

DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

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POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

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Docket No. R97-1  
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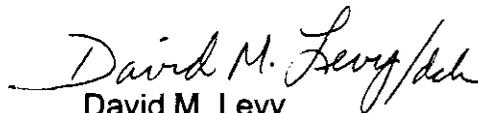
Postal Rate And Fee Changes, 1997  
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**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO INTERROGATORY NFN/ANM-T1-1**

The Alliance of Nonprofit Mailers hereby provides the responses of its witness, John Haldi, to interrogatory NFN/ANM-T1-1. The interrogatory is stated verbatim and followed by its response.

Respectfully submitted,

Joel T. Thomas  
1800 K Street, N.W., Suite 910  
Washington, D.C. 20006  
(703) 476-4646

  
David M. Levy  
Sidley & Austin  
1722 Eye Street, N.W.  
Washington, D.C. 20006  
(202) 736-8214

*Counsel for Alliance of Nonprofit Mailers*

February 10, 1998

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI TO INTERROGATORY NFN/ANM-T1-1**

NFN/ANM-T1-1. ANM's appeal to the Commission from Presiding Officer's Ruling No. R97/1-86 stated (on page 2) that one option available to the Commission on the present record would be to "back out the increases in costs attributed by the IOCS to Nonprofit Standard (A) mail since the test period in the last rate case." Please explain how the Commission could do that.

**RESPONSE**

I have testified that the increase in the Standard (A) Nonprofit unit cost in BY 1996 for Clerks and Mailhandlers cost relative to that of Standard (A) Regular mail is anomalous. Specifically, I said, "It is clear that many nonprofit organizations have in fact paid commercial rate postage for mail which bore evidence of nonprofit postage. Accordingly, such mailings doubtless have been recorded (appropriately) as regular rate volume. At the same time, any costs arising from any IOCS tallies of this mail would have been charged incorrectly (and admittedly inadvertently) to nonprofit mail. In this way, nonprofit costs have been and are being systematically overstated by the Postal Service's data systems." ANM-T-1 at 43-44.

From FY 1992 to FY 1995, the unit attributable Clerks and Mailhandlers cost for Bulk Rate Nonprofit Other mail (now called Standard (A) Nonprofit) was approximately equal to 70 percent of the unit cost for Bulk Rate Regular Other (now called Standard (A) Regular). This changed between FY 1995 and FY 1996. Specifically, the unit cost for Standard (A) Nonprofit increased by more than eight percent while the unit cost for Standard (A) Regular dropped about two percent. As Table 1 shows, this resulted in a ratio of the Standard (A) Nonprofit unit cost to the Standard (A) Regular unit cost of nearly 0.79.

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**Table 1. Unit Attributable Clerks and Mailhandlers Cost (in dollars)**

<b>Subclass</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
Standard A Regular	0.0648	0.0664	0.0621	0.0617	0.0604
Standard A Nonprofit	0.0456	0.0457	0.0436	0.0439	0.0476
Ratio	0.7037	0.6883	0.7021	0.7115	0.7881

Source: Dividing the costs for Clerks and Mailhandlers in ANM-T-1, Table 8 by the volumes shown at the bottom of the table results in the FY 1995 and FY 1996 unit costs for Standard (A) nonprofit mail. It is a straightforward exercise to calculate unit costs for Standard (A) Nonprofit for earlier years and Standard (A) Regular for all years. For these calculations, we divided total costs from FY 1992-1996 Cost Segments and Components reports by volumes from FY 1992-1996 Cost and Revenue Analysis reports.

To correct this anomaly, the Postal Rate Commission can reject the proposed increase in Base Year Clerks and Mailhandlers costs for Standard (A) Nonprofit mail to the extent that the ratio of the unit cost for Standard (A) Nonprofit exceeds 0.7115 times the unit cost for Standard (A) Regular (the ratio in FY 1995 and the highest of the ratios between FY 1992 and FY 1995). This process would yield a Base Year unit Clerks and Mailhandlers cost for Standard (A) Nonprofit mail of 3.8 cents, 8.6 percent less than that proposed by the Postal Service.

DECLARATION

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

John Haldi

Dated: February 10, 1998

## 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.

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February 10, 1998