

Postal Rate Commission
Submitted 12/6/2006 8:00 am
Filing ID: 55299
Accepted 12/6/2006
ABA-RT-1
(Corrected 12-6-06)

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

POSTAL RATE AND FEE CHANGES, 2006

DOCKET No. R2006-1

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

November 20, 2006

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

7 8 **II. The Background**

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

16
17 In addition to being fair, such a concept is consistent with sound public
18 policy. We live in a world of limited resources and if a mailer can perform a task
19 more efficiently than the Postal Service can perform that task then the
20 expenditure of less of the limited resources is good for the public. Moreover,
21 such efforts tend to keep rates down, and as mailers save postage, they tend to
22 mail more.

23
24 Taken at the simplest level, to implement such workshare discounts, the
25 Postal Service has traditionally proposed, and the Commission has adopted an
26 approach whereby:

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

1
2 Taufique USPS-T-32 at 12
3

4 In this docket, on behalf of the Postal Service, Witness Taufique proposes
5 that the Commission recommend First-Class Mail rates and classifications
6 designed to achieve three principal objectives:
7

- 8 1. De-link the presort rate design from a Single-Piece rate design;
9
- 10 2. Establish shape-based rates, along with the elimination of a heavy
11 piece discount and limitations to the application of a nonmachinable
12 surcharge; and
13
- 14 3. Eliminate Automation Carrier Route rate categories.
15

16 My testimony addresses the first of these three objectives, delinking,
17 which severs the linkage between single-piece and presort First-Class rates.
18 Instead of determining presort rates by subtracting “avoided costs” from a
19 theoretical benchmark construct of single-piece mail (traditionally bulk metered
20 mail or “BMM”), the Postal Service proposes to set rates for the two kinds of mail
21 so that each will make about the same unit contribution per piece. Taufique
22 Direct (USPS-T-32) at 12-17; Bentley Direct (MMA-T-1) at 6.
23
24

25 **III. The First-Class Mail Market**

26 As a preliminary matter, it is important to note that starting 30 years ago
27 and continuing through to today, the Postal Service has used the concept of
28 First-Class rate discounts as an incentive to encouraging the best use of
29 resources. As stated clearly by Witness Taufique, “while the requirements for
30 these discounts have evolved over time, the Postal Service’s goal of increasing
31 the automation capability of First-Class mail has been implemented through the
32 rate structure.” Taufique-T-32 at 11.
33

1 **B. The Contemporary Bulk First-Class Mail Stream**

2
3 Just as the Postal Service's mail processing environment has changed
4 dramatically over the last thirty years, so too have the very characteristics of so-
5 called "workshare" mail. Such mail has evolved into a different "type" of mail,
6 and the days of large mass "conversion" from single piece to presort mail are
7 largely over.

8
9 For instance, thirty years ago all outgoing First-Class Mail from all banks
10 was single piece mail. Today, the ABA has found that 88% of banks outgoing
11 First-Class Mail is presorted mail, and only 12% single piece mail.² This is
12 consistent with the type of mail preparation and processing equipment that has
13 been deployed within the last three decades, and with the effect it has had on
14 mail and mail preparation.

15
16 Where individually-prepared single-piece mail once "converted" to
17 "workshared" mail because of mail discounts, now, they generally no longer do.
18 Instead, commercial mail is prepared, printed, bar-coded, presorted, and entered
19 - hundreds of thousands at a time - into the mail stream in bulk at First-Class
20 rates because that is the process that industry routinely uses to create and
21 prepare mail. This process happens in much (if not exactly) the same way as
22 other commercial mail is prepared, printed, barcoded, presorted, and entered into
23 the mail stream in bulk at Standard Mail rates.³ Thus, mail prepared in bulk -
24 whether it is advertising or statement mail, and whether it is entered as First-
25 Class or Standard Mail - is far different from the Single-Piece First-Class Mail.

26
27 **1. First Class Advertising Mail.** Since 2002-2003, the USPS has
28 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.

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

13

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

22

23 **3. Reversion.** Were there no First-Class Letter Mail discounts, I
24 believe that little of the 18% of First-Class Mail that is advertising mail would
25 remain in First-Class. I would think that most of it would drop into Standard Mail
26 or other non-mail marketing channels very quickly. Because of the Private
27 Express Statutes, however, were there no First-Class Letter Mail rate discounts,
28 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.

