

DOCKET SECTION

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SECKAR TO INTERROGATORY OF
THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-T26-1)

The United States Postal Service hereby provides the response of witness Seckar to the following interrogatory of the Alliance of Nonprofit Mailers: ANM/USPS-T26-1, filed on September 17, 1997.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

K N Hollies

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October 1, 1997

RESPONSE OF U.S. POSTAL SERVICE WITNESS SECKAR TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-T26-1. USPS-T-26D, page 4, indicates that the unit mail processing cost for a Standard A Regular Rate Basic Presort Nonmachinable flat is 14.9486 cents. USPS-T-26E, page 4, indicates that the unit mail processing cost for a Standard A Nonprofit Basic Presort Nonmachinable flat is 21.7917 cents. The difference between the Nonprofit and Regular Rate cost amounts to 6.8431 cents; *i.e.*, a Basic Presort Nonprofit Nonmachinable flat costs 46 percent more to process than a Basic Presort Regular Rate Nonmachinable flat.

- a. Please explain what accounts for this significant cost difference.
- b. Please provide a copy of, or a reference to, the underlying cost model(s) that document these unit costs.

RESPONSE:

- a. Cost differences between Regular Rate and Nonprofit flats result from the use of different inputs. In the case of Standard Mail (A), the coverage factors, the mail entry compositions, the container profiles of mail used in the bundle sorting models, and the mail processing CRA costs differ in the Regular Rate and Nonprofit. The mail entry compositions are quite different, and are the primary contributors to the observed cost difference. For example, the Regular Rate mail entry composition for nonmachinable mail shows about 8 percent entering at the mixed ADC level, whereas the Nonprofit mail entry composition for nonmachinable mail shows about 83 percent entering at the mixed ADC level. Thus, more Nonprofit nonmachinable basic mail begins piece distribution at the mixed ADC level, leading to a higher mail processing cost. The mail entry compositions can be found on page 10 of LR-H-134, Sections 4 and 5.
- b. The cost models that underlie the Standard Mail (A) Regular Rate nonmachinable, basic presort flat cost of 14.9486 cents are contained on

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pages 19 and 21 of Section 4 of LR-H-134. The cost models that underlie the Standard Mail (A) Nonprofit nonmachinable, basic presort flat cost of 21.7917 cents are contained on pages 19 and 21 of Section 5 of LR-H-134. The bundle sorting models are contained on pages 15 through 20 of Section 6 of LR-H-134.

DECLARATION

I, Paul G. Seckar, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Paul G. Seckar

Date: _____

CERTIFICATE OF SERVICE

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



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