

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

USPS-T-33

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

DIRECT TESTIMONY
OF
THOMAS M. SHARKEY
ON BEHALF OF
THE UNITED STATES POSTAL SERVICE

TABLE OF CONTENTS

Page

AUTOBIOGRAPHICAL SKETCH.....	3
I. PURPOSE AND SCOPE OF TESTIMONY	5
II. CHARACTERISTICS OF EXPRESS MAIL.....	6
A. GENERAL DESCRIPTION OF SERVICE.....	6
B. EXPRESS MAIL SERVICE OPTIONS.....	7
1. NEXT DAY AND SECOND DAY POST OFFICE TO ADDRESSEE SERVICE.....	7
2. NEXT DAY AND SECOND DAY POST OFFICE TO POST OFFICE SERVICE.....	7
3. CUSTOM DESIGN SERVICE.....	8
4. SAME DAY AIRPORT SERVICE.....	8
C. VOLUME TRENDS.....	10
D. RATE HISTORY.....	11
E. FINANCIAL SUMMARY.....	13
F. RATE DESIGN	14
G. PROPOSED EXPRESS MAIL RATES.....	17
III. CHARACTERISTICS OF PRIORITY MAIL.....	18
A. GENERAL DESCRIPTION OF SERVICE.....	18
B. PRIORITY MAIL SERVICE OPTIONS.....	18
1. SINGLE-PIECE	18
2. PRESORT.....	19
C. VOLUME TRENDS.....	21
D. RATE HISTORY.....	21
E. FINANCIAL SUMMARY.....	23
F. RATE DESIGN.....	24
1. PRIORITY MAIL	24
2. DELIVERY CONFIRMATION ADJUSTMENTS.....	27
3. ELIMINATION OF PRIORITY PRESORT.....	31
G. PROPOSED PRIORITY MAIL RATES.....	32
IV. PROPOSED PICKUP AND DELIVERY FEE.....	33

LIST OF TABLES

TABLE 1. EXPRESS MAIL VOLUME HISTORY.....	9
TABLE 2. ESTIMATED TOTAL TEST YEAR REVENUES AND COST.....	13
TABLE 3. ESTIMATED PER PIECE REVENUE AND COST.....	14
TABLE 4. PROPOSED EXPRESS MAIL RATES.....	17
TABLE 5. PRIORITY MAIL VOLUME HISTORY.....	20
TABLE 6. ESTIMATED TOTAL TEST YEAR REVENUES AND COST	23
TABLE 7. ESTIMATED PER PIECE REVENUE AND COST.....	24
TABLE 8. PRIORITY PRESORT VOLUME HISTORY.....	31
TABLE 9. PROPOSED PRIORITY MAIL RATES.....	32

LIST OF EXHIBITS

USPS-33A	EXPRESS MAIL REVENUES TEST YEAR
USPS-33B	EXPRESS MAIL 1996 AND TEST YEAR VOLUMES BY SERVICE
USPS-33C	EXPRESS MAIL FY 1996 VOLUME AND CALCULATED REVENUE
USPS-33D	EXPRESS MAIL TEST YEAR BEFORE RATES VOLUME, CALCULATED REVENUE AND POSTAGE POUNDS
USPS-33E	EXPRESS MAIL TEST YEAR AFTER RATES VOLUME, CALCULATED REVENUE AND POSTAGE POUNDS
USPS-33F	EXPRESS MAIL DISTRIBUTION OF TRANSPORTATION COSTS, TEST YEAR BEFORE RATES
USPS-33G	EXPRESS MAIL POSTAGE POUNDS BY SERVICE, TEST YEAR BEFORE RATES
USPS-33H	EXPRESS MAIL TEST YEAR PER-PIECE COSTS
USPS-33I	EXPRESS MAIL DISTRIBUTION OF TYBR PURCHASED TRANSPORTATION COSTS TO DISTANCE-RELATED & NON-DISTANCE RELATED COSTS USING 1996 BREAKDOWN OF COST
USPS-33J	DEVELOPMENT OF PICKUP AND DELIVERY FEE
USPS-33K	PRIORITY MAIL FY 1996 VOLUME AND CALCULATED REVENUE
USPS-33L	PRIORITY MAIL TEST YEAR BEFORE RATES VOLUME, CALCULATED REVENUE AND POSTAGE POUNDS
USPS-33M	PRIORITY MAIL TEST YEAR AFTER RATES VOLUME, CALCULATED REVENUE AND POSTAGE POUNDS
USPS-33N	PRIORITY MAIL TEST YEAR BEFORE RATES NON-TRANSPORTATION COST DEVELOPMENT
USPS-33O	PRIORITY MAIL TEST YEAR BEFORE RATES DISTRIBUTION OF TRANSPORTATION COST TO ZONE
USPS-33P	PRIORITY MAIL TEST YEAR BEFORE RATES DEVELOPMENT OF TRANSPORTATION DISTRIBUTION KEYS TO ZONE
USPS-33Q	PRIORITY MAIL TEST YEAR BEFORE RATES DISTANCE AND NON-DISTANCE RELATED COST
USPS-33R	PRIORITY MAIL DELIVERY CONFIRMATION REVENUE,VOLUME AND COST ADJUSTMENTS

1 **Autobiographical Sketch**

2 My name is Thomas M. Sharkey. I am employed by the U. S. Postal
3 Service as an Economist in Pricing. My primary duties include analysis of
4 postal reform proposals and development of domestic rate proposals. I also
5 assist management in identifying rates and classification requirements in
6 support of product redesign and new product initiatives. I have been employed
7 by the Postal Service since March of 1974. Initially, I served as a distribution
8 clerk, supervisor, and accounts payable technician in the New York Bulk and
9 Foreign Mail Center.

10 I moved to headquarters in February of 1979 as a Cost Systems Analyst
11 and, after a series of promotions, became a Principal Economist in July of
12 1986. As an economist I was responsible for the development of new costing
13 systems concentrating on city carrier and transportation costs. In Docket No.
14 R84-1, I testified as the Postal Service witness on city carrier costing. In that
15 testimony, I introduced new load and access time analyses and distribution
16 keys which established the analytical framework for the functional analysis of
17 cost variability. I managed the design and implementation of the city carrier
18 cost system and implemented additional studies which form the foundation of
19 the current city carrier costing system. I managed transportation and city carrier
20 cost testimony in Docket No. R87-1. Following Docket No. R87-1, I managed

21

22

23

1 carrier cost studies, developed analysis of proposed DOT Alaska air carrier
2 rates, and performed a financial analysis of the Tanzania Post as part of a
3 mission with the World Bank.

4 In October of 1989, I moved over to manage the Revenue and Volume
5 Statistics Branch where I was responsible for maintaining and improving the
6 revenue, pieces and weight statistical systems. As Branch Manager I
7 developed the Alaskan RPW system, managed the implementation of the
8 Docket No. R90-1 rates, and moved the systems to fully automated data
9 collection and processing. In November of 1992, I joined the Pricing team in
10 Marketing where I was responsible for contract and international pricing and
11 product development, as well as terminal dues analyses in support of the
12 REIMS Terminal Dues Working Party. I chaired the Terminal Dues
13 Implementation Task Force in 1994.

14 I have a Bachelors of Arts degree in Political Science from Kean
15 College, a Master of Public Administration degree with concentrations in
16 Economics and Public Finance from American University, and a Graduate
17 Certificate in Global Business Leadership from the Georgetown School of
18 Business. I am also a graduate of the Advanced Management Program (AMP)
19 at the W.F. Bolger Management Academy. I am a member of the National
20 Honor Society, American Economics Association and American Society of
21 Public Administration.

1 **I. Purpose and Scope of Testimony**

2 The purpose of my testimony is to present the Postal Service's
3 proposed rates for Express and Priority Mail.

4 No classification change to Express Mail is proposed. I calculate final
5 adjustments to Express Mail revenue, volume, and costs for the impact of
6 Priority Mail delivery confirmation, as well as a final adjustment for Packaging
7 Services. The proposed rate change for Express Mail meets the cost coverage
8 requirement of 204 percent proposed by witness O'Hara (USPS-T-30).

9 I present the Postal Service's proposed rate change for Priority Mail. I
10 propose the elimination of Priority Mail Presort. I develop final adjustments of
11 First-Class, Certified, Return Receipt, Express and Priority Mail revenue,
12 volume, and cost to reflect the test year impact of Priority Mail delivery
13 confirmation. I also adjust the Priority Mail test year revenue, volume, and
14 costs to reflect the proposed elimination of Standard (A) Single piece, and the
15 introduction of Packaging Service and a surcharge for Hazardous Materials.
16 The proposed rates and classification change for Priority Mail meets the cost
17 coverage requirement of 198 percent proposed by witness O'Hara.

18 Finally, I propose an increased pickup charge for Express Mail, Priority
19 Mail, and Standard (B).

1 **II. Characteristics of Express Mail**

2 **A. General Description of Service**

3 Express Mail is a premium service offering guaranteed next-day and
4 second-day delivery nationwide. If guaranteed performance standards are not
5 met, postage will be refunded. There are four service options: Next Day and
6 Second Day Post Office to Addressee Service, Next Day and Second Day Post
7 Office to Post Office Service, Custom Designed Service, and Same Day Airport
8 Service. Same Day Airport Service has been suspended for security reasons.

9 Any mailable matter weighing up to 70 pounds, but not exceeding 108
10 inches in length and girth, may be sent as Express Mail. In February 1992, the
11 Postal Service initiated Computerized Tracking and Tracing, which provides
12 customers information on the acceptance, arrival at the destination post office,
13 and the delivery of Express Mail.

14 Express Mail rates are unzoned and rounded to the nearest nickel. A
15 letter rate for items weighing up to eight ounces is available. For Post Office to
16 Addressee or Post Office to Post Office Services, an envelope rate for pieces
17 that fit into the standardized envelope supplied by the Postal Service is offered
18 at the two-pound rate. In 1996 Express Mail accounted for 0.3 percent of total
19 volume and 1.4 percent of total revenue.

1 **B. Express Mail Service Options**

2 **1. Next Day and Second Day Post Office to Addressee Service**

3 Next Day Post Office to Addressee Service is available for overnight
4 delivery from designated originating areas or locations. Second Day Post
5 Office to Addressee Service is available to any domestic destination to which
6 guaranteed Next Day delivery service is not available from the given originating
7 office. The Postal Service will refund postage for qualifying Next Day Post
8 Office to Addressee pieces that are not delivered by noon or 3:00 p.m. of the
9 next day, and for qualifying Second Day pieces not delivered by noon or 3:00
10 p.m. of the second day, depending on the service guaranteed to the
11 destination address. ¹ Approximately 98 percent of all Express mail volume is
12 Next Day or Second Day Post Office to Addressee Service.

13 **2. Next Day and Second Day Post Office to Post Office Service**

14 Next Day Post Office to Post Office Service is available from
15 designated 3-digit ZIP code areas for overnight service to designated post
16 offices. Second Day Post Office to Post Office Service is available to
17 designated post offices not guaranteed overnight service. The Post Office will
18 refund postage for Next Day Post Office to Post Office pieces that are not
19 available for claim by 10:00 a.m. of the next day the post office is open for
20 retail business. Postage will be refunded for Second Day Post Office pieces not
21 available for claim by 10:00 a.m. of the second day the destination office is

¹ See Domestic Mail Manual at E500.5.3 at E-87 for acceptance time requirements for Next Day. See Domestic Mail Manual at E500 6.2 at E-87 for acceptance time requirements for Second Day. See Domestic Mail Manual Domestic Mail Manual, D500, 1.3 at D-33 for service objectives and refund conditions.