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

3
4 The reality, however, is that the Postal Service has already experienced
5 an erosion of bulk First-Class mail volumes and, if bulk First-Class discount rates
6 were to disappear, the current migration to use of the internet and email would
7 become a stampede. Cf. pages 11-12, *infra*. In addition, mailers would likely
8 start to consider all sorts of other options to reduce mail. Some of those could
9 include changing and reducing the periodicity of the billing cycle, expanding
10 direct pay options, and combining bills and statements for different products into
11 the same mailings, much as companies such as Verizon are doing now. I note
12 that the newspaper industry has done this well. When I was a kid, newspapers
13 often billed weekly or bi-weekly. Today they often bill six times a year or
14 quarterly.

15
16 Surely, the Postal Service in its proposed de-linking approach to First-
17 Class mail recognizes that it needs to continue to use the First-Class rate
18 structure as an incentive to further efficiency, and to maintain those First-Class
19 bulk business mail volumes that pay for much of the institution's overhead.

20 21 **C. The Cost Differences Between Bulk First-Class and Single** 22 **Piece**

23
24 The difference in costs between Single-Piece and bulk First-Class mail
25 also indicate that from the standpoint of fairness and good business sense, the
26 de-linking of the two within the subclass makes perfect sense. This is evident
27 when one realizes the significant difference between the average cost of bulk
28 First-Class Mail and Single-Piece First-Class Mail – basically an 18 point
29 something cent difference, as this Commission found in its most recent postal
30 rate decision. R2005-1 Opinion and Recommended Decision at Appendix F.
31 Yet, only about one-half of those costs - around 8 cents - are recognized as

1 “avoided costs” by the rate process⁵ In other words, something like 10 of the 18
2 cents of the cost difference does not get recognized in the current discount
3 available to bulk mailers. Can one really believe that a single discount rate
4 applicable to both bulk First-Class mail and to Single-Piece First-Class mail is
5 reflective of the true avoided costs of bulk First-Class mail?

6
7 Witness Taufique clearly recognizes this difference, and presumably it is
8 the basis for the Postal Service recommendation that a different discount is
9 appropriate for bulk First-Class mail.

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

26
27 Taufique, USPS-T-32 at 14.
28

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

35
36 Where the costs of the different mail within a given subclass might vary
37 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.

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

5
6 However, where rates set under such a system end up failing to reflect
7 significant cost differences of any type (like the 18 cent differential between
8 Single-Piece and bulk First-Class, where only around 8 cents is recognized in the
9 rate difference), such rates tend not to be fair and not to encourage economic
10 efficiency. Moreover, such a system is one where rates do not track costs. The
11 proposed Postal Service approach is a step towards resolving that inequity,
12 towards encouraging the retention of bulk First-Class mail volumes, and towards
13 recreating a postal rate-making system where rates track costs.

14
15 In sum, while “workshared” mail started out as mail that was converted in
16 response to workshare discounts, during the last 30 years, that mail evolved and
17 what was then essentially a difference in quantity evolved to a fundamental
18 difference in quality. Thus, while the image of bulk mail entered at First-Class
19 Mail rates as “converted” single-piece mail was relevant three decades ago, it
20 has little to do with the reality of the majority of today’s bulk mail.

21
22 The Postal Service’s proposal to de-link the cost and rate development for
23 Single-Piece Letters from the cost and rate development for Presort Letters is a
24 recognition that the world of bulk First-Class mail has changed. The concept that
25 the rates for Single-Piece Letters and for Presort Letters be developed
26 independently of each other reflects both the reality of the change in the basic
27 costs of processing bulk First-Class mail and the fundamental nature of that type
28 of mail has changed.

