and reducing the periodicity of the billing cycle, expanding direct pay options, and combining bills and statements for different products into the same mailings, much as companies such as Verizon are doing now. I note that the newspaper industry has done this well. When I was a kid, newspapers often billed weekly or bi-weekly. Today they often bill six times a year or quarterly.

Surely, the Postal Service in its proposed de-linking approach to First-Class mail recognizes that it needs to continue to use the First-Class rate structure as an incentive to further efficiency, and to maintain those First-Class bulk business mail volumes that pay for much of the institution's overhead.

C. The Cost Differences Between Bulk First-Class and Single Piece

The difference in costs between Single-Piece and bulk First-Class mail also indicate that from the standpoint of fairness and good business sense, the de-linking of the two within the subclass makes perfect sense. This is evident when one realizes the significant difference between the average cost of bulk First-Class Mail and Single-Piece First-Class Mail – basically an 18 point something cent difference, as this Commission found in its most recent postal rate decision. R2005-1 Opinion and Recommended Decision at Appendix F. Yet, only about one-half of those costs - around 8 cents - are recognized as

"avoided costs" by the rate process[5] In other words, something like 10 of the 18 cents of the cost difference does not get recognized in the current discount available to bulk mailers. Can one really believe that a single discount rate applicable to both bulk First-Class mail and to Single-Piece First-Class mail is reflective of the true avoided costs of bulk First-Class mail?

Witness Taufique clearly recognizes this difference, and presumably it is the basis for the Postal Service recommendation that a different discount is appropriate for bulk First-Class mail.

> The comparison of costs as reported for Single-Piece Letters and for Presort Letters does not simply reflect the cost avoided by the Postal Service when a mailer chooses to perform worksharing activities, such as presorting or applying a barcode. Because the costs are developed in total, they reflect the full range of differences between the two sets of mail – differences perhaps unrelated to the actual worksharing activity but reflective of the different cost characteristics of business-originated mail entered in large quantities, as compared to those of single-piece mail. These cost characteristics may reflect such things as the number of postal facilities through which the mail traverses, the proportion of the mail transported via air rather than ground transportation, the readability of the mail, the proportions of the mail that are undeliverable-as addressed, the utilization of retail facilities for entry, etc. Thus, a comparison of the relative costs and rates (and the resulting cost coverages) for Single-Piece Letters and Presort Letters reflects more than simply the costs avoided by performing worksharing activities which the Postal Service and the Postal Rate Commission have determined are appropriately reflected in rate differences.

Taufique, USPS-T-32 at 14.

A fundamental principal of cost-based rate setting is that rates should reflect costs. Having rates that do not reflect costs inevitably leads to the inefficient use of resources, and the decision not to use the Postal Service by mailers. Good public policy, as well as sound business judgment, suggests that the more mail services cost, the more a mailer should pay, and conversely the less mail services cost, the less a mailer should pay.

Where the costs of the different mail within a given subclass might vary slightly, or where the costs of differently handled mail within a given subclass

[5] NAPM has reported to its members that the weighted average of the FY 2005 "worksharing" discounts is 8 cents. See Appendix II.

might vary only by the current process of measuring avoidable costs, the current system of rate differentiation within First-Class mail might be fair and encourage economic efficiency. Presumably, this was the case when the approach was adopted many years ago.

However, where rates set under such a system end up failing to reflect significant cost differences of any type (like the 18 cent differential between Single-Piece and bulk First-Class, where only around 8 cents is recognized in the rate difference), such rates tend not to be fair and not to encourage economic efficiency. Moreover, such a system is one where rates do not track costs. The proposed Postal Service approach is a step towards resolving that inequity, towards encouraging the retention of bulk First-Class mail volumes, and towards recreating a postal rate-making system where rates track costs.

In sum, while “workshared” mail started out as mail that was converted in response to workshare discounts, during the last 30 years, that mail evolved and what was then essentially a difference in quantity evolved to a fundamental difference in quality. Thus, while the image of bulk mail entered at First-Class Mail rates as “converted” single-piece mail was relevant three decades ago, it has little to do with the reality of the majority of today’s bulk mail.