1 open for retail business. Less than one percent of Express mail volume is
2 Second Day Post Office to Post Office pieces.

3 **3. Custom Designed Service**

4 Custom Designed Service is available only on a scheduled basis for
5 mailable matter tendered in accordance with a service agreement. For each
6 Custom Designed shipment that is tendered, the service agreement specifies
7 the scheduled day and date and places of origin and designation, which may
8 be virtually any location in the United States. Approximately one percent of
9 Express Mail is Custom Designed Service.

10 Except where a service agreement provides for claim, or delivery, of
11 Custom Designed Express Mail more than 24 hours after scheduled tender at
12 point of origin, the Postal Service will refund postage for such mail not available
13 for claim, or not delivered, within 24 hours of mailing.²

14 **4. Same Day Airport Service**

15 Same Day Airport Service is currently suspended for security reasons.
16 In the event that circumstances may in the future permit the Service to be
17 made available again, the Postal Service is requesting new rates. As designed,
18 Same Day Airport Service is available between designated airport mail
19 facilities. Mail tendered under this service is dispatched on the next available
20 transportation to the destination airport facility. The Postal Service will refund
21 postage for those pieces which are not available for claim at the destination
22 mail facility at the specified time.³

² See Domestic Mail Manual, D500, 1.2 at D-33 for service objectives and refund conditions.

³ See Domestic Mail Manual, D500, 1.1 at D-33 for service objectives and refund conditions.

TABLE 1
EXPRESS MAIL VOLUME ^{1/ 2/}
(thousands of pieces)

<u>Fiscal</u> <u>Year</u>	<u>Total</u>	<u>% Change</u>	<u>Custom 3/</u> <u>Designed</u>	<u>Next 4/</u> <u>Day</u>	<u>Same Day 5/</u> <u>Airport</u>	<u>Metro /6</u> <u>Service</u>
1970	—		—	—	—	—
1971	8		8	—	—	—
1972	61	663%	49	12	—	—
1973	204	234%	159	45	—	—
1974	413	102%	314	99	—	—
1975	767	86%	558	209	—	—
1976	1,760	129%	820	940	—	—
1977	5,334	203%	1,415	3,877	42	—
1978	7,717	45%	1,521	5,951	245	—
1979	12,344	60%	1,841	10,002	494	7
1980	17,140	39%	1,933	14,506	691	10 ^{7/}
1981	23,322	36%	2,174	20,343	805	—
1982	27,748	19%	2,416	24,522	810	—
1983	35,920	29%	2,476	32,602	842	—
1984	42,818	19%	2,311	39,778	729	—
1985	43,938	3%	1,932	41,464	542	—
1986	40,094	-9%	1,566	38,124	404	—
1987	43,119	8%	1,392	41,365	362	—
1988	44,120	2%	1,098	42,762	260	—
1988r	45,631	3%	1,182	44,185	264	—
1989	53,306	17%	1,023	52,059	224	—
1990	58,582	10%	931	57,438	213	—
1991	57,306	-2%	340	56,894	72	—
1992	53,176	-7%	771	52,374	31	—
1993	52,378	-2%	718	51,614	46	—
1994	56,192	7%	674	55,469	49	—
1995	56,691	1%	603	56,044	44	—
1996	57,573	2%	599	56,974	0	—

1/ Established as a permanent class of service in October 1977.

2/ Volume based on Postal Fiscal Year through 1987; GFY thereafter.

3/ Introduced June 1970.

4/ Introduced September 1971.

5/ Introduced December 1976.

6/ Introduced May 1979.

7/ Express Mail Metro Service discontinued May 17, 1980.

r = Recast 1988 data and following years include penalty and franked with service categories.

C. Volume Trends

As Table 1 above indicates, Express Mail volume grew at a rapid rate between FY 1977 and FY 1985. In FY 1985, Express Mail volume growth slowed to three percent. In FY 1986, volume declined nine percent. This was the first year Express Mail experienced an annual decline in volume. These trends were the result of a 15 percent increase in rates in February 1985, followed by the introduction of a \$8.50 Next Day letter rate by United Parcel Service and a \$11.00 letter rate by FedEx. In addition, the impact of deregulation of certain aspects of the airline industry (often referred to as CAB Sunset) on service quality contributed to the decline in Express Mail volumes.

Express Mail rebounded from 1986 to 1990, in part, due to the implementation of the Eagle network, a hub-and-spoke network of leased aircraft dedicated to moving expedited products, which enabled the Postal Service to provide much more reliable service for Express and Priority Mail between major markets, and to offer guaranteed morning delivery for Express Mail within designated areas. In 1988, as a result of Docket No. R87-1, a number of improvements and new features were introduced: unzoned rates for all weights, the introduction of a letter rate for Express Mail weighing eight ounces or less, on-call pickup, guaranteed next morning service, and the establishment of Second Day Service. In 1989, a new Eagle network contract was awarded with expansion to 31 major markets. As a result of the enhancements to the product offering, Express Mail was able to recover somewhat in 1989 and 1990.

From 1991 to 1996, Express Mail volumes experienced an average annual

1 growth rate of only 0.2 percent. On February 3, 1991, as a result of Docket No.
2 R90-1, Express Mail rates were increased by an average of 15 percent. On
3 January 5, 1995, as a result of Docket No. R94-1, Express Mail rates were again
4 increased by eight percent. These rate increases, accompanied by sustained
5 competition, accounted for the meager growth in the 1991 to 1996 period.

6 **D. Rate History**

7 Express Mail began as an experimental service in 1970, with permanent
8 rates established in 1977. As a result of Docket No. R80-1, uniform two-pound
9 rates were introduced in 1981. In Docket No. R84-1, the Commission
10 recommended a 15 percent overall rate increase, with the two-pound rate
11 increasing from \$9.25 to \$10.75 and the introduction of a uniform five-pound
12 rate. As a result of Docket No. R87-1, unzoned rates were established for all
13 weight increments, a letter rate of \$8.75 was introduced for Next Day pieces
14 weighing eight ounces or less and the Next Day two-pound rate was raised to
15 \$12.00, and the five-pound rate was raised to \$15.25. The charge for pickup or
16 delivery was lowered from \$5.60 to \$4.00 per pickup. The overall rate increase
17 for Express Mail in Docket No. R87-1 was 1.9 percent. As a result of Docket
18 R90-1, an envelope rate paid at the two-pound rate was introduced and one-
19 pound rate increments were re-established for pieces weighing between two
20 and five pounds. The letter rate was increase from \$8.75 to \$9.95, the pickup
21 fee was raised from \$4.00 to \$4.50, and the overall Express Mail rates were
22 increased by 15 percent.

23 In Docket R94-1, Express Mail rates were raised by eight percent. The

- 1 Post Office to Addressee letter rate was increased from \$9.95 to \$10.75, and
- 2 the pickup fee was raised from \$4.50 to \$4.95. A complete rate history for
- 3 Express Mail is available in Library Reference H-187.

E. Financial Summary

TABLE 2
EXPRESS MAIL
TEST YEAR VOLUME, COST, AND REVENUES

Line No. Test Year Before Rates

1	Volume (USPS-T-6)	64,377,000
2	Revenue at Current Rates (includes pickup revenue), (Exhibit A, Line 6)	\$833,065,233
3	Contingency Factor (USPS-T-9)	1.01
4	Cost with no contingency (USPS-T-15)	\$419,288,000
5	Cost with contingency (Line 3 x Line 4)	\$423,480,880
6	Coverage Before Rates (Line 2 divided by Line 5)	197%

Test Year After Rates

7	Volume (USPS-T-6)	63,410,000
8	Revenue at Proposed Rates (Includes pickup revenue) (Exhibit A, Line 13)	\$850,498,703
9	Cost with no contingency (USPS-T-15, Appendix D, Figure 1)	\$413,661,000
10	Cost with Contingency (Line 9 x Line 3)	\$417,797,610
11	Pickup Revenue (USPS-33J)	\$4,708,868
12	Pickup Cost (USPS-33J)	\$4,571,341
13	Coverage After Rates (Line 8 / Line 10)	204%

Delivery Confirmation Adjustment

14	Volume Migrated to Priority Mail (USPS-33R, page 2 x 1,000,000)	770,964
15	Revenue Migrated to Priority Mail (USPS-33R, page 2 x 1,000,000)	\$10,338,629
16	Cost Decline from Migration (USPS-33R, page 2 x 1,000,000)	\$5,079,750

Packaging Services Adjustment

17	Volume /1	81,662
18	Revenue (Line 17 x Table 3, Line 3)	\$1,056,740
19	Cost (Line 17 x Table 3, Line 4)	\$537,184

Grand Totals After Rates with Adjustments

20	Total Volume (Line 7 + Line 17 - Line 14)	62,720,698
21	Total Revenue (Line 8 - Line 15 + Line 18)	\$841,216,814
22	Total Cost (Line 10 -Line 16 + Line 19)	\$413,255,044
23	Coverage After Rates (Line 21 / Line 22)	204%
24	Contribution (Line 21 - Line 22)	\$427,961,770

1/ New volume from packaging services based on estimates to be presented in a separate Commission filing.

**TABLE 3
EXPRESS MAIL
PER PIECE TEST YEAR COST AND REVENUE**

Line no. Test Year Before Rates /1

1	Revenue per Piece (Table 2 Line 2 / Line 1)	\$12.94
2	Cost per Piece (Table 2 Line 14 / Line 1)	\$6.58

Test Year After Rates

3	Revenue Per Piece (Table 2 Line 8 / Line 7)	\$13.41
4	Cost per Piece (Table 2 Line 10 / Line 7)	\$6.59
5	Average Rate Increase (Before Adjustments) (Line 3- (Line 1/Line 1))	3.65%

1/ Includes Pickup Revenue and Costs

2 **F. Rate Design**

3 Witness O'Hara proposes a 204 percent cost coverage for Express Mail.

4 Existing rates in the test year would result in a cost coverage of 197 percent.

5 To meet this cost coverage, target Express Mail rates must be increased by
6 3.65 percent.

7 I propose no structural changes to the Express Mail rate schedule.

8 Although the Same Day Airport to Airport Service has been suspended, I
9 develop a proposed set of rates in the event that security measures are put in
10 place which would enable the Postal Service to offer the service again.

11 The cost base underlying the rate design is developed as follows: Test
12 year Express Mail costs (USPS-T-15) are separated among distance, non-
13 distance related transportation cost, and non-transportation cost (Exhibit 33-1).

1 Distance-related transportation costs are distributed to zones by service
2 category based on the distribution of FY96 pounds to zones. Zone 2 through
3 zone 4 pounds for Next Day and Custom Designed are split between air and
4 surface pounds based on the allocation percents used in Docket No. R87-1. All
5 Same Day pounds are by definition air pounds. All zone 5 through zone 9 Next
6 Day and Custom Designed pounds are assumed to travel by air. Non-distance-
7 related costs are distributed to Next Day and Custom Designed total pounds.
8 Transportation cost per pound for Same Day, and Next Day and Custom
9 Designed is then calculated. Finally, a non-transportation weight-related cost of
10 two cents per pound is added to the transportation cost per pound and
11 adjusted by the contingency factor to arrive at a total cost per pound. (Exhibit
12 USPS-33F and USPS-33G).