29
30 It is entirely appropriate for the Commission to accept cost differences
31 within a subclass that cannot specifically be identified as so-called avoided costs

1 such as are reflected in the current Postal Service rate proposal. See, Witness
2 Taufique, USPS-T-32 at 14. In fact, the Commission is already recognizing such
3 an approach by recognizing separate shape costs with subclasses.
4

5 **IV. De-linking Is Consistent with ECPR**

6 It is my understanding that within the Postal Service and Commission the
7 test for subclass status is based upon two issues: 1) whether the mail in question
8 has cost characteristics distinctly different from other mail, and 2) whether the
9 mail in question has demand characteristics distinctly different from other mail.
10 MC95-1 Opinion and Recommended Decision at V-14, ¶ 5030. If the mail has
11 sufficiently different cost characteristics, and sufficiently different demand
12 characteristics, then it may be priced in a separate subclass.
13

14 It is my further understanding that the significance of being priced as a
15 separate subclass is twofold. First, all of the mail's distinct cost characteristics
16 are recognized and attributed to that mail. Second, the mail's distinct demand
17 characteristics are recognized and taken into account in pricing, as the
18 attributable cost base is "marked up" to obtain an appropriate cost coverage
19 ratio, in recognition of the demand factors of Section 3622(b). Where mail does
20 not pass this bifurcated test of sufficiently distinct costs and demand
21 characteristics, or where the Postal Service chooses not to price mail as a
22 separate subclass, differences in mail costs are recognized in intra-subclass
23 pricing. Within intra-subclass pricing, the Efficient Component Pricing Rule
24 (ECPR) is applied to develop rate discounts for workshare products.
25

26 Although I am not an expert in demand elasticity, I am familiar with the
27 concepts of Ramsey Pricing, especially differential pricing as it is applied in
28 actual practice in the freight rail industry. In addition, I have reviewed the
29 testimony of those who are expert in the Postal Rate field and in ECP.
30

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

10
11 In this docket, the concepts of ECPR are presented in meaningful detail in
12 the testimony of Witness Panzer, PB-T-1, and Witness Sidak, NAA-T-1. I will not
13 even attempt to match their expertise or eloquence here.

14
15 At the simplest level, ECP can be viewed as a “make” or “buy” price.
16 When viewed from a network industry perspective,⁶ ECP can be viewed as the
17 prices the Postal Service sets for entry into the mail stream. Obviously, entry
18 must be at points along the mail stream process that can be viewed as
19 competitive points (or functions). For example, a mailer can perform various
20 levels of pre-sorting (tasks that if they were not done by the mailer would need to
21 be performed by the Postal Service) and receive a rate discount for performing
22 that service. Likewise, a mailer may drop-ship mail, i.e., deliver it into the mail
23 stream process at a geographic spot other than its actual origin (and eliminate
24 certain transportation costs that would be incurred by the Postal Service) and
25 receive a rate discount. Thus, a mailer can decide to “buy” from the Postal
26 Service, at a price set by the Postal Service, or “make” it itself.

27
28 In this testimony, I do not comment on the appropriate levels at which the
29 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.

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

5
6 It is undisputed that the functions performed by bulk First-Class mailers
7 are worksharing functions performed in lieu of having those functions performed
8 by the USPS. It is safe to assume that the bulk First-Class mailers are able to
9 perform those functions at prices less than the Postal Service itself can perform
10 them, and certainly at a lesser cost than the price presumed in the rate discount,
11 (thus to the public benefit). It also undisputed that the Postal Service costs for
12 handling a bulk First-Class mail piece is significantly less (about 18 cents) than
13 the cost of handling a single piece. Thus it is only fair, and, as discussed
14 previously from the perspective of the Postal Service, it is also a sound business
15 practice to price incentives differently to reflect total cost differences.

16
17 OCA argues that the Commission should reject the Postal Service's
18 proposed de-linking, and, instead, continue to rely upon a benchmark discount
19 using BMM.⁷ Central to the OCA argument is the implication that the proposed
20 bulk First-Class mail discount cannot be directly tied to "avoided costs" directly
21 related to bulk First-Class mail.⁸

22
23 This is a highly circular argument because there is no specific
24 measurement of the exact amount of the avoided costs associated with bulk mail.
25 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.