The Postal Service’s proposal to de-link the cost and rate development for Single-Piece Letters from the cost and rate development for Presort Letters is a recognition that the world of bulk First-Class mail has changed. The concept that the rates for Single-Piece Letters and for Presort Letters be developed independently of each other reflects both the reality of the change in the basic costs of processing bulk First-Class mail and the fundamental nature of that type of mail has changed.

It is entirely appropriate for the Commission to accept cost differences within a subclass that cannot specifically be identified as so-called avoided costs

such as are reflected in the current Postal Service rate proposal. See, Witness Taufique, USPS-T-32 at 14. In fact, the Commission is already recognizing such an approach by recognizing separate shape costs with subclasses.

IV. De-linking Is Consistent with ECPR

It is my understanding that within the Postal Service and Commission the test for subclass status is based upon two issues: 1) whether the mail in question has cost characteristics distinctly different from other mail, and 2) whether the mail in question has demand characteristics distinctly different from other mail. MC95-1 Opinion and Recommended Decision at V-14, ¶ 5030. If the mail has sufficiently different cost characteristics, and sufficiently different demand characteristics, then it may be priced in a separate subclass.

It is my further understanding that the significance of being priced as a separate subclass is twofold. First, all of the mail's distinct cost characteristics are recognized and attributed to that mail. Second, the mail's distinct demand characteristics are recognized and taken into account in pricing, as the attributable cost base is "marked up" to obtain an appropriate cost coverage ratio, in recognition of the demand factors of Section 3622(b). Where mail does not pass this bifurcated test of sufficiently distinct costs and demand characteristics, or where the Postal Service chooses not to price mail as a separate subclass, differences in mail costs are recognized in intra-subclass pricing. Within intra-subclass pricing, the Efficient Component Pricing Rule (ECPR) is applied to develop rate discounts for workshare products.

Although I am not an expert in demand elasticity, I am familiar with the concepts of Ramsey Pricing, especially differential pricing as it is applied in actual practice in the freight rail industry. In addition, I have reviewed the testimony of those who are expert in the Postal Rate field and in ECP.

It should be noted at the outset that by its proposal to de-link the cost and rate development for Single-Piece Letters from the cost and rate development for bulk First-Class mail, the Postal Service itself feels that it cannot currently meet the requirement that the distinct demand characteristics of bulk First-Class mail be identified and taken into account in pricing within the subclass. Perhaps it believes that the necessary information on demand is simply not available. In any case, in the absence of such demand information, the Commission has accepted ECP principles as the basis for setting discounts designed to promote efficiencies.

In this docket, the concepts of ECPR are presented in meaningful detail in the testimony of Witness Panzar, PB-T-1, and Witness Sidak, NAA-T-1. I will not even attempt to match their expertise or eloquence here.

At the simplest level, ECP can be viewed as a "make" or "buy" price. When viewed from a network industry perspective,[6] ECP can be viewed as the prices the Postal Service sets for entry into the mail stream. Obviously, entry must be at points along the mail stream process that can be viewed as competitive points (or functions). For example, a mailer can perform various levels of pre-sorting (tasks that if they were not done by the mailer would need to be performed by the Postal Service) and receive a rate discount for performing that service. Likewise, a mailer may drop-ship mail, i.e., deliver it into the mail stream process at a geographic spot other than its actual origin (and eliminate certain transportation costs that would be incurred by the Postal Service) and receive a rate discount. Thus, a mailer can decide to "buy" from the Postal Service, at a price set by the Postal Service, or "make" it itself.

In this testimony, I do not comment on the appropriate levels at which the Postal Service and the Commission set such efficient component prices. Others

[6] The network industry is defined, in this instance, as the Postal Service's ability to handle a piece of mail end-to-end, collecting it from the sender and delivering it to the recipient.

far more qualified than me in Postal rates do so. I do, however, note that the fact that the Postal Service proposal to de-link the cost and rate development for Single-Piece Letters from the cost and rate development for bulk First-Class mail is consistent with the ECP rule.