13 The non-transportation weight-related cost is subtracted from the non-
14 transportation cost. Piece-related unit cost is developed by dividing the
15 resultant costs by total pieces. I rely on witness Nelson's Express Mail cost
16 study update (USPS-T-19) to apportion piece-related costs to the service
17 options. (USPS-33H). Weight-related costs are distributed to rate cells based
18 on postage weight. The markup of proposed rates above costs and the percent
19 increase for each rate element formed the basis for designing rates.

20 The rate increases for each rate element were constrained to be no
21 more than 11 percent, rates were rounded up to the nearest nickel and rates
22 for Post Office to Addressee were set to be at least twice the Priority Mail rates
23 for zone 5. All rate elements cover cost. The popular letter rate is proposed to

1 be increased from \$10.75 to \$11.25, an approximate five percent increase. The
2 two pound rate was lowered by a nickel or -0.3 percent which still results in a
3 relatively high implicit cost coverage. Similarly, Custom Designed one-pound
4 through 25-pound rates and Post Office to Post Office 3 through 16-pound
5 rates were adjusted downward because of much greater than average
6 markups.

G. Proposed Express Mail Rates

TABLE 4
PROPOSED EXPRESS MAIL RATES

<u>Weight Not Over (pounds)</u>	<u>Same Day Airport</u>	<u>Custom Designed</u>	<u>Post Office to Post Office</u>	<u>Post Office to Addressee</u>
0.5	\$9.25	\$9.50	\$10.50	\$11.25
1	10.75	13.50	12.25	14.95
2	11.25	13.75	12.25	14.95
3	12.25	15.50	14.00	18.00
4	13.25	17.35	15.75	20.25
5	14.25	19.75	17.75	22.00
6	15.50	22.75	21.00	24.75
7	16.50	24.25	22.50	27.00
8	17.75	25.75	23.50	27.75
9	19.00	27.25	24.50	28.50
10	20.25	28.75	25.75	30.00
11	21.50	29.50	26.75	30.75
12	22.75	30.25	27.75	31.50
13	24.00	31.00	29.00	32.25
14	25.25	31.75	31.00	33.50
15	26.50	32.50	32.00	34.25
16	27.75	34.00	33.10	35.50
17	29.00	34.50	34.55	37.00
18	30.25	36.00	36.00	38.50
19	31.50	37.50	37.45	40.00
20	32.75	38.50	38.25	40.75
21	34.00	40.50	40.00	42.00
22	35.25	41.00	41.00	43.00
23	36.50	43.00	42.00	44.25
24	37.75	44.00	43.00	45.70
25	39.00	45.00	44.00	47.20
26	40.25	46.50	45.20	48.65
27	41.50	47.50	46.65	50.10
28	42.75	48.50	48.10	51.55
29	44.00	50.00	49.55	53.00
30	45.25	50.80	51.00	54.50
31	46.50	52.25	52.50	55.95
32	47.60	53.70	53.95	57.40
33	48.70	55.15	55.40	58.85
34	49.80	56.65	56.85	60.30
35	50.90	58.10	58.30	61.75
36	52.00	59.55	59.80	63.25
37	53.10	61.00	61.25	64.70
38	54.20	62.45	62.70	66.15
39	55.30	63.95	64.15	67.60
40	56.40	65.40	65.60	67.70
41	57.50	66.85	66.50	69.15
42	58.60	68.30	67.20	70.60
43	59.70	69.75	68.60	72.00
44	60.80	71.20	70.05	73.45
45	61.90	72.70	71.45	74.85
46	63.00	74.15	72.90	76.25
47	64.10	75.60	73.50	76.55
48	65.15	77.05	74.60	77.95
49	66.15	78.50	76.00	79.35
50	67.15	79.95	77.40	80.75
51	68.15	80.25	78.80	82.15
52	69.15	81.70	80.20	83.55
53	70.15	83.10	81.65	85.00
54	71.15	84.55	83.05	86.40
55	72.15	85.95	84.45	87.80
56	73.15	87.45	85.85	89.20
57	74.15	88.85	87.25	90.60
58	75.15	90.30	88.65	92.05
59	76.15	91.75	90.10	93.45
60	77.15	93.15	91.50	94.85
61	78.15	94.60	92.90	96.25
62	79.15	96.05	94.30	97.65
63	80.15	97.50	95.70	99.05
64	81.15	98.90	97.15	100.50
65	82.15	100.35	98.55	101.90
66	83.15	101.80	99.95	103.30
67	84.15	103.20	101.35	104.70
68	85.15	104.70	102.75	106.10
69	86.15	106.10	104.15	107.50
70	87.15	107.55	105.60	108.95

1 **III. Characteristics of Priority Mail**

2 **A. General Description of Service**

3 Priority Mail consists of all First-Class Mail weighing 11 ounces or more.

4 In addition, there are lighter weight items which are paid at Priority Mail rates at
5 the mailer option. Priority Mail is a universal mail class, in that, virtually all

6 manner of content weighing up to 70 pounds can be sent from any post office.

7 The Priority Mail service standard is generally two days.

8 Eighty percent of Priority Mail in FY 1996 was in the unzoned two pound
9 and less rate. The average postage weight for Priority Mail for the same period
10 was 2.11 pounds. Ninety-four percent of Priority Mail weighted less than five
11 pounds.

12 Priority Mail competes in the two-day document and package market.
13 This market is competitive, as indicated by ubiquitous, aggressive and creative
14 advertising of two-day product offerings among competitors.

15 In the base year 1996 Priority Mail accounted for 0.5 percent of total
16 volume and 6.1 percent of total revenue.

17

18 **B. Priority Mail Service Options**

19 **1. Single Piece Rates**

20 Priority Mail can be sent at the full Single-piece rates. Rates are based
21 on weight from two to 5 pound pieces, inclusive. A flat rate envelope is
22 available. The flat rate envelope is charged the two-pound rate regardless of its
23 contents. Rates for pieces weighing more than five pounds up to 70 pounds

1 are based on weight and distance. There are six zones based on distance:
2 Zones Local, 1, 2 and 3 (combined), 4, 5, 6, 7 , and 8.

3 **2. Presort**

4 Currently there is an 11 cents per piece discount for presorted Priority
5 Mail. To qualify for presort rates the mailer must mail a minimum of 300 pieces
6 sorted to five-digit, three-digit and state sacks and bundles. Each sack or
7 bundle must contain at least six pieces. Since its inception, Priority Mail presort
8 has been met with very little mailer interest. In FY 1996, less than one percent
9 of Priority Mail was presorted.

TABLE 5
PRIORITY MAIL VOLUME
(millions of pieces)

<u>Fiscal Year</u>	<u>Pieces</u>	<u>Annual % Change</u>
1970	185 1/	
1971	197 2/	6%
1972	208	6%
1973	209	0%
1974	222	6%
1975	206	-7%
1976	192 3/	-7%
1977	202	5%
1978	213 4/	5%
1979	229	8%
1980	248	8%
1981	269	8%
1982	259	-4%
1983	271	5%
1984	293	8%
1985	308	5%
1986	330	7%
1987	354	7%
1988	405	14%
1988r	437 5/	8%
1989	471 5/	8%
1990	518	10%
1991	530	2%
1992	584	10%
1993	664	14%
1994	770	16%
1995	869	13%
1996	937	8%

1/ First-Class Mail weighing over 13 ounces and airmail weighing over 7 ounces.

2/ First-Class Mail weighing over 12 ounces and airmail weighing over 8 ounces, effective May 16, 1971.

3/ First-Class Mail weighing over 13 ounces and airmail weighing over 10 ounces, effective Sept. 14, 1975.

4/ First-Class Mail weighing over 12 ounces, effective May 29, 1978.

5/ First-Class Mail weighing over 11 ounces, effective April 3, 1988.

r = Recast 1988 data and following years include penalty and franked with service categories.

1 **C. Volume Trends**

2 As indicated in Table 5, Priority Mail experienced strong volume growth
3 from 1988 to 1995 with sustained double digit growth from 1992 to 1995. Since
4 1994's annual growth rate of 16 percent, the highest growth year in its history,
5 Priority Mail annual growth declined to 13 percent in 1995 and 8 percent in 1996.
6 Priority Mail has a high own price elasticity (Witness Musgrave USPS-T-8, page
7 18). As such, even the modest 4.75 average price percent increase in January of
8 1995 following Docket No. R94-1 may have contributed to the slowing growth.
9 Price and service competition in the two-day market has further restrained growth
10 of Priority Mail volume.

11 **D. Rate History**

12 Priority Mail originated with the merger of heavy First-Class Mail and air
13 parcel post. The rate structure has evolved from that of air parcel post. As a result
14 of Docket No. R94-1, Priority Mail rates increased by an average of 4.75 percent.
15 In that docket, the two-pound rate increased 3.5 percent from \$2.90 to \$3.00 and
16 the five-pound rate increased ten percent from \$5.45 to \$6.00. As a result of
17 Docket No. R90-1, Priority Mail rates became separate and unzoned for each
18 pound increment between two pounds and five pounds and zoned for weights
19 exceeding five pounds up to a maximum of 70 pounds. The flat rate envelope was
20 introduced. Pickup service for Priority Mail also became available at a rate of
21 \$4.50. Overall, rates increased 19 percent in Docket No. R90-1. In Docket No.
22 R84-1, the unzoned, two-pound rate was introduced at a rate of \$2.40. This rate

1 remained unchanged until 1991 when it increased 21 percent to \$2.90. In Docket
2 No. R80-1, rates were increased 32 percent, following a 10 percent increase in
3 1978. Prior to that, rates were increased 8.9 percent in 1975, 11.2 percent in
4 1974, and 13.7 percent in 1971. A complete rate history for Express Mail is
5 available in Library Reference H-187.