1 costs has examined the subclass of First-Class mail using the measured costs of
2 bulk and single piece mail lumped together (despite the fact that they have very
3 different cost structures), and only trying to distinguish the two through
4 hypothetical, theoretical modeled constructs. If the Postal Service had the ability
5 to truly measure bulk mail avoided costs, it would base its discount on those
6 costs using ECP. If the Commission were to accept the OCA recommendation
7 and reject the Postal Service’s proposed de-linking, there will never be an ability
8 to begin to capture the exact avoided costs associated with bulk First-Class mail.
9

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

14 Notwithstanding the fact that 73 percent of mail currently receives discounts in
15 the US, the large value of discounts, and the large cost savings that workshared
16 mail currently provide the United States Postal Service, there are still substantial
17 unrealized opportunities to expand the scope of worksharing in the United States,
18 reduce costs to the Postal Service, prices to mailers and reduced the combined
19 cost of postal services.
20

21 Panzer-T-1, at 8.
22

23 Witness Taufique recognizes the conundrum between the measurement
24 of Postal Service “avoided costs” and the discrepancy in the costs of Single-
25 Piece and bulk First-Class mail.

26 The comparison of costs as reported for Single-Piece Letters and for Presort
27 Letters does not simply reflect the cost avoided by the Postal Service when a
28 mailer chooses to perform worksharing activities, such as presorting or applying
29 a barcode. Because the costs are developed in total, they reflect the full range of
30 differences between the two sets of mail – differences perhaps unrelated to the
31 actual worksharing activity but reflective of the different cost characteristics of
32 business-originated mail entered in large quantities, as compared to those of
33 single-piece mail. These cost characteristics may reflect such things as the
34 number of postal facilities through which the mail traverses, the proportion of the
35 mail transported via air rather than ground transportation, the readability of the
36 mail, the proportions of the mail that are undeliverable-as addressed, the
37 utilization of retail facilities for entry, etc. Thus, a comparison of the relative costs
38 and rates (and the resulting cost coverages) for Single-Piece Letters and Presort
39 Letters reflects more than simply the costs avoided by performing worksharing
40 activities which the Postal Service and the Postal Rate Commission have
41 determined are appropriately reflected in rate differences.
42

1 Taufique, USPS-T-32 at 14.
2
3

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

8
9 The Commission can accept the Postal Service proposal to de-link the
10 cost and rate development for Single-Piece Letters from the cost and rate
11 development for bulk First-Class mail. This is plainly an effort by the Postal
12 Service to reflect the fact that today's bulk mail is different enough from single
13 piece mail to warrant different rate treatment. And, the Postal Service would not
14 set a discount rate where it believed that it was offering to "sell" a service to the
15 private sector at a price where the USPS was losing money.

16
17 Sound business logic dictates that providing a separate rate discount for
18 bulk mail will, at a minimum protect the significant volume of bulk mail that
19 provides so many of the institutional dollars to the Postal Service. Sound
20 economics dictates that the significant difference in costs (some 18 cents per
21 piece) between bulk and single piece mail be reflected in the rates charged each
22 category. And, it must be remembered that the Postal Service proposed
23 discount for bulk mail reflects less than one-half of that cost difference.

24
25 Alternatively, the Commission can ignore the realities of today's First-
26 Class mail market. It can accept the OCA charge that because the Postal
27 Service system of measuring avoided costs doesn't exactly measure such costs
28 for bulk mail, it must continue to rely on a rate-making mechanism where bulk
29 and single piece costs are lumped together, and a discount figured on the basis
30 of BMM which the Postal service itself recognizes as not reflective of the true
31 avoided costs. In order to do so, however, the Commission must believe that it is

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

3

4 To me the choice is clear.

5

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

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

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

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

15
16 **TRANSPORATION TESTIMONY**

17		
18	January, 1980	In the Matter of the Valuation Proceedings Under Sections 303(c)
19		and 306 of the Regional Rail Reorganization Act. Special Court
20		Misc. No. 76-1
21		
22	October, 1981	In the Matter of the Valuation Proceedings Under Sections
23		303(c)and 306 of the Regional Rail Reorganization Act. Special
24		Court Misc. No. 76-1
25		
26	January, 1986	Oral testimony before the House of Delegates, Commonwealth of
27		Virginia, Courts of Justice Committee
28		
29	May 15, 1987	I.C.C. Docket No. 38301S - Coal Trading Corporation et al. v. The
30		Baltimore and Ohio Railroad Company et al.
31		