It is undisputed that the functions performed by bulk First-Class mailers are worksharing functions performed in lieu of having those functions performed by the USPS. It is safe to assume that the bulk First-Class mailers are able to perform those functions at prices less than the Postal Service itself can perform them, and certainly at a lesser cost than the price presumed in the rate discount, (thus to the public benefit). It also undisputed that the Postal Service costs for handling a bulk First-Class mail piece is significantly less (about 18 cents) than the cost of handling a single piece. Thus it is only fair, and, as discussed previously from the perspective of the Postal Service, it is also a sound business practice to price incentives differently to reflect total cost differences.

OCA argues that the Commission should reject the Postal Service's proposed de-linking, and, instead, continue to rely upon a benchmark discount using BMM.[7] Central to the OCA argument is the implication that the proposed bulk First-Class mail discount cannot be directly tied to "avoided costs" related to bulk First-Class mail.[8]

This is a highly circular argument because there is no specific measurement of the exact amount of the avoided costs associated with bulk mail. This is because, for years, the Postal Service measurement of so-called avoided

[7] OCA Witness Thompson relies on the Postal Service's classification of cost pools as presort-related or not. But I understand that the Postal Service simply *assumed* that any cost pool not separately analyzed did not vary with the degree of presorting. *See* Buc Direct (PB-T-2) at 7-13. That makes no sense. As Witnesses Bentley and Buc demonstrate, many of these cost pools in fact do vary to a high degree with the degree of presorting. *See* Buc Direct (PB-T-2) at 13-29; Bentley Direct (MMA-T-1) at 12-17 and Appendix I.

[8] It must be noted that the Postal Service and the Commission have not been strictly tied to the need to exactly measure avoided costs for certain product discounts. Clearly ECP has not been the basis for shape based discounts or surcharges. And, as noted by Dr. Sidak, ECP is generally not applicable to shape-based rates. Sidak, NAA-T-1 at 11-12.

costs has examined the subclass of First-Class mail using the measured costs of bulk and single piece mail lumped together (despite the fact that they have very different cost structures), and has only tried to distinguish the two through hypothetical, theoretical modeled constructs. If the Postal Service had the ability to truly measure bulk mail avoided costs, it would base its discount on those costs using ECP. If the Commission were to accept the OCA recommendation and reject the Postal Service's proposed de-linking, there will never be an ability to begin to capture the exact avoided costs associated with bulk First-Class mail.

In part, this is because the Postal Service definition of avoided costs has been limited to specific definitions of workshare activities. Yet, there are still numerous opportunities for additional efficiencies to be realized within the postal realm. As stated by Witness Panzar:

> Notwithstanding the fact that 73 percent of mail currently receives discounts in the US, the large value of discounts, and the large cost savings that workshared mail currently provide the United States Postal Service, there are still substantial unrealized opportunities to expand the scope of worksharing in the United States, reduce costs to the Postal Service, prices to mailers and reduced the combined cost of postal services.

Panzar-T-1, at 8.

Witness Taufique recognizes the conundrum between the measurement of Postal Service "avoided costs" and the discrepancy in the costs of Single-Piece and bulk First-Class mail.

> The comparison of costs as reported for Single-Piece Letters and for Presort Letters does not simply reflect the cost avoided by the Postal Service when a mailer chooses to perform worksharing activities, such as presorting or applying a barcode. Because the costs are developed in total, they reflect the full range of differences between the two sets of mail – differences perhaps unrelated to the actual worksharing activity but reflective of the different cost characteristics of business-originated mail entered in large quantities, as compared to those of single-piece mail. These cost characteristics may reflect such things as the number of postal facilities through which the mail traverses, the proportion of the mail transported via air rather than ground transportation, the readability of the mail, the proportions of the mail that are undeliverable-as addressed, the utilization of retail facilities for entry, etc. Thus, a comparison of the relative costs and rates (and the resulting cost coverages) for Single-Piece Letters and Presort Letters reflects more than simply the costs avoided by performing worksharing activities which the Postal Service and the Postal Rate Commission have determined are appropriately reflected in rate differences.

Taufique, USPS-T-32 at 14.

In this case, the Commission is faced with a fundamental choice, one that could have significant implications on the Postal Service for years to come. It is a choice that will seriously affect - either in a positive or negative way - the future of bulk First-Class Mail volume.