1 E. Financial Summary

**TABLE 6
PRIORITY MAIL
TEST YEAR VOLUME, COST AND REVENUE**

<u>Line No.</u>	<u>Test Year Before Rates:</u>	
1	Volume (USPS-T-6)	1,123,760,000
2	Revenue at Current Rates (USPS-33L, page 3 of 3)	\$3,977,701,062
3	Revenue Per Piece (Line 2 / Line 1)	\$3.54
4	Cost with Contingency (USPS-33N Line 1 x USPS-33N Line 12)	\$2,152,262,530
5	Cost Per Piece (Line 4 / Line 1)	\$1.92
6	Cost Coverage at Current Rates (Line 2 / Line 4)	185%
	<u>Test Year After Rates:</u>	
7	Volume (w/o new DC volume) (USPS-T-6)	1,087,829,000
8	Revenue at Proposed (USPS-33M, page 2 of 2)	\$4,134,385,991
9	Revenue Per Piece (Line 8 / Line 7)	\$3.80
10	Test Year After Rates Cost (USPS-T-15, WP G, Table E, Col. 1 + Col. 2)	\$2,068,016,000
11	Cost with Contingency (USPS-33N 6 Line 12 x Line 10)	\$2,088,696,160
12	Cost Per Piece (Line 11 / Line 7)	\$1.92
13	Cost Coverage at Proposed Rates (Line 8 / Line 11)	198%
14	Avg. Increase before Adjustments ((Line 9 - Line 3) / Line 3)	7.4%
	<u>Pickup Revenue and Cost</u>	
15	Pickup Revenue at Proposed Rate (USPS 33J)	\$2,115,315
	<u>Third Class Single Piece 12 to 16 ounce Conversion</u>	
16	Test Year After Rates Volume (USPS-T-32, WP I)	16,993,598
17	Revenue per Piece (2 - pound proposed rate)	\$3.20
18	Revenue (line 16 x Line 17)	\$54,379,514
19	Unit Cost TYAR at average weight and zone (USPS-33R, page 5 of 8)	\$1.44
20	Cost (Line 19 x Line 16)	\$24,415,810
	<u>Packaging Services</u>	
21	Test Year After Rates Volume /1	934,174
22	Revenue (Line 21 x Line 9)	\$3,550,407
23	Cost (Line 21 x Line 12)	\$1,793,669
	<u>Delivery Confirmation</u>	
24	Volume (USPS-33N Line 20)	46,686,795
25	Revenue (USPS-33R, page 2 of 8)	\$157,190,048
26	Cost (USPS-33R, page 2 of 8)	\$69,755,871
27	Base Cost (USPS-33N, Line 18)	\$9,982,571
	<u>Hazardous Materials Surcharge</u>	
28	Volume Decline (USPS-T-42 page 20, Volume before - volume after surcharge)	31,000
29	Postage Revenue Decline (Line 28 x Line 9)	\$117,818
30	Cost Decline (Line 28 x Line 12)	\$59,524
31	Surcharged Pieces (USPS-T-42 page 20)	469,000
32	Surcharge Revenue (Line 31 x \$.50)	\$234,500
33	<u>Fee Revenue</u>	\$955,000
	<u>Summary after Adjustments</u>	
34	Grand Total Volume (Line 24 + Line 21 + Line 7 + Line 16-Line 28)	1,152,412,567
35	Grand Total Revenue (Line 25 + Line 22 + Line 18 + Line 15 + Line 8 - Line 29 + Line 33)	\$4,352,692,958
36	Grand Total Cost (line 27 + Line 26 + Line 23 + Line 20 + Line 11- Line 30)	\$2,194,584,559
37	Overall Coverage at Proposed (Line 35 / Line 36)	198%
38	Contribution (Line 35 - Line 36)	\$2,158,108,398

1/ New volume from packaging service based on estimates to be presented in a separate Commission filing.

TABLE 7

**PRIORITY MAIL
ESTIMATED PER PIECE TEST YEAR COST AND REVENUE**

Line No. Test Year Before Rates (Excludes Fees)

1	Revenue per Piece (Table 6 Line 3)	\$3.54
2	Cost Per Piece (Table 6 Line 5)	\$1.92
3	Coverage (Line 1 / Line 2)	185%

Test Year After Rates (After Adjustments)

4	Revenue per Piece (Table 6 Line 35 / Table 6 Line 34)	\$3.78
5	Cost Per Piece (Table 6 Line 31 / Table 6 Line 29)	\$1.90
6	Coverage (Line 4 / Line 5)	198%

	Average Rate Increase (Before Adjustments) (TABLE 6 Line 14)	7.4%
--	--	------

1 **F. Rate Design**

2 Witness O'Hara proposes a 198 percent cost coverage for Priority Mail.

3 Existing rates in the test year would result in a cost coverage of 185 percent.

4 To meet the cost coverage target, Priority Mail rates must be increased by 7.4
5 percent.

6 **1. Priority Rate**

7 The cost base underlying the rate design for Priority Mail is developed
8 as follows: Test year before rates costs (USPS-T-15) are separated among
9 distance-related transportation, non-distance-related transportation costs, and
10 non-transportation cost (USPS-33N). FY1996 costs are used to distribute test
11 year before rates transportation cost by mode between distance and non-
12 distance related components (USPS-33Q). Pounds and average haul data by
13 zone for the Eagle network and passenger air transportation are used to
14 develop distribution keys to zone for non-distance related and distance-related

1 transportation cost. These FY 1996 data are inflated to the test year by
2 multiplying the air pounds by the ratio of test year before rates volume to FY96
3 volume. Pound miles are calculated by multiplying air pounds by the average
4 haul by zone (USPS-33Q). Non-distance related air transportation costs are
5 distributed based on total air pounds by zone. Distance-related air
6 transportation cost is distributed to zone based on air pound miles (USPS-33
7 O). Surface pound- miles are developed by subtracting Local 1, 2 and 3 air
8 pounds from total Local, 1, 2 and 3 total pounds, subtracting out local pounds,
9 and multiplying the result by an average haul of 250 miles. Zone 4 surface
10 pound miles are developed by subtracting out air pounds from total pounds in
11 Zone 4 and multiplying the result an average haul of 350 miles. The resultant
12 distribution of Local, 1,2 and 3 and Zone 4 surface pound-miles (89.8 percent
13 and 18.2 percent , respectively) is used to distribute distance-related surface
14 transportation cost (USPS-33O). Non-distance-related surface transportation
15 cost is distributed to all the zones based on total postage pounds (USPS-33O).
16 Total distributed transportation costs are then summed by zone and divided by
17 total postage pounds by zone to arrived at a total transportation cost per pound
18 by zone. The weight-related non-transportation per pound charge of two cents
19 per pound is then added to total transportation cost per pound by zone to arrive
20 at the pound charge by zone (USPS-33O).

21 A per piece cost is developed by subtracting out the total weight-related
22 non-transportation costs and transportation cost from test year before rates

1 total attributable cost and dividing by volume (USPS-33N). Per pound cost by
2 zone and per piece costs are adjusted for the contingency. The markup above
3 these costs and the percent increase by rate element form the basis for
4 designing Priority Mail rates. Finally, the base cost for delivery confirmation is
5 added into the cost base to be covered in the test year (USPS-33N, Line 18
6 and Table 6 Line 27). Total test year Priority Mail delivery confirmation volume,
7 66.5 million pieces (See section 2. below for description of development), is
8 multiplied by 14.9 cents, the unit base cost of Delivery Confirmation (USPS-T-
9 22, Table 7) and adjusted for the contingency resulting in an additional \$10
10 million cost to be recovered in the test year.

11 Proposed rate element increases were constrained to be no more than
12 16 percent and were rounded to the nearest nickel. All rate elements cover
13 cost. No change is proposed to the non-presorted Priority mail unzoned rate
14 structure. Rates for 2, 3, 4 and 5 pound pieces will remain unzoned. The flat
15 envelope rate is maintained. The two-pound rate, which represented 80
16 percent of test year volume, is proposed to be raised from \$3.00 to \$3.20 - a
17 6.7 percent increase.

1 2. **Delivery Confirmation Adjustments**

2 Delivery confirmation will be offered as part of the basic Priority Mail
3 service. Customers can obtain a package identification number electronically
4 and apply their own barcoded labels to Priority Mail packages. The customer
5 transmits the identification numbers for barcoded items on the day of
6 acceptance. Inquiries are made via a toll-free telephone modem connection to
7 the information service center. This option is called Priority Mail Base Delivery
8 Confirmation (PMB DC) service. Priority Mail customers can also opt to obtain
9 a delivery confirmation identification number on a USPS-supplied barcoded
10 label at the retail counter and apply the label manually at a per-piece charge.
11 Inquiries can be made using a toll-free number to the corporate call
12 management system. This is called Priority Mail Retail Surcharge Delivery
13 Confirmation (PMRS DC) service. Witness Plunkett (USPS-T-40) addresses
14 Priority Mail delivery confirmation as a special service. Witness Treworgy
15 (USPS-T-22) addresses the costing of delivery confirmation service. I develop
16 final adjustments to revenues, volumes, and costs associated with Priority Mail
17 delivery confirmation. The adjustments are detailed in Exhibit 33-R.

18 In summary, Priority Mail delivery confirmation test year volumes are
19 developed from market research findings contained in Library Reference-H-
20 166. The market research indicates the percent of First-Class, Priority, and
21 Express Mail that will ultimately convert to Priority Mail with delivery
22 confirmation. In addition, the market research indicates the percentage of the
23 non-postal market which will convert to Priority Mail with delivery confirmation. I

1 apply these percentages to test year after rates volumes. The resultant
2 volumes are adjusted to the test year to reflect the phase-in of the market
3 response. I use a phase-in adjustment defined by a standard S-curve formula
4 which assumes that it will take six years to realize the market response and
5 that half of the "full up" volume will be obtained in year three. (See USPS-33R,
6 page 6-8). Under this formulation year one volume is estimated to be 11.92
7 percent of "full up" volume. In the test year 33.7 million pieces of First-Class
8 Mail, 0.8 million pieces of Express Mail, and 12.2 million pieces from non-postal
9 sources will convert to Priority Mail with delivery confirmation. In addition, 19.8
10 million pieces of test year after rates Priority Mail pieces include delivery
11 confirmation. The market research indicated that 89.4 percent of Priority Mail
12 delivery Confirmation volume will be PMRS DC. The 66.5 million Priority Mail
13 delivery confirmation volume will include 59.4 million PMRS DC pieces and 7.1
14 million PMB DC pieces in the test year.

15 The market research did not capture detailed data on the subclass and
16 weight characteristics of converted and new volumes. To make revenue and
17 cost adjustments, I made the following assumptions regarding the converted
18 First-Class Mail: 1) All converted First-Class Mail will be nonpresorted single
19 piece letters ⁴, 2) the extent of conversion across weight steps is in proportion
20 to the proposed nonpresorted single piece proposed rates ⁵, 3) the resulting
21 average \$1.84 revenue per piece implies that the average weight of converted

⁴ See USPS-33R, page 1.

⁵ See USPS-33R, page 3.

1 First-Class pieces is eight ounces ⁶ , 4) the cost coverage for these pieces is
2 200% percent which results in an estimated cost per piece of \$.92 ⁷ , and 5)
3 when this volume converts to Priority Mail, it pays the proposed two-pound rate
4 of \$3.20 for the basic postage and incurs the test year average cost of an eight
5 ounce Priority Mail piece traveling in zones proportional to two-pound piece
6 zone distribution, \$1.33. ⁸ As regards Express Mail, I assume that the
7 converted pieces would have had the average revenue and cost per piece of
8 Express Mail as a whole and that these pieces will have the average revenue
9 and cost of Priority Mail as a whole. I make the latter assumption for the non-
10 postal delivery confirmation volume, as well.

11 Finally, the market research does not indicate to what extent delivery
12 confirmation will be used as a substitute for certified and return receipt. It was
13 necessary for me to develop a means to reflect some revenue and cost impact.
14 (See USPS-33R , page 4 for details). Certified and return receipt service is
15 used to document the sending and delivery of items, in many cases to meet
16 legal requirements or serve as formal notice. The extent to which customers
17 will perceive USPS delivery confirmation to have the same value remains to be
18 seen. Nonetheless, it can be assumed that some customers will find Priority
19 Mail with delivery confirmation sufficient to meet their needs. For the purpose of
20 test year adjustment, I assume that this will be so in one of ten cases. I adjust

⁶ See USPS-33R, page 4.

⁷ See USPS-33R, page 3.

⁸ See USPS -33R, page 5.

1 ten percent factor and adjust the result by the year one percentage. I estimate
2 converted return receipt volume by applying the FY1996 percent of certified
3 return receipt to total certified to converted certified volume. As a result, 3.5
4 million pieces of certified mail, of which 2.9 million pieces include return receipt,
5 will convert to Priority Mail delivery confirmation in the test year. I apply the
6 proposed certified and return receipt fees and the certified and return receipt
7 TYAR unit costs to estimate the revenue and cost impact of Priority Mail
8 delivery confirmation.

9 The resultant adjustments to after rates volumes, revenue, and costs
10 are detailed in USPS-33R. The changes are also reflected in final adjustments
11 to First-Class Mail (Witness Fronk, USPS-T-32), Certified Mail (Witness
12 Needham, USPS-T-39), Return Receipt (Witness Plunkett, USPS-T-40),
13 Express Mail in Tables 2 and 3, and Priority Mail Tables 6 and 7.

