

USPS-FY11-30 FY 2011 Market Dominant NSA Materials

PREFACE

A. Purpose and Content

USPS-FY11-30, FY 2011 Market Dominant NSA Documentation, reports revenues and volumes associated with Market-Dominant NSAs that were in effect during FY11 and had been in effect for one year by the end of FY11. It also calculates the costs and incremental values of those NSAs.

B. Predecessor Document

USPS-FY10-30 (FY 2010 NSA Documentation)

C. Corresponding Non-Public Document

There is no corresponding non-public document. Information on competitive domestic NSAs is found in USPS-FY11-NP27.

D. Methodology

For purposes of this annual report, and consistent with the Postal Accountability and Enhancement Act, the NSA Documentation for FY 2011 conforms to the Postal Regulatory Commission (PRC) methods.

The NSA Documentation calculates the cost associated with each NSA based on implicit unit cost data from the unit cost model (**FY 11 NSA Unit Cost Detail Data Calculations.xls**). For each NSA, the implicit unit cost for each rate category is multiplied by the volume in that rate category. The resulting costs by rate category are summed for each NSA. Subtracting this total cost from the total revenue associated with each NSA results in the total contribution for the NSA, which is then divided by the total volume to yield average contribution per piece. This figure is then multiplied by the volume above the threshold to calculate the incremental contribution from the NSA. Finally, the rebate paid is subtracted from the incremental contribution to calculate the net value of the NSA to the Postal Service. In addition, the Panzar/Wolak test is applied to each NSA. Using the actual volume, the incremental discount, and the subclass average own-price elasticity, the hypothetical volume in the absence of the discount is calculated. As above, the net value to the Postal Service is calculated as the incremental contribution on the difference between the actual and the hypothetical volumes less the discounts paid to the mailer.

E. Input/Output

The unit costs presented in USPS-FY11-30 rely on inputs from:

- 1-USPS-FY11-10
- 2-USPS-FY11-11
- 3-USPS-FY11-18
- 4-USPS-FY11-19
- 5-USPS-FY11-24

The outputs, specifically the unit costs, are used in USPS-FY11-27. Also, the outputs feed into the NSA rows in First-Class Mail and Standard Mail in the Public and Non-Public CRA Reports (USPS-FY11-1, USPS-FY11-NP11).

II. ORGANIZATION

Besides this preface, USPS-FY11-30 NSA Documentation contains two Microsoft Office Excel workbooks. One file, **FY 11 NSA Unit Cost Detail Data Calculations.xls**, pulls together unit cost information. The second file, **ACR_NSA_FY11_report.xls**, contains one worksheet that replicates the summary unit costs information from the first file (FY 11 NSA Unit Cost Detail Data Calculations.xls), a series of worksheets containing calculations related to each NSA, a worksheet that contains the Panzar/Wolak test calculations for all NSAs, and one worksheet that presents summary calculations for the FY 2011 CRA.