The Commission can accept the Postal Service proposal to de-link the cost and rate development for Single-Piece Letters from the cost and rate development for bulk First-Class mail. This is plainly an effort by the Postal Service to reflect the fact that today's bulk mail is different enough from single piece mail to warrant different rate treatment. And, the Postal Service would not set a discount rate where it believed that it was offering to "sell" a service to the private sector at a price where the USPS was losing money.

Sound business logic dictates that providing a separate rate discount for bulk mail will, at a minimum protect the significant volume of bulk mail that provides so many of the institutional dollars to the Postal Service. Sound economics dictates that the significant difference in costs (some 18 cents per piece) between bulk and single piece mail be reflected in the rates charged each category. And, it must be remembered that the Postal Service proposed discount for bulk mail reflects less that one-half of that cost difference.

Alternatively, the Commission can ignore the realities of today's First-Class mail market. It can accept the OCA charge that because the Postal Service system of measuring avoided costs doesn't exactly measure such costs for bulk mail, it must continue to rely on a rate-making mechanism where bulk and single piece costs are lumped together, and a discount figured on the basis of BMM which the Postal service itself recognizes as not reflective of the true avoided costs. In order to do so, however, the Commission must believe that it is

fair and equitable to have rates that do not reflect cost differentials and that are designed to incent efficient behavior by mailers.

To me the choice is clear.

Appendix I.

STATEMENT OF QUALIFICATIONS

OF

CHRISTOPHER D. KENT

My name is Christopher D. Kent. I am Senior Managing Director of FTI Consulting, Inc. My office is located at 1201 Eye Street, NW, Washington, DC 20005.

I hold a Bachelor of Arts degree from the University of Virginia. In 1970 I joined Western Electric, Inc. as a Management Trainee in its "High Risk-High Reward" program. During the next six years I was promoted through various levels in the production, production scheduling and costs and forecasting departments.

Since 1977, I have been involved in various aspects of network industry analyses including traffic analyses, economic studies including costs and revenue analyses, railroad valuations, and the development of operating plans, facility and equipment requirements, and the pricing of products and services.

In 1977, I joined Conrail as Project Manager and worked primarily in assisting the Operating Department in optimizing fleet availability.

In 1978, I was employed by the United States Railway Association as the Manager of Equipment and Facilities. I was subsequently appointed Chief, Equipment and Facilities, Rail Asset Valuation, in the Office of General Counsel. In this capacity, I supervised a staff of in-house professionals and outside consultants in developing the equipment, maintenance of way and operating evidence submitted by the U.S. government in the valuation proceedings before the Special Court created under Section 303(c) and 306 of the Regional Rail Reorganization Act.

In 1980, I formed Kent Associates, a consulting firm dealing with operating, transportation and marketing issues for various clients. Kent Associates was affiliated with the Washington Management Group and I served as Vice President of that firm.

In 1984, I joined the economic consulting firm of Snavely, King & Associates, Inc. as a Senior Consultant. While with that firm I participated in numerous studies related to Section 229 proceedings and anti-trust litigation.

In 1987, I founded Klick, Kent & Allen, Inc., an economic and financial consulting firm. I was a Principal of KK&A until its acquisition by FTI Consulting, Inc. in June 1998.

I have presented testimony in the valuation proceedings before the Special Court, the House of Courts of Justice Committee of the Virginia General Assembly, various state courts and federal courts, the Postal Rate Commission, and the Interstate Commerce Commission and Surface Transportation Board. A listing of the transportation-related testimony I have filed is included below.

TRANSPORATION TESTIMONY

January, 1980	In the Matter of the Valuation Proceedings Under Sections 303(c) and 306 of the Regional Rail Reorganization Act. Special Court Misc. No. 76-1
October, 1981	In the Matter of the Valuation Proceedings Under Sections 303(c)and 306 of the Regional Rail Reorganization Act. Special Court Misc. No. 76-1
January, 1986	Oral testimony before the House of Delegates, Commonwealth of Virginia, Courts of Justice Committee
May 15, 1987	I.C.C. Docket No. 38301S - Coal Trading Corporation et al. v. The Baltimore and Ohio Railroad Company et al.