1	December, 1987	I.C.C. Docket No. 38301S (Sub-No. 1) - Westmoreland Coal Sales
2		Company v. The Denver & Rio Grande Western Railroad
3		Company, et al.
4		
5	December, 1987	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to
6		Moapa, Nevada and consolidated proceedings
7		
8	January 14, 1988	I.C.C. Docket No. 38301S - Coal Trading Corporation et al. v. The
9		Baltimore and Ohio Railroad Company et al.
10		
11	June 20, 1988	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to
12		Moapa, Nevada and consolidated proceedings
13		
14	July, 1989	Oral testimony before the Superior Court of Rhode Island in the
15		matter: National Railroad Passenger Corporation v. DOT,
16		Providence & Worcester Railroad Co. v. RI
17		
18	July 30, 1990	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to
19		Moapa, Nevada and consolidated proceedings
20		
21	October 10, 1990	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light
22		Company v. Louisville and Nashville Railroad Company
23		
24	December 14, 1990	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light
25		Company v. Louisville and Nashville Railroad Company
26		
27	January 25, 1991	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light
28		Company v. Louisville and Nashville Railroad Company
29		
30	July 15, 1991	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to
31		Moapa, Nevada and consolidated proceedings
32		
33	April 24, 1992	I.C.C. Finance Docket No. 31951 Southern California Regional
34		Rail Authority For an Order Requiring Joint Use of Terminal
35		Facilities of The Atchison, Topeka and Santa Fe Railway
36		Company
37		
38	May 7, 1993	I.C.C. Finance Docket No. 21215 (Sub-No. 5) Seaboard Air Line
39		Railroad Company -- Merger -- Atlantic Coast Line Railroad
40		Company -- Petition to Remove Traffic Protective Conditions
41		
42	June 10, 1994	I.C.C. Finance Docket No. 21215 (Sub-No. 5) Seaboard Air Line
43		Railroad Company -- Merger -- Atlantic Coast Line Railroad
44		Company -- Petition to Remove Traffic Protective Conditions
45		

1 October 11, 1994 I.C.C. Finance Docket No. 32549 Burlington Northern, Inc. And
2 Burlington Northern Railroad Company -- Control and Merger --
3 Santa Fe Pacific Corporation and the Atchison, Topeka and Santa
4 Fe Railway Company
5
6 March 29, 1995 I.C.C. Docket No. 37809, 37809 (Sub-No. 1) McCarty Farms, Inc.,
7 et al., and consolidated proceedings
8
9 May 30, 1995 I.C.C. Docket No. 41191 West Texas Utilities Company v.
10 Burlington Northern Railroad Company
11
12 October 30, 1995 I.C.C. Docket No. 41185 Arizona Public Service Company and
13 Pacificorp v. The Atchison, Topeka and Santa Fe Railway
14 Company
15
16 April 29, 1996 Finance Docket No. 32760. Union Pacific Corporation, Union
17 Pacific Railroad Company and Missouri Pacific Railroad Company
18 -- Control and Merger -- Southern Pacific Rail Corporation,
19 Southern Pacific Transportation Company, St. Louis Southwestern
20 Railway Company, SPCSL Corp., and The Denver & Rio Grande
21 Western Railroad Company.
22
23 May 23, 1996 Docket No. 41191. West Texas Utilities Company v. Burlington
24 Northern Railroad Company -- Petition of Burlington Northern
25 Railroad Company to Reopen Proceeding.
26
27 October 15, 1996 Docket No. 41242. Central Power & Light Company v. Southern
28 Pacific Transportation Company; Docket No. 41295 Pennsylvania
29 Power & Light Company v. Consolidated Rail Corporation;
30 Docket No. 41626 MidAmerican Energy Company v. Union
31 Pacific Railroad Company and Chicago & North Western Railway
32 Company.
33
34 October 25, 1996 Docket No. 41242. Central Power & Light Company v. Southern
35 Pacific Transportation Company; Docket No. 41295 Pennsylvania
36 Power & Light Company v. Consolidated Rail Corporation;
37 Docket No. 41626 MidAmerican Energy Company v. Union
38 Pacific Railroad Company and Chicago & North Western Railway
39 Company.
40
41 July 11, 1997 Docket No. 41989. Potomac Electric Power Company v. CSX
42 Transportation, Inc. Reply Statement and Evidence of Defendant
43 CSX Transportation, Inc.
44
45 May 1998 Docket No. 42012, Sierra Pacific Power Company and Iowa Power
46 Company v. Union Pacific Railroad Company