1 **3. Elimination of Priority Mail Presort**

TABLE 8
Presort Priority
Volume History
(in millions)

<u>Fiscal Year</u>	<u>Total</u>	<u>Presort</u>	<u>% of Total</u>
1991	530	3	0.6%
1992	584	5	0.9%
1993	664	5	0.8%
1994	770	6	0.8%
1995	869	8	0.9%
1996	937	7	0.7%

2 The Postal Service is requesting the elimination of the Priority Mail
3 presort discount. Table 8 presents the volume history of Priority Mail Presort.
4 As can be seen, Priority Mail Presort volume peaked in 1995. Volume declined
5 by seven percent from 1995 to 1996. Since its introduction, Priority Mail
6 Presort has been less than one percent of total Priority Mail volume. In addition
7 to the lack of market response to the discount, the Postal Service is requesting
8 elimination of the Priority Mail Presort option because presorting will have a
9 diminished workshare value in the Priority Mail Processing Center (PMPC)
10 mailprocessing environment. The PMPC contractor will be required to sort
11 Priority Mail to the five-digit level. As such, the discounts would provide an
12 incentive for mailers to perform sorting at a less fine level.

G. Proposed Priority Mail Rates

TABLE 9
PROPOSED PRIORITY MAIL RATES

Weight up to:	<u>L,1,2&3</u>	<u>Zone 4</u>	<u>Zone 5</u>	<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>
Flat Rate	\$3.20	\$3.20	\$3.20	\$3.20	\$3.20	\$3.20
2	3.20	3.20	3.20	3.20	3.20	3.20
3	4.40	4.40	4.40	4.40	4.40	4.40
4	5.50	5.50	5.50	5.50	5.50	5.50
5	6.60	6.60	6.60	6.60	6.60	6.60
6	6.75	6.90	7.75	7.80	8.25	8.75
7	7.05	7.60	8.60	9.10	9.85	11.15
8	7.35	8.30	9.45	10.05	10.85	12.40
9	7.65	9.00	10.25	11.00	11.90	13.65
10	8.10	9.75	11.10	11.90	12.80	14.85
11	8.55	10.45	11.90	12.85	13.85	16.10
12	9.00	11.15	12.75	13.80	14.85	17.35
13	9.45	11.85	13.60	14.70	15.90	18.60
14	9.90	12.60	14.40	15.65	16.90	19.85
15	10.35	13.30	15.25	16.60	17.95	21.05
16	10.80	14.00	15.50	17.50	18.95	22.30
17	11.25	14.75	16.30	18.45	20.00	23.55
18	11.70	15.45	17.10	19.40	21.00	24.80
19	12.15	16.15	17.90	20.30	22.05	26.05
20	12.55	16.85	18.70	21.25	23.05	27.25
21	12.95	17.60	18.75	22.20	24.10	28.50
22	13.35	18.30	19.50	23.10	25.10	29.75
23	13.75	19.00	20.25	24.05	26.15	31.00
24	14.15	19.75	21.05	25.00	27.15	32.25
25	14.55	20.45	21.80	25.90	28.20	33.45
26	14.95	21.15	22.55	26.85	29.20	34.70
27	15.35	21.85	23.35	27.80	30.25	35.95
28	15.75	22.60	24.10	28.70	31.25	37.20
29	16.15	23.30	24.90	29.65	32.30	38.45
30	16.40	24.00	25.65	30.60	33.30	39.65
31	16.85	24.75	26.40	31.55	34.35	40.90
32	17.30	25.45	27.20	32.45	35.35	42.15
33	17.75	26.15	27.95	33.40	36.40	43.40
34	18.25	26.85	28.70	34.35	37.40	44.65
35	18.70	27.60	29.50	35.25	38.40	45.85
36	19.15	28.30	30.25	36.20	39.45	47.10
37	19.60	29.00	31.05	37.15	40.45	48.35
38	20.05	29.75	31.80	38.05	41.50	49.60
39	20.55	30.45	32.55	39.00	42.50	50.85
40	21.00	31.15	33.35	39.95	43.55	52.10
41	21.45	31.85	34.10	40.85	44.55	53.30
42	21.90	32.60	34.85	41.80	45.60	54.55
43	22.35	33.30	35.65	42.75	46.60	55.80
44	22.85	34.00	36.40	43.65	47.65	57.05
45	23.30	34.75	37.20	44.60	48.65	58.30
46	23.75	35.45	37.95	45.55	49.70	59.50
47	24.20	36.15	38.70	46.45	50.70	60.75
48	24.65	36.85	39.50	47.40	51.75	62.00
49	25.15	37.60	40.25	48.35	52.75	63.25
50	25.60	38.30	41.00	49.25	53.80	64.50
51	26.05	39.00	41.80	50.20	54.80	65.70
52	26.50	39.75	42.55	51.15	55.85	66.95
53	26.95	40.45	43.35	52.05	56.85	68.20
54	27.45	41.15	44.10	53.00	57.90	69.45
55	27.90	41.85	44.85	53.95	58.90	70.70
56	28.35	42.60	45.65	54.85	59.95	71.90
57	28.80	43.30	46.40	55.80	60.95	73.15
58	29.25	44.00	47.15	56.75	62.00	74.40
59	29.75	44.75	47.95	57.65	63.00	75.65
60	30.20	45.45	48.70	58.60	64.05	76.90
61	30.65	46.15	49.50	59.55	65.05	78.10
62	31.10	46.85	50.25	60.45	66.10	79.35
63	31.55	47.60	51.00	61.40	67.10	80.60
64	32.05	48.30	51.80	62.35	68.15	81.85
65	32.50	49.00	52.55	63.25	69.15	83.10
66	32.95	49.75	53.30	64.20	70.20	84.30
67	33.40	50.45	54.10	65.15	71.20	85.55
68	33.85	51.15	54.85	66.05	72.25	86.80
69	34.35	51.85	55.65	67.00	73.25	88.05
70	34.80	52.60	56.40	67.95	74.30	89.30

1 **IV. Proposed Pickup and Delivery Fee**

2 Pickup service is available for Express Mail, Priority Mail, and Standard
3 (B) service on an on-call or scheduled basis. The current fee is \$4.95. The
4 average cost per stop for each option is developed by witness Nelson. In USPS-
5 33J, I develop a weighted average cost based on the test year estimated number
6 of stops for Express Mail, Priority Mail, and Standard (B) Parcels. The weighted
7 average cost is \$8.11 cents. I propose a fee of \$8.25 for pickup yielding a 102%
8 cost coverage.⁹ In this case the relatively low cost coverage is justified due to the
9 large percentage increase of 67 % required to cover the estimated test year cost.

⁹ The average number of pieces per pickup stop in PFY 1996 was 246 for parcel post, 123 for Priority Mail, and 11 for Express Mail. Thus, the increase of \$3.30 per pickup stop increases the total price per piece for Parcel Post by \$0.01 for Parcel Post, \$0.03 for Priority Mail, and \$0.30 for Express Mail.

USPS-33A

EXPRESS MAIL
BEFORE RATES REVENUE AND VOLUME

<u>Line No</u>	<u>Service Category</u>	<u>Revenue /1</u> (1)	<u>Volume /1</u> (2)	<u>Per Piece /2</u> (3)
1	Post Office to Addressee	\$799,061,324	63,419,286	\$12.60
2	Post Office to Post Office	7,803,146	287,901	27.10
3	Custom Designed	23,331,188	669,771	34.83
4	Same Day Airport	1,168	42	27.50
5	Pickup	<u>2,868,407</u> /3		
6	Total	833,065,233	64,377,000	<u>\$12.94</u>
7	w/o Pickup	\$830,196,826		

EXPRESS MAIL
AFTER RATES REVENUE AND VOLUME

	<u>Service Category</u>	<u>Revenue /4</u>	<u>Volume /4</u>	<u>Per Piece /2</u>
8	Post Office to Addressee	\$814,945,499	62,466,672	\$13.05
9	Post Office to Post Office	7,824,668	283,576	27.59
10	Custom Designed	23,018,413	659,710	34.89
11	Same Day Airport	1,254	42	29.97
12	<u>Pickup</u>	<u>4,708,868</u> /3		
13	Total	850,498,703	63,410,000	<u>\$13.41</u>
14	Total w/o Pickup	\$845,789,835		

/1 USPS-33D.

/2 Column (1) / column (2)

/3 USPS-33J

/4 USPS-33E

USPS-33B

EXPRESS MAIL
VOLUMES BY SERVICE
1996 and Test Year

<u>Service Category</u>	<u>1996 /1</u>	<u>Percentages</u>
Post Office to Addressee	56,717,489	98.5123%
Post Office to Post Office	257,477	0.4472%
Custom Designed	598,993	1.0404%
Same Day Airport	<u>38</u>	<u>0.0001%</u>
Total	57,573,997	100%

<u>Service Category</u>	<u>Test /2 Before Rates</u>	<u>Test /3 After Rates</u>
Post Office to Addressee	63,419,286	62,466,672
Post Office to Post Office	287,901	283,576
Custom Designed	669,771	659,710
Same Day Airport	<u>42</u>	<u>42</u>
Total	64,377,000	63,410,000

/ 1 USPS-33C

/2 TYBR volume total distributed on 1996 percentages by service.

/3 TYAR volume total distributed by 1996 percentages by service.

Volume and Calculated Revenue
Next Day and Second Day Post Office to Addressee
FY 1996

<u>Weight</u>		<u>Volume</u>	<u>Current</u>	<u>Calculated</u>
<u>From</u>	<u>To</u>		<u>Rates</u>	<u>Revenue</u>
Flat Rate		12,839	\$15.00	\$192,585
0 - 1/2		44,835,736	10.75	481,984,162
1/2 - 1		4,357,205	15.00	65,358,075
1 - 2		2,956,986	15.00	44,354,790
2 - 3		1,280,256	17.25	22,084,416
3 - 4		713,836	19.40	13,848,418
4 - 5		457,433	21.55	9,857,681
5 - 6		349,252	25.40	8,871,001
6 - 7		230,030	26.45	6,084,294
7 - 8		191,279	27.60	5,279,300
8 - 9		157,693	28.65	4,517,904
9 - 10		119,494	29.80	3,560,921
10 - 11		94,652	30.90	2,924,747
11 - 12		79,266	32.00	2,536,512
12 - 13		69,740	33.10	2,308,394
13 - 14		62,671	34.25	2,146,482
14 - 15		55,005	35.30	1,941,677
15 - 16		46,016	36.45	1,677,283
16 - 17		42,947	37.60	1,614,807
17 - 18		36,682	38.65	1,425,489
18 - 19		34,526	39.80	1,374,135
19 - 20		32,460	40.90	1,327,614
20 - 21		28,876	42.00	1,212,792
21 - 22		25,741	43.10	1,109,437
22 - 23		24,646	44.25	1,090,586
23 - 24		21,962	45.30	994,879
24 - 25		21,024	46.45	976,565
25 - 26		19,184	47.50	911,240
26 - 27		18,879	48.65	918,463
27 - 28		17,706	49.75	880,874
28 - 29		15,963	50.85	811,719
29 - 30		17,856	52.00	928,512
30 - 31		14,906	53.10	791,509
31 - 32		15,760	54.20	854,192
32 - 33		14,783	55.30	817,500
33 - 34		13,525	56.45	763,486
34 - 35		14,421	57.50	829,208
35 - 36		12,086	58.65	709,430
36 - 37		10,614	59.70	633,656
37 - 38		9,764	60.85	594,139
38 - 39		8,306	61.95	514,557
39 - 40		9,153	63.05	577,097
40 - 41		7,907	64.15	507,234
41 - 42		32,719	65.30	2,136,551
42 - 43		15,539	66.40	1,031,790
43 - 44		5,997	67.50	404,798
44 - 45		6,101	68.65	418,834
45 - 46		5,277	69.70	367,807
46 - 47		4,766	70.85	337,671
47 - 48		4,495	71.95	323,415
48 - 49		4,144	73.05	302,719
49 - 50		4,456	74.15	330,412
50 - 51		3,948	75.30	297,284
51 - 52		4,002	76.35	305,553
52 - 53		3,975	77.50	308,063
53 - 54		4,239	78.60	333,185
54 - 55		5,019	79.70	400,014
55 - 56		3,808	80.85	307,877
56 - 57		15,151	81.90	1,240,867
57 - 58		2,596	83.05	215,598
58 - 59		2,506	84.25	211,131
59 - 60		12,404	85.55	1,061,162
60 - 61		1,969	86.95	171,205
61 - 62		1,824	88.25	160,968
62 - 63		1,577	89.55	141,220
63 - 64		1,777	90.95	161,618
64 - 65		1,517	92.25	139,943
65 - 66		1,459	93.65	136,635
66 - 67		1,306	94.95	124,005
67 - 68		1,422	96.35	137,010
68 - 69		1,313	97.65	128,214
69 - 70		2,907	98.95	287,648
Total		56,717,489		\$714,620,956

