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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

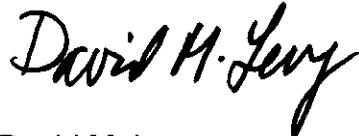
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Docket No. R2000-1
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Postal Rate and Fee Changes, 2000
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**SECOND INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS
TO USPS WITNESS DANIEL
(ANM/USPS-T28-5-14)**

Pursuant to section 20 of the Commission's Rules of Practice, the Alliance of Nonprofit Mailers ("ANM") respectfully submits the attached interrogatories and document requests to USPS witness Sharon Daniel (USPS-T-28). ANM incorporates by reference the instructions in OCA interrogatories OCA/USPS-1-14 (filed Jan. 24, 2000).

Respectfully submitted,



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February 22, 2000

QUESTIONS

ANM/USPS-T28-5. Please refer to your testimony from page 15, line 12, through page 17.

(a) Do IOCS direct tallies for Standard A Mail under the 3.3 ounce breakpoint record the weight of pieces by ounce or half-ounce increment?

(b) Did you develop any weight-cost relationship(s) by ounce increment either for all Standard A Mail, or for any subclasses or subsets (e.g., flats or letters) of Standard A Mail?

(c) If your answer to preceding part (a) is negative, please provide a detailed explanation why you did not use the available data to develop any such estimate (as you did for Periodicals and, to some extent, for First-Class Mail).

(d) If your answer to preceding part (a) is affirmative, please provide all such weight-cost relationships which you developed, including the incremental cost per ounce which you believe best represents the weight-cost relationship for all Standard A mail and for each subclass of Standard A Mail.

ANM/USPS-T28-6. Please refer to Table 3 at page 17 of your testimony.

(a) Other than IOCS tallies, have you any facts or hypotheses to explain why nonprofit ECR parcels weighing less than either 3.0 to 3.5 ounces should cost over \$4 per piece, while heavier nonprofit ECR parcels weighing more than either 3.0 to 3.5 ounces cost about \$2 per piece?

(b) Other than IOCS tallies, have you any hypotheses to explain why nonprofit ECR parcels weighing less than either 3.0 to 3.5 ounces cost over \$4 per piece, while commercial ECR parcels of the same weight cost less than \$1 per piece?

(c) The average cost of all nonprofit parcels is \$2.4946, while the average cost of commercial parcels is only \$0.8242. Other than IOCS tallies, have you any facts or hypotheses to explain why nonprofit ECR parcels cost 3 times as much, on average, as commercial parcels?

(d) Did you compute any statistical measures of reliability for these results? If not, how credible are your results and how much weight should they be given?

(e) Please produce all studies, analyses, reports and other documentation that support your responses to parts (a) through (d).

ANM/USPS-T28-7. Please refer to Table 3 at page 17, section on Flats. Regardless of whether you use the 3.0 or 3.5-ounce breakpoint, lighter weight Regular flats cost less than heavier weight flats. At the same time, the table reports that exactly the reverse holds for ECR, NP and NPECR flats.

(a) Please confirm that the reported cost-weight relationship for Regular flats is anomalous or counterintuitive. If you fail to confirm without qualification, provide a detailed explanation for your answer, and produce all data and analyses on which you rely.

(b) Aside from IOCS tallies, do you have any facts or hypotheses to explain the weight-cost relationship that you have developed for Regular flats? If so, please state the hypotheses and produce any supporting data.

(c) Please confirm that the data in your Table 3, if credited by the Commission, would support the inference that the pound rate for the Regular Subclass should equal zero, with all costs recovered from the piece rate. If you fail to confirm without qualification, please explain in detail and produce all data on which you rely.

ANM/USPS-T28-8. At page 18 you describe how you adjusted for differences in presorting when studying the weight-cost relationship for Periodicals.

(a) Please confirm that the effect of presort for Standard A Mail is similar to the effect you describe for Periodicals. If you fail to confirm without qualification, please provide a full explanation of all significant differences in the effect on the two classes.

(b) Did you attempt to control for the presort factor, or make any other adjustment when studying the weight-cost relationship for Standard A flats?

(c) If so, provide a detailed explanation of what you did, and produce sufficient documentation to enable third parties to test your conclusions.

(d) If not, why not?

ANM/USPS-T28-9. At page 18 you note that "Periodicals rate design generates revenue from per piece elements and per pound elements," even though pieces and total pounds are not the only cost drivers.

(a) Please confirm that a similar statement is applicable to Standard A Mail. If you fail to confirm without qualification, provide a detailed explanation.

(b) For all Standard A Mail, or for any subclass or subset thereof (e.g., flats, letters, parcels), what is the estimated total cost of weight in excess of (i) 3.0 ounces, (ii) 3.3 ounces, and (iii) 3.5 ounces?

(c) For each estimated total cost of weight provided in response to the preceding question, please provide the percent of total cost represented by weight (e.g., similar to the result that you report for Periodicals at page 18, lines 15-16 of your testimony).

ANM/USPS-T28-10. The percentages in the table below are derived from the data in your Table 7. As you can see, Nonprofit Basic letters and nonletters each have mail processing unit costs that are sharply higher than the commercial Standard A Regular counterpart.

(a) Aside from the IOCS tallies that underlie your cost development, do you have any factual explanation, hypotheses or theories to explain why both nonprofit Basic letters and nonletters have a higher unit cost? That is, does nonprofit Basic mail have some characteristics that predictably cause higher unit costs, or are the higher unit costs simply a result of more frequent sampling by the IOCS during FY 1998? Please explain fully, and produce all data, studies and analyses that support your position.

(b) Did you develop any statistical measure of reliability (e.g., standard of deviation, coefficient of variation) for the mail processing unit cost estimates for nonprofit ECR mail? If so, please provide the results, and the range at the 95 percent confidence level.

**Standard A Nonprofit ECR Unit Cost Estimates (for discounts)
as a Percent of Standard A Regular ECR Unit Cost Estimates (for discounts)**

	Mail Processing Costs	Delivery Costs
Letters		
Auto Basic	102.4%	69.6%
Basic	228.6%	69.6%
High density	27.4%	69.6%
Saturation	27.4%	69.6%
Non-Letters		
Basic	185.9%	70.0%
High Density	86.2%	70.0%
Saturation	86.2%	70.0%

ANM/USPS-T28-11. Please refer to Table 3 at page 17. Provide specific citations (page number, table, etc.) to where the supporting data can be found in USPS LR-I-92.

ANM/USPS-T28-12. What cost segments are included in the cost data shown in your Table 3? Please explain how the data in this table are developed.

- (a) Are transportation costs included?
- (b) Are carrier in-office costs included?
- (c) Are carrier route costs included?
- (d) Are indirect costs included?
- (e) Which piggybacks are included?

ANM/USPS-T28-13. Please refer to your testimony at page 18, lines 6-9. Explain what you mean by the term "these costs" as it appears on lines 7 and 8. To what does the relative pronoun refer? Do you mean "costs" (as in line 5), TY costs by ounce increment (as in line 3), piece related costs, mail processing costs, or something else?

ANM/USPS-T28-14. Please refer to Tables 4a and 4b at pages 19a and 19b. For each table, provide specific citations (page number, table, etc.) to where the supporting data can be found in USPS LR-I-93.

CERTIFICATE OF SERVICE

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



February 22, 2000