December, 1987	I.C.C. Docket No. 38301S (Sub-No. 1) - Westmoreland Coal Sales Company v. The Denver & Rio Grande Western Railroad Company, et al.
December, 1987	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to Moapa, Nevada and consolidated proceedings
January 14, 1988	I.C.C. Docket No. 38301S - Coal Trading Corporation et al. v. The Baltimore and Ohio Railroad Company et al.
June 20, 1988	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to Moapa, Nevada and consolidated proceedings
July, 1989	Oral testimony before the Superior Court of Rhode Island in the matter: National Railroad Passenger Corporation v. DOT, Providence & Worcester Railroad Co. v. RI
July 30, 1990	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to Moapa, Nevada and consolidated proceedings
October 10, 1990	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light Company v. Louisville and Nashville Railroad Company
December 14, 1990	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light Company v. Louisville and Nashville Railroad Company
January 25, 1991	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light Company v. Louisville and Nashville Railroad Company
July 15, 1991	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to Moapa, Nevada and consolidated proceedings
April 24, 1992	I.C.C. Finance Docket No. 31951 Southern California Regional Rail Authority For an Order Requiring Joint Use of Terminal Facilities of The Atchison, Topeka and Santa Fe Railway Company
May 7, 1993	I.C.C. Finance Docket No. 21215 (Sub-No. 5) Seaboard Air Line Railroad Company -- Merger -- Atlantic Coast Line Railroad Company -- Petition to Remove Traffic Protective Conditions
June 10, 1994	I.C.C. Finance Docket No. 21215 (Sub-No. 5) Seaboard Air Line Railroad Company -- Merger -- Atlantic Coast Line Railroad Company -- Petition to Remove Traffic Protective Conditions

October 11, 1994	I.C.C. Finance Docket No. 32549 Burlington Northern, Inc. And Burlington Northern Railroad Company -- Control and Merger -- Santa Fe Pacific Corporation and the Atchison, Topeka and Santa Fe Railway Company
March 29, 1995	I.C.C. Docket No. 37809, 37809 (Sub-No. 1) McCarty Farms, Inc., et al., and consolidated proceedings
May 30, 1995	I.C.C. Docket No. 41191 West Texas Utilities Company v. Burlington Northern Railroad Company
October 30, 1995	I.C.C. Docket No. 41185 Arizona Public Service Company and Pacificorp v. The Atchison, Topeka and Santa Fe Railway Company
April 29, 1996	Finance Docket No. 32760. Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company -- Control and Merger -- Southern Pacific Rail Corporation, Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corp., and The Denver & Rio Grande Western Railroad Company.
May 23, 1996	Docket No. 41191. West Texas Utilities Company v. Burlington Northern Railroad Company -- Petition of Burlington Northern Railroad Company to Reopen Proceeding.
October 15, 1996	Docket No. 41242. Central Power & Light Company v. Southern Pacific Transportation Company; Docket No. 41295 Pennsylvania Power & Light Company v. Consolidated Rail Corporation; Docket No. 41626 MidAmerican Energy Company v. Union Pacific Railroad Company and Chicago & North Western Railway Company.
October 25, 1996	Docket No. 41242. Central Power & Light Company v. Southern Pacific Transportation Company; Docket No. 41295 Pennsylvania Power & Light Company v. Consolidated Rail Corporation; Docket No. 41626 MidAmerican Energy Company v. Union Pacific Railroad Company and Chicago & North Western Railway Company.
July 11, 1997	Docket No. 41989. Potomac Electric Power Company v. CSX Transportation, Inc. Reply Statement and Evidence of Defendant CSX Transportation, Inc.
May 1998	Docket No. 42012, Sierra Pacific Power Company and Iowa Power Company v. Union Pacific Railroad Company