Volume and Calculated Revenue
Next Day and Second Day Post Office to Post Office
FY 1996

Weight From	To	Volume	Current Rates	Calculated Revenue
Flat Rate		15	\$12.05	\$181
0 -	1/2	40,120	10.25	235,312
1/2 -	1	19,528	12.05	235,312
1 -	2	25,995	12.05	313,240
2 -	3	12,811	14.20	181,916
3 -	4	9,143	16.35	149,488
4 -	5	7,665	18.50	141,803
5 -	6	6,991	22.35	156,249
6 -	7	6,394	23.45	149,939
7 -	8	5,948	24.55	146,023
8 -	9	5,536	25.65	141,998
9 -	10	5,491	26.80	147,159
10 -	11	5,317	27.85	148,078
11 -	12	5,006	29.00	145,174
12 -	13	4,995	30.10	150,350
13 -	14	4,779	31.20	149,105
14 -	15	4,596	32.30	148,451
15 -	16	4,688	33.45	156,814
16 -	17	4,875	34.55	168,431
17 -	18	5,191	35.65	185,059
18 -	19	4,601	36.75	169,087
19 -	20	4,471	37.85	169,227
20 -	21	4,636	39.00	180,804
21 -	22	3,402	40.05	136,250
22 -	23	4,154	41.20	171,145
23 -	24	3,042	42.30	128,677
24 -	25	2,954	43.40	128,204
25 -	26	2,833	44.50	126,068
26 -	27	2,857	45.65	130,422
27 -	28	3,025	46.70	141,268
28 -	29	3,797	47.85	181,686
29 -	30	3,123	49.00	153,027
30 -	31	2,934	50.05	146,847
31 -	32	3,136	51.20	160,563
32 -	33	2,779	52.25	145,203
33 -	34	2,412	53.40	128,801
34 -	35	2,166	54.50	118,047
35 -	36	2,086	55.60	115,982
36 -	37	1,642	56.70	93,101
37 -	38	1,341	57.85	77,577
38 -	39	1,364	58.90	80,340
39 -	40	1,004	60.05	60,290
40 -	41	902	61.15	55,157
41 -	42	794	62.25	49,427
42 -	43	679	63.40	43,049
43 -	44	598	64.50	38,571
44 -	45	541	65.60	35,490
45 -	46	478	66.70	31,883
46 -	47	456	67.80	30,917
47 -	48	424	68.90	29,214
48 -	49	370	70.05	25,919
49 -	50	371	71.10	26,378
50 -	51	314	72.25	22,687
51 -	52	251	73.35	18,411
52 -	53	278	74.45	20,697
53 -	54	251	75.60	18,976
54 -	55	213	76.70	16,337
55 -	56	177	77.80	13,771
56 -	57	157	78.90	12,387
57 -	58	141	80.05	11,287
58 -	59	139	81.20	11,287
59 -	60	121	82.50	9,983
60 -	61	95	83.90	7,971
61 -	62	121	85.20	10,309
62 -	63	100	86.50	8,650
63 -	64	75	87.90	6,593
64 -	65	125	89.20	11,150
65 -	66	88	90.60	7,973
66 -	67	77	91.90	7,076
67 -	68	92	93.30	8,584
68 -	69	66	94.60	6,244
69 -	70	140	95.90	13,426
Total		257,477		\$6,978,413

Volume and Calculated Revenue
Custom Designed
FY 1996

<u>Weight</u>		<u>Volume</u>	<u>Current</u>	<u>Calculated</u>
<u>From</u>	<u>To</u>		<u>Rates</u>	<u>Revenue</u>
0 -	1/2	23,477	\$9 45	\$221,858
1/2 -	1	21,813	14 00	305,382
1 -	2	42,006	14 00	588,084
2 -	3	29,831	16.15	478,541
3 -	4	28,423	18 30	520,141
4 -	5	22,170	20.45	453,377
5 -	6	19,339	24 30	469,938
6 -	7	17,887	25 40	454,330
7 -	8	16,677	26 50	447,241
8 -	9	15,573	27.60	429,815
9 -	10	15,238	28 75	466,843
10 -	11	15,500	29 80	461,900
11 -	12	16,421	30 95	508,230
12 -	13	16,013	32 00	512,416
13 -	14	16,820	33 15	557,583
14 -	15	16,711	34.25	572,352
15 -	16	16,768	35.35	592,749
16 -	17	16,192	36 50	591,008
17 -	18	16,104	37 60	605,510
18 -	19	15,154	38 70	586,460
19 -	20	14,502	39 80	577,180
20 -	21	13,347	40 95	546,560
21 -	22	12,399	42 00	520,758
22 -	23	11,164	43.15	481,727
23 -	24	10,024	44 25	443,562
24 -	25	8,779	45.35	398,128
25 -	26	8,093	46 45	375,920
26 -	27	7,452	47 55	354,343
27 -	28	6,922	48.65	336,755
28 -	29	6,190	49 80	308,262
29 -	30	6,359	50 90	323,673
30 -	31	5,899	52 00	306,748
31 -	32	5,642	53 15	299,872
32 -	33	5,074	54 20	275,011
33 -	34	5,111	55 35	282,894
34 -	35	4,667	56 45	263,452
35 -	36	4,284	57 55	246,544
36 -	37	4,040	58.65	236,946
37 -	38	3,560	59 80	212,888
38 -	39	2,998	60 85	182,428
39 -	40	3,089	62.00	191,518
40 -	41	2,669	63 05	168,280
41 -	42	2,642	64 20	169,616
42 -	43	2,457	65 35	160,565
43 -	44	2,487	66 40	165,137
44 -	45	2,526	67 55	170,631
45 -	46	2,427	68 65	166,614
46 -	47	2,211	69 75	154,217
47 -	48	2,299	70 85	162,884
48 -	49	2,165	72 00	155,880
49 -	50	2,293	73 05	167,504
50 -	51	1,896	74 20	140,683
51 -	52	1,844	75 30	138,853
52 -	53	1,695	76 40	129,498
53 -	54	1,568	77 55	121,443
54 -	55	1,397	78 60	109,804
55 -	56	1,267	79 75	101,043
56 -	57	1,221	80 85	98,718
57 -	58	1,104	81 95	90,473
58 -	59	1,047	83 15	87,058
59 -	60	1,118	84 45	94,415
60 -	61	911	85 85	78,209
61 -	62	850	87 15	74,949
62 -	63	799	88 45	70,672
63 -	64	733	89 85	65,860
64 -	65	673	91 15	61,344
65 -	66	641	92 55	59,325
66 -	67	575	93 85	53,964
67 -	68	568	95 25	54,102
68 -	69	513	96 55	49,530
69 -	70	5,677	97 85	555,494
Total		598 993		20,865,689

Volume and Calculated Revenue
Same Day Airport
FY 1996

Weight From	To	Volume	Current Rates	Calculated Revenue
0 -	1/2	4	\$9.00	\$36
1/2 -	1	1	10 50	11
1 -	2	1	10 50	11
2 -	3	2	11 95	24
3 -	4	0	13.05	0
4 -	5	1	14.15	14
5 -	6	4	15 30	61
6 -	7	0	16 40	0
7 -	8	1	17 55	18
8 -	9	1	18.70	19
9 -	10	0	19 75	0
10 -	11	0	20.90	0
11 -	12	0	22 05	0
12 -	13	0	23.15	0
13 -	14	0	24 30	0
14 -	15	0	25 40	0
15 -	16	0	26 50	0
16 -	17	1	27 65	28
17 -	18	0	28 80	0
18 -	19	3	29 90	90
19 -	20	1	31 00	31
20 -	21	0	32 15	0
21 -	22	0	33.25	0
22 -	23	0	34 40	0
23 -	24	0	35 55	0
24 -	25	0	36 60	0
25 -	26	0	37 75	0
26 -	27	0	38.75	0
27 -	28	8	39.70	318
28 -	29	3	40 65	122
29 -	30	0	41 60	0
30 -	31	0	42 50	0
31 -	32	0	43 45	0
32 -	33	0	44 40	0
33 -	34	0	45 30	0
34 -	35	0	46 30	0
35 -	36	0	47 20	0
36 -	37	0	48 10	0
37 -	38	3	49 10	147
38 -	39	3	50 00	150
39 -	40	1	50 90	51
40 -	41	0	51 90	\$0
41 -	42	0	52 80	0
42 -	43	0	53 75	0
43 -	44	0	54 70	0
44 -	45	0	55 60	0
45 -	46	0	56 55	0
46 -	47	0	57 50	0
47 -	48	0	58 45	0
48 -	49	0	59 35	0
49 -	50	0	60 30	0
50 -	51	0	61 25	0
51 -	52	0	62 15	0
52 -	53	0	63 15	0
53 -	54	0	64 05	0
54 -	55	0	65 00	0
55 -	56	0	65 95	0
56 -	57	0	66 85	0
57 -	58	0	67 80	0
58 -	59	0	68 75	0
59 -	60	0	69 65	0
60 -	61	0	70 65	0
61 -	62	0	71 55	0
62 -	63	0	72 45	0
63 -	64	0	73 45	0
64 -	65	0	74 35	0
65 -	66	0	75 30	0
66 -	67	0	76 25	0
67 -	68	0	77 15	0
68 -	69	0	78 10	0
69 -	70	0	79 05	0
Total		38		\$1,129

Next Day and Second Day Post Office to Addressee
 Test Year Volume, Calculated Revenue and Postage Pounds
 Test Year Before Rates