1
2 July 1998 Finance Docket No. 33556, Canadian National Railway Company,
3 Grand Trunk Corporation, and Grand Trunk Western Railroad
4 Incorporated -- Control -- Illinois Central Corporation, Illinois
5 Central Railroad Company, and Cedar River Railroad Company.
6
7 September 1998 Docket No. 42022, FMC Corporation and FMC Wyoming
8 Corporation v. Union Pacific Railroad Company.
9
10 December 1998 Finance Docket No. 33556, Canadian National Railway Company,
11 Grand Trunk Corporation, and Grand Trunk Western Railroad
12 Incorporated -- Control -- Illinois Central Corporation, Illinois
13 Central Railroad Company, and Cedar River Railroad Company.
14
15 January 15, 1999 Docket No. 42022. FMC Corporation and FMC Wyoming
16 Corporation, v. Union Pacific Railroad Company. Opening
17 Verified Statement of Christopher D. Kent and Benton V. Fisher.
18
19 March 31, 1999 Docket No. 42022. FMC Corporation and FMC Wyoming
20 Corporation, v. Union Pacific Railroad Company. Reply Verified
21 Statement of Christopher D. Kent and Benton V. Fisher. Reply
22 Verified Statement of Christopher D. Kent and John C. Klick.
23
24 April 30, 1999 Docket No. 42022. FMC Corporation and FMC Wyoming
25 Corporation, v. Union Pacific Railroad Company. Rebuttal
26 Verified Statement of Christopher D. Kent and Benton V. Fisher.
27
28 July 15, 1999 Docket No. 42038. Minnesota Power, Inc. v. Duluth, Missabe and
29 Iron Range Railway Company. Opening Verified Statement of
30 Christopher D. Kent and Benton V. Fisher.
31
32 August 30, 1999 Docket No. 42038. Minnesota Power, Inc. v. Duluth, Missabe and
33 Iron Range Railway Company. Reply Verified Statement of
34 Christopher D. Kent and Benton V. Fisher.
35
36 September 28, 1999 Docket No. 42038. Minnesota Power, Inc. v. Duluth, Missabe and
37 Iron Range Railway Company. Rebuttal Verified Statement of
38 Christopher D. Kent and Benton V. Fisher.
39
40 April 15, 2000 Expert Report. IFL Group, Inc., and Contract Air Cargo, Inc. v.
41 Lincoln General Insurance Company.
42
43 June 15, 2000 Docket No. 42051. Wisconsin Power and Light Company v. Union
44 Pacific Railroad Company. Opening Verified Statement of
45 Christopher D. Kent and Benton V. Fisher.
46

1
2
3 August 14, 2000 Docket No. 42051. Wisconsin Power and Light Company v. Union
4 Pacific Railroad Company. Reply Verified Statement of Christopher
5 D. Kent and Benton V. Fisher.
6
7 August 14, 2000 Docket No. 42051. Wisconsin Power and Light Company v. Union
8 Pacific Railroad Company. Reply Verified Statement of Christopher
9 D. Kent and Michael R. Baranowski.
10
11 September 28, 2000 Docket No. 42051. Wisconsin Power and Light Company v. Union
12 Pacific Railroad Company. Rebuttal Verified Statement of
13 Christopher D. Kent and Benton V. Fisher.
14
15 December 14, 2000 Docket No. 42054. PPL Montana, LLC v. The Burlington Northern
16 Santa Fe Railway Company, Opening Verified Statement of
17 Christopher D. Kent and Benton. V. Fisher.
18
19 March 13, 2001 Docket No. 42054. PPL Montana, LLC v. The Burlington Northern
20 Santa Fe Railway Company, Reply Verified Statement of
21 Christopher D. Kent and Benton. V. Fisher.
22
23 March 13, 2001 Docket No. 42054. PPL Montana, LLC v. The Burlington Northern
24 Santa Fe Railway Company, Reply Verified Statement of
25 Christopher D. Kent and John C. Klick.
26
27 May 7, 2001 Docket No. 42054. PPL Montana, LLC v. The Burlington Northern
28 Santa Fe Railway Company, Rebuttal Verified Statement of
29 Christopher D. Kent and Benton.V. Fisher.
30
31 January 15, 2002 Docket No. 42057. Texas Municipal Power Agency v. The
32 Burlington Northern Santa Fe Railway Company, Reply Verified
33 Statement of Christopher D. Kent and John C. Klick.
34
35 May 24, 2002 Docket No. 42070. Duke Energy Corporation v. CSXT
36 Transportation, Inc., Opening Verified Statement of Christopher D.
37 Kent and Robert J. Plum.
38
39 September 20, 2002 Docket No. 42070. Duke Energy Corporation v. CSXT
40 Transportation, Inc., Reply Verified Statement of Christopher D.
41 Kent and Robert J. Plum; Reply Verified Statement of Christopher
42 D. Kent and Julie A. Murphy and John C. Klick; Reply Verified
43 Statement of Christopher D. Kent and Richard Brown; Reply
44 Verified Statement of Christopher D. Kent, Michael R Baranowski
45 and John C. Klick.
46