July 1998	Finance Docket No. 33556, Canadian National Railway Company, Grand Trunk Corporation, and Grand Trunk Western Railroad Incorporated -- Control -- Illinois Central Corporation, Illinois Central Railroad Company, and Cedar River Railroad Company.
September 1998	Docket No. 42022, FMC Corporation and FMC Wyoming Corporation v. Union Pacific Railroad Company.
December 1998	Finance Docket No. 33556, Canadian National Railway Company, Grand Trunk Corporation, and Grand Trunk Western Railroad Incorporated -- Control -- Illinois Central Corporation, Illinois Central Railroad Company, and Cedar River Railroad Company.
January 15, 1999	Docket No. 42022. FMC Corporation and FMC Wyoming Corporation, v. Union Pacific Railroad Company. Opening Verified Statement of Christopher D. Kent and Benton V. Fisher.
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October 11, 2002	Docket No.42072. Carolina Power & Light Company v. Norfolk Southern Railway Company. Reply Verified Statement of Christopher D. Kent and Julie A. Murphy and John C. Klick; Reply Verified Statement of Christopher D. Kent and Richard Brown; Reply Verified Statement of Christopher D. Kent, Michael R Baranowski and John C. Klick.
November 12, 2002	Docket No. 42070 Duke Energy Corporation v. CSX Transportation, Rebuttal Evidence and Argument of CSX Transportation
April 4, 2003	Docket No. 42057 Public Service Company of Colorado D/B/A Xcel Energy v. The Burlington Northern and Santa Fe Railway Company, Reply Evidence and Argument of The Burlington Northern and Santa Fe Railway Company
July 7, 2003	Docket No. 42054 PPL Montana, LLC v. The Burlington Northern and Santa Fe Railway, Defendant's (BNSF's) Reply Evidence and Argument on Reopening
October 8, 2003	Docket No. 42071 Otter Tail Power Company v. The Burlington Northern and Santa Fe Railway Company, Reply Evidence of The Burlington Northern and Santa Fe Railway Company
January 26, 2004	Finance Docket No. 42058. Arizona Electric Power Cooperative Inc. v. the Burlington Northern and Santa Fe Railway Company and Union Pacific Railroad Company.
March 22, 2004	STB Docket No. 42071 Otter Tail Power Company v. The Burlington Northern and Santa Fe Railway Company, Supplemental Reply Evidence of The Burlington Northern and Santa Fe Railway Company
May 24, 2004	STB Docket No. 41191 (Sub-No. 1) AEP Texas North Company v. The Burlington Northern and Santa Fe Railway Company, Reply Evidence of The Burlington Northern and Santa Fe Railway Company

Appendix II

Calculation of Average (unit) Discount First-Class Letters BY2005 (Volume are shown in thousands)

Nonautomation Presort Letters, Flats and IPPs		1,924,080	÷	48,332,297	=	0.03981	x	1.8	=	0.0717
Additional Ounces		450,434								
Heavy Pieces		112,926								
Nonmachineable Surcharge		52,535								
Automation Presorted Letters										
Mixed AADC		2,875,272		"		0.0595		6.1		0.3630
Additional Ounces		176,724								
Heavy Pieces		15,362								
AADC		2,500,365		"		0.0517		6.9		0.3567
Additional Ounces		117,350								
Heavy Pieces		8,665								
3-Digit		22,908,988		"		0.4740		7.8		3.6972
Additional Ounces		821,684								
Heavy Pieces		48,595								
5-Digit		17,449,671		"		0.3610		9.2		3.3212
Additional Ounces		428,683								
Heavy Pieces		18,218								
Carrier Route Letters		673,921		"		0.0139		9.5		0.1321
Additional Ounces		27,018								
Heavy Pieces		1,404								
Non-Presort Discounts										
Additional Ounces		2,021,893		"		0.0436		0.5		0.0218
Heavy Pieces		205,170		"		0.0044		4.1		0.0180
Nonmachineable Surcharge		52,535		"		0.0011		6.5		0.0072
Average (unit) Discount First-Class Letters										7.9889

First-Class Mail:

Single-Piece Letters, Flats, & Parcels	43,375,988
Nonautom. Presort Letters, Flats, & Parcels	1,924,080
Automation Presort Letters and Flats	46,467,551
Automation Carrier Route Presort Letters	673,921
Total Presort Letters, Flats, & Parcels	49,065,552

Data from USPS LR 39 & 141.