<u>Weight</u>	<u>Volume</u>	<u>Current Rates</u>	<u>Calculated Revenue</u>	<u>Postage Pounds</u>
Flat Rate	14,356	15 00	\$215,340	14,356
0 - 0.5	50,133,573	10 75	538,935,910	25,066,787
0.5 - 1	4,872,057	15 00	73,080,855	4,872,057
1 - 2	3,306,387	15 00	49,595,805	6,612,774
2 - 3	1,431,532	17 25	24,693,927	4,294,596
3 - 4	798,184	19 40	15,484,770	3,192,736
4 - 5	511,484	21 55	11,022,480	2,557,420
5 - 6	390,520	25 40	9,919,208	2,343,120
6 - 7	257,211	26 45	6,803,231	1,800,477
7 - 8	213,881	27 60	5,903,116	1,711,048
8 - 9	176,326	28 65	5,051,740	1,586,934
9 - 10	133,614	29 80	3,981,697	1,336,140
10 - 11	105,836	30 90	3,270,332	1,164,196
11 - 12	88,632	32 00	2,836,224	1,063,584
12 - 13	77,981	33 10	2,581,171	1,013,753
13 - 14	70,076	34 25	2,400,103	981,064
14 - 15	61,504	35 30	2,171,091	922,560
15 - 16	51,453	36 45	1,875,462	823,248
16 - 17	48,022	37 60	1,805,627	816,374
17 - 18	41,240	38 65	1,593,926	742,320
18 - 19	38,606	39 80	1,536,519	733,514
19 - 20	36,296	40 90	1,484,506	725,920
20 - 21	32,288	42 00	1,356,096	678,048
21 - 22	28,783	43 10	1,240,547	633,226
22 - 23	27,558	44 25	1,219,442	633,834
23 - 24	24,557	45 30	1,112,432	589,368
24 - 25	23,508	46 45	1,091,947	587,700
25 - 26	21,451	47 50	1,018,923	557,726
26 - 27	21,110	48 65	1,027,002	569,970
27 - 28	19,798	49 75	984,951	554,344
28 - 29	17,849	50 85	907,622	517,621
29 - 30	19,966	52 00	1,038,232	598,980
30 - 31	16,667	53 10	885,018	516,677
31 - 32	17,622	54 20	955,112	563,904
32 - 33	16,530	55 30	914,109	545,490
33 - 34	15,123	56 45	853,693	514,182
34 - 35	16,125	57 50	927,188	564,375
35 - 36	13,525	58 65	793,241	486,900
36 - 37	11,868	59 70	708,520	439,116
37 - 38	10,918	60 85	664,360	414,884
38 - 39	9,287	61 95	575,330	362,193
39 - 40	10,235	\$63 05	645,317	409,400
40 - 41	8,841	64 15	567,150	362,481
41 - 42	36,585	65 30	2,389,001	1,536,570
42 - 43	17,375	66 40	1,153,700	747,125
43 - 44	6,706	67 50	452,655	295,064
44 - 45	6,822	68 65	468,330	306,990
45 - 46	5,901	69 70	411,300	271,446
46 - 47	5,329	70 85	377,560	250,463
47 - 48	5,026	71 95	361,621	241,248
48 - 49	4,634	73 05	338,514	227,066
49 - 50	4,983	74 15	369,489	249,150
50 - 51	4,414	75 30	332,374	225,114
51 - 52	4,475	76 35	341,666	232,700
52 - 53	4,445	77 50	344,488	235,585
53 - 54	4,740	78 60	372,564	255,960
54 - 55	5,612	79 70	447,276	308,660
55 - 56	4,258	80 85	344,259	238,448
56 - 57	16,941	81 90	1,387,468	965,637
57 - 58	2,903	83 05	241,094	168,374
58 - 59	2,802	84 25	236,069	165,318
59 - 60	13,870	85 55	1,186,579	832,200
60 - 61	2,202	86 95	191,464	134,322
61 - 62	2,040	88 25	180,030	126,480
62 - 63	1,763	89 55	157,877	111,069
63 - 64	1,987	90 95	180,718	127,168
64 - 65	1,696	92 25	156,456	110,240
65 - 66	1,631	93 65	152,743	107,646
66 - 67	1,460	94 95	138,627	97,820
67 - 68	1,590	96 35	153,197	108,120
68 - 69	1,468	97 65	143,350	101,292
69 - 70	3,250	98 95	321,588	227,500
Total	63,419,286		\$799,061,324	84,480,172

Next Day and Second Day Post Office to Post Office
 Volume, Calculated Revenue and Postage Pounds
 Test Year Before Rates

	<u>Weight</u>	<u>Volume</u>	<u>Current Rates</u>	<u>Calculated Revenue</u>	<u>Postage Pounds</u>
Flat Rate		17	\$12.05	\$204.85	17
0 -	0.5	44,861	10.25	459,825	22,431
0.5 -	1	21,835	12.05	263,112	21,835
1 -	2	29,067	12.05	350,257	58,134
2 -	3	14,325	14.20	203,415	42,975
3 -	4	10,223	16.35	167,146	40,892
4 -	5	8,571	18.50	158,564	42,855
5 -	6	7,817	22.35	174,710	46,902
6 -	7	7,150	23.45	167,688	50,050
7 -	8	6,651	24.55	163,282	53,208
8 -	9	6,190	25.65	158,774	55,710
9 -	10	6,140	26.80	164,552	61,400
10 -	11	5,945	27.85	165,568	65,395
11 -	12	5,598	29.00	162,342	67,176
12 -	13	5,585	30.10	168,109	72,605
13 -	14	5,344	31.20	166,733	74,816
14 -	15	5,139	32.30	165,990	77,085
15 -	16	5,242	33.45	175,345	83,872
16 -	17	5,451	34.55	188,332	92,667
17 -	18	5,804	35.65	206,913	104,472
18 -	19	5,145	36.75	189,079	97,755
19 -	20	4,999	37.85	189,212	99,580
20 -	21	5,184	39.00	202,176	108,864
21 -	22	3,804	40.05	152,350	83,688
22 -	23	4,645	41.20	191,374	106,835
23 -	24	3,401	42.30	143,862	81,624
24 -	25	3,303	43.40	143,350	82,575
25 -	26	3,168	44.50	140,976	82,368
26 -	27	3,195	45.65	145,852	86,265
27 -	28	3,362	46.70	157,939	94,696
28 -	29	4,246	47.85	203,171	123,134
29 -	30	3,492	49.00	171,108	104,760
30 -	31	3,281	50.05	164,214	101,711
31 -	32	3,507	51.20	179,558	112,224
32 -	33	3,107	52.25	162,341	102,531
33 -	34	2,697	53.40	144,020	91,698
34 -	35	2,422	54.50	131,999	84,770
35 -	36	2,332	55.60	129,659	83,952
36 -	37	1,836	56.70	104,101	67,932
37 -	38	1,499	57.85	86,717	56,962
38 -	39	1,525	58.90	89,823	59,475
39 -	40	1,123	60.05	67,436	44,920
40 -	41	1,009	61.15	61,700	41,389
41 -	42	888	62.25	55,278	37,296
42 -	43	759	63.40	48,121	32,637
43 -	44	669	64.50	43,151	29,436
44 -	45	605	65.60	39,688	27,225
45 -	46	534	66.70	35,618	24,564
46 -	47	510	67.80	34,578	23,970
47 -	48	474	68.90	32,659	22,752
48 -	49	414	70.05	29,001	20,286
49 -	50	415	71.10	29,507	20,750
50 -	51	351	72.25	25,360	17,901
51 -	52	281	73.35	20,611	14,612
52 -	53	311	74.45	23,154	16,483
53 -	54	281	75.60	21,244	15,174
54 -	55	238	76.70	18,255	13,090
55 -	56	198	77.80	15,404	11,088
56 -	57	176	78.90	13,886	10,032
57 -	58	158	80.05	12,648	9,164
58 -	59	155	81.20	12,586	9,145
59 -	60	135	82.50	11,138	8,100
60 -	61	106	83.90	8,893	6,466
61 -	62	135	85.20	11,502	8,370
62 -	63	112	86.50	9,688	7,056
63 -	64	84	87.90	7,384	5,376
64 -	65	140	89.20	12,488	9,100
65 -	66	98	90.60	8,879	6,468
66 -	67	86	91.90	7,903	5,762
67 -	68	103	93.30	9,610	7,004
68 -	69	74	94.60	7,000	5,106
69 -	70	157	95.90	15,056	10,990

Custom Designed
Test Year Volume, Calculated Revenue and Postage Pounds
Test Year Before Rates

<u>Weight</u>	<u>Volume</u>	<u>Current Rates</u>	<u>Calculated Revenue</u>	<u>Postage Pounds</u>
0 - 0.5	26,251	\$9.45	\$248,072	13,126
0.5 - 1	24,390	14.00	341,460	24,390
1 - 2	46,969	14.00	657,566	93,938
2 - 3	33,132	16.15	535,082	99,396
3 - 4	31,781	18.30	581,592	127,124
4 - 5	24,790	20.45	506,956	123,950
5 - 6	21,624	24.30	525,463	129,744
6 - 7	20,001	25.40	508,025	140,007
7 - 8	18,871	26.50	500,082	150,968
8 - 9	17,413	27.60	480,599	156,717
9 - 10	18,157	28.75	522,014	181,570
10 - 11	17,331	29.80	516,464	190,641
11 - 12	18,361	30.95	568,273	220,332
12 - 13	17,905	32.00	572,960	232,765
13 - 14	18,807	33.15	623,452	263,298
14 - 15	18,686	34.25	639,996	280,290
15 - 16	18,749	35.35	662,777	299,984
16 - 17	18,105	36.50	660,833	307,785
17 - 18	18,007	37.60	677,063	324,126
18 - 19	16,945	38.70	655,772	321,955
19 - 20	16,216	39.80	645,397	324,320
20 - 21	14,924	40.95	611,138	313,404
21 - 22	13,864	42.00	582,288	305,008
22 - 23	12,483	43.15	538,641	287,109
23 - 24	11,208	44.25	495,954	268,992
24 - 25	9,816	45.35	445,156	245,400
25 - 26	9,049	46.45	420,326	235,274
26 - 27	8,333	47.55	396,234	224,991
27 - 28	7,740	48.65	376,551	216,720
28 - 29	6,921	49.80	344,666	200,709
29 - 30	7,110	50.90	361,899	213,300
30 - 31	6,596	52.00	342,992	204,476
31 - 32	6,309	53.15	335,323	201,888
32 - 33	5,674	54.20	307,531	187,242
33 - 34	5,715	55.35	316,325	194,310
34 - 35	5,218	56.45	294,556	182,630
35 - 36	4,790	57.55	275,665	172,440
36 - 37	4,517	58.65	264,922	167,129
37 - 38	3,961	59.80	238,064	151,278
38 - 39	3,352	60.85	203,969	130,728
39 - 40	3,454	62.00	214,148	138,160
40 - 41	2,984	63.05	188,141	122,344
41 - 42	2,954	64.20	189,647	124,068
42 - 43	2,747	65.35	179,516	118,121
43 - 44	2,781	66.40	184,658	122,364
44 - 45	2,824	67.55	190,761	127,080
45 - 46	2,714	68.65	186,316	124,844
46 - 47	2,472	69.75	172,422	116,184
47 - 48	2,571	70.85	182,155	123,408
48 - 49	2,421	72.00	174,312	118,629
49 - 50	2,564	73.05	187,300	128,200
50 - 51	2,120	74.20	157,304	108,120
51 - 52	2,062	75.30	155,269	107,224
52 - 53	1,895	76.40	144,778	100,435
53 - 54	1,751	77.55	135,790	94,554
54 - 55	1,562	78.60	122,773	85,910
55 - 56	1,417	79.75	113,006	79,352
56 - 57	1,365	80.85	110,360	77,805
57 - 58	1,234	81.95	101,126	71,572
58 - 59	1,171	83.15	97,369	69,089
59 - 60	1,250	84.45	105,563	75,000
60 - 61	1,019	85.85	87,481	62,159
61 - 62	962	87.15	83,838	59,644
62 - 63	893	88.45	78,986	56,259
63 - 64	820	89.85	73,677	52,480
64 - 65	753	91.15	68,636	48,945
65 - 66	717	92.55	66,353	47,322
66 - 67	643	93.85	60,346	43,081
67 - 68	635	95.25	60,484	43,180
68 - 69	574	96.55	55,420	39,606
69 - 70	6,348	97.85	621,152	444,360
Total	669,771		\$23,331,188	11,238,953