1 September 27, 2002 Docket No. 42069. Duke Energy Corporation v. Norfolk Southern
2 Railway Company. Reply Verified Statement of Christopher D.
3 Kent and Julie A. Murphy and John C. Klick; Reply Verified
4 Statement of Christopher D. Kent and Richard Brown; Reply
5 Verified Statement of Christopher D. Kent, Michael R Baranowski
6 and John C. Klick.
7
8 October 11, 2002 Docket No.42072. Carolina Power & Light Company v. Norfolk
9 Southern Railway Company. Reply Verified Statement of
10 Christopher D. Kent and Julie A. Murphy and John C. Klick; Reply
11 Verified Statement of Christopher D. Kent and Richard Brown;
12 Reply Verified Statement of Christopher D. Kent, Michael R
13 Baranowski and John C. Klick.
14
15 November 12, 2002 Docket No. 42070 Duke Energy Corporation v. CSX
16 Transportation, Rebuttal Evidence and Argument of CSX
17 Transportation
18
19 April 4, 2003 Docket No. 42057 Public Service Company of Colorado D/B/A
20 Xcel Energy v. The Burlington Northern and Santa Fe Railway
21 Company, Reply Evidence and Argument of The Burlington
22 Northern and Santa Fe Railway Company
23
24 July 7, 2003 Docket No. 42054 PPL Montana, LLC v. The Burlington Northern
25 and Santa Fe Railway, Defendant's (BNSF's) Reply Evidence and
26 Argument on Reopening
27
28 October 8, 2003 Docket No. 42071 Otter Tail Power Company v. The Burlington
29 Northern and Santa Fe Railway Company, Reply Evidence of The
30 Burlington Northern and Santa Fe Railway Company
31
32 January 26, 2004 Finance Docket No. 42058. Arizona Electric Power Cooperative
33 Inc. v. the Burlington Northern and Santa Fe Railway Company
34 and Union Pacific Railroad Company.
35
36 March 22, 2004 STB Docket No. 42071 Otter Tail Power Company v. The
37 Burlington Northern and Santa Fe Railway Company,
38 Supplemental Reply Evidence of The Burlington Northern and
39 Santa Fe Railway Company
40
41 May 24, 2004 STB Docket No. 41191 (Sub-No. 1) AEP Texas North Company v.
42 The Burlington Northern and Santa Fe Railway Company, Reply
43 Evidence of The Burlington Northern and Santa Fe Railway
44 Company
45
46

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								
Nonmachinable 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
Nonmachinable Surcharge	52,535		"		0.0011		6.5		0.0072
Average (unit) Discount First-Class Letters									7.9889

4		
5	First-Class Mail:	
6	Single-Piece Letters, Flats, & Parcels	43,375,988
7	Nonautom. Presort Letters, Flats, & Parcels	1,924,080
8	Automation Presort Letters and Flats	46,467,551
9	Automation Carrier Route Presort Letters	673,921
10	Total Presort Letters, Flats, & Parcels	49,065,552
11	Data from USPS LR 39 & 141.	