Test Year Volume, Calculated Revenue and Postage Pounds
 Same Day Airport
 Test Year Before Rates

<u>Weight</u>	<u>Volume</u>	<u>Current Rates</u>	<u>Calculated Revenue</u>	<u>Postage Pounds</u>
0 0.5	4	\$9.00	\$36.00	2
0.5 1	1	10.50	10.50	1
1 2	1	10.50	10.50	2
2 3	2	11.95	23.90	6
3 4	-	13.05	0.00	-
4 5	1	14.15	14.15	5
5 6	4	15.30	61.20	24
6 7	-	16.40	0.00	-
7 8	1	17.55	17.55	8
8 9	1	18.70	18.70	9
9 10	-	19.75	0.00	-
10 11	-	20.90	0.00	-
11 12	-	22.05	0.00	-
12 13	-	23.15	0.00	-
13 14	-	24.30	0.00	-
14 15	-	25.40	0.00	-
15 16	-	26.50	0.00	-
16 17	1	27.65	27.65	17
17 18	-	28.80	0.00	-
18 19	3	29.90	89.70	57
19 20	1	31.00	31.00	20
20 21	-	32.15	0.00	-
21 22	-	33.25	0.00	-
22 23	-	34.40	0.00	-
23 24	-	35.55	0.00	-
24 25	-	36.60	0.00	-
25 26	-	37.75	0.00	-
26 27	-	38.75	0.00	-
27 28	9	39.70	357.30	252
28 29	3	40.65	121.95	87
29 30	-	41.60	0.00	-
30 31	-	42.50	0.00	-
31 32	-	43.45	0.00	-
32 33	-	44.40	0.00	-
33 34	-	45.30	0.00	-
34 35	-	46.30	0.00	-
35 36	-	47.20	0.00	-
36 37	-	48.10	0.00	-
37 38	3	49.10	147.30	114
38 39	3	50.00	150.00	117
39 40	1	50.90	50.90	40
40 41	-	51.90	0.00	-
41 42	-	52.80	0.00	-
42 43	-	53.75	0.00	-
43 44	-	54.70	0.00	-
44 45	-	55.60	0.00	-
45 46	-	56.55	0.00	-
46 47	-	57.50	0.00	-
47 48	-	58.45	0.00	-
48 49	-	59.35	0.00	-
49 50	-	60.30	0.00	-
50 51	-	61.25	0.00	-
51 52	-	62.15	0.00	-
52 53	-	63.15	0.00	-
53 54	-	64.05	0.00	-
54 55	-	65.00	0.00	-
55 56	-	65.95	0.00	-
56 57	-	66.85	0.00	-
57 58	-	67.80	0.00	-
58 59	-	68.75	0.00	-
59 60	-	69.65	0.00	-
60 61	-	70.65	0.00	-
61 62	-	71.55	0.00	-
62 63	-	72.45	0.00	-
63 64	-	73.45	0.00	-
64 65	-	74.35	0.00	-
65 66	-	75.30	0.00	-
66 67	-	76.25	0.00	-
67 68	-	77.15	0.00	-
68 69	-	78.10	0.00	-
69 70	-	79.05	0.00	-
Total	42		\$1,158	761

Next Day and Second Day Post Office to Addressee
Test Year After Rates Volume, Revenue and Postage Pounds

Weight	Volume	Proposed Rates	Calculated Revenue	Postage Pounds
Flat Rate	14,140	\$14.95	\$211,393	14,140
0 - 0.5	49,380,522	11.25	555,530,873	24,690,261
0.5 - 1	4,798,874	14.95	71,743,166	4,798,874
1 - 2	3,256,722	14.95	48,887,994	6,513,444
2 - 3	1,410,029	18.00	25,380,522	4,230,087
3 - 4	786,194	20.25	15,920,429	3,144,776
4 - 5	503,801	22.00	11,083,822	2,519,005
5 - 6	354,654	24.75	8,820,187	2,307,924
6 - 7	253,347	27.00	6,840,369	1,773,429
7 - 8	210,668	27.75	5,846,037	1,885,344
8 - 9	173,678	28.50	4,949,823	1,583,102
9 - 10	131,807	30.00	3,948,210	1,316,070
10 - 11	104,246	30.75	3,205,565	1,146,706
11 - 12	87,301	31.50	2,749,882	1,047,612
12 - 13	76,809	32.25	2,477,090	998,517
13 - 14	68,024	33.50	2,312,304	966,336
14 - 15	60,581	34.25	2,074,899	908,715
15 - 16	50,680	35.50	1,799,140	810,880
16 - 17	47,300	37.00	1,750,100	804,100
17 - 18	40,821	38.50	1,583,909	731,178
18 - 19	38,026	40.00	1,521,040	722,494
19 - 20	35,750	40.75	1,456,813	715,000
20 - 21	31,803	42.00	1,335,726	687,863
21 - 22	28,350	43.00	1,219,050	623,700
22 - 23	27,144	44.25	1,201,122	624,312
23 - 24	24,188	45.70	1,105,392	580,512
24 - 25	23,155	47.20	1,092,916	578,875
25 - 26	21,129	48.65	1,027,926	549,354
26 - 27	20,793	50.10	1,041,729	561,411
27 - 28	19,501	51.55	1,005,277	546,028
28 - 29	17,581	53.00	931,793	509,849
29 - 30	19,666	54.50	1,071,797	589,980
30 - 31	16,417	55.95	918,531	508,927
31 - 32	17,358	57.40	996,346	555,456
32 - 33	16,281	58.85	958,137	537,273
33 - 34	14,896	60.30	898,229	506,464
34 - 35	15,883	61.75	980,775	555,905
35 - 36	13,322	63.25	842,617	479,582
36 - 37	11,690	64.70	756,343	432,530
37 - 38	10,754	66.15	711,377	408,652
38 - 39	9,148	67.60	618,405	356,772
39 - 40	10,081	67.70	682,484	403,240
40 - 41	8,708	69.15	602,158	357,028
41 - 42	38,038	70.60	2,544,142	1,513,512
42 - 43	17,114	72.00	1,232,208	735,902
43 - 44	8,605	73.45	485,137	290,620
44 - 45	6,719	74.85	502,917	302,355
45 - 46	5,812	76.25	443,165	267,352
46 - 47	5,249	78.55	401,811	246,703
47 - 48	4,951	77.95	385,930	237,648
48 - 49	4,564	79.35	362,153	223,636
49 - 50	4,908	80.75	398,321	245,400
50 - 51	4,348	82.15	357,188	221,748
51 - 52	4,408	83.55	368,288	229,216
52 - 53	4,378	85.00	372,130	232,034
53 - 54	4,669	86.40	403,402	252,126
54 - 55	5,526	87.80	485,358	304,040
55 - 56	4,194	89.20	374,105	234,864
56 - 57	16,887	90.60	1,511,842	951,159
57 - 58	2,859	92.05	263,171	165,822
58 - 59	2,760	93.45	257,622	162,840
59 - 60	13,661	94.85	1,295,746	819,660
60 - 61	2,169	96.25	208,766	132,309
61 - 62	2,009	97.65	196,179	124,558
62 - 63	1,737	99.05	172,050	109,431
63 - 64	1,957	100.50	196,679	125,248
64 - 65	1,671	101.90	170,275	108,615
65 - 66	1,607	103.30	166,003	106,062
66 - 67	1,438	104.70	150,559	96,346
67 - 68	1,585	106.10	166,153	106,488
68 - 69	1,448	107.50	155,445	99,774
69 - 70	3,202	108.95	348,858	224,140
Total	62,466,672		\$814,945,499	83,211,325

Next Day and Second Day Post Office to Post Office
Test Year After Rates Volume, Revenue and Postage Pounds

<u>Weight</u>	<u>Volume</u>	<u>Proposed Rates</u>	<u>Calculated Revenue</u>	<u>Postage Pounds</u>
Flat Rate	17	\$12.25	\$208	17
0 - 0.5	44,187	10.50	463,964	22,094
0.5 - 1	21,507	12.25	263,461	21,507
1 - 2	28,830	12.25	350,718	57,260
2 - 3	14,110	14.00	197,540	42,330
3 - 4	10,070	15.75	158,603	40,280
4 - 5	8,442	17.75	149,846	42,210
5 - 6	7,700	21.00	161,700	48,200
6 - 7	7,042	22.50	158,445	49,294
7 - 8	6,551	23.50	153,949	52,408
8 - 9	6,097	24.50	149,377	54,873
9 - 10	6,048	25.75	155,736	60,480
10 - 11	5,856	26.75	156,848	64,416
11 - 12	5,513	27.75	152,988	66,156
12 - 13	5,501	29.00	159,529	71,513
13 - 14	5,263	31.00	163,153	73,682
14 - 15	5,082	32.00	161,884	75,930
15 - 16	5,163	33.10	170,895	82,608
16 - 17	5,369	34.55	185,499	91,273
17 - 18	5,717	36.00	205,812	102,906
18 - 19	5,067	37.45	189,759	96,273
19 - 20	4,924	38.25	188,343	98,480
20 - 21	5,106	40.00	204,240	107,226
21 - 22	3,747	41.00	153,827	82,434
22 - 23	4,575	42.00	192,150	105,225
23 - 24	3,350	43.00	144,050	80,400
24 - 25	3,253	44.00	143,132	81,325
25 - 26	3,120	45.20	141,024	81,120
26 - 27	3,147	46.65	146,808	84,969
27 - 28	3,332	48.10	160,289	93,296
28 - 29	4,182	49.55	207,216	121,279
29 - 30	3,440	51.00	175,440	103,200
30 - 31	3,231	52.50	169,628	100,161
31 - 32	3,454	53.95	186,343	110,528
32 - 33	3,081	55.40	169,579	101,013
33 - 34	2,656	56.85	150,894	90,304
34 - 35	2,386	58.30	139,104	83,510
35 - 36	2,297	59.80	137,381	82,692
36 - 37	1,808	61.25	110,740	66,896
37 - 38	1,477	62.70	92,608	56,126
38 - 39	1,502	64.15	96,353	58,578
39 - 40	1,106	65.60	72,554	44,240
40 - 41	993	66.50	66,035	40,713
41 - 42	874	67.20	58,733	36,708
42 - 43	748	68.60	51,313	32,164
43 - 44	659	70.05	46,163	28,996
44 - 45	596	71.45	42,584	26,820
45 - 46	526	72.90	38,345	24,196
46 - 47	502	73.50	36,897	23,594
47 - 48	467	74.60	34,838	22,416
48 - 49	408	76.00	31,008	19,992
49 - 50	409	77.40	31,657	20,450
50 - 51	346	78.80	27,285	17,646
51 - 52	276	80.20	22,135	14,352
52 - 53	306	81.65	24,985	16,218
53 - 54	276	83.05	22,922	14,904
54 - 55	235	84.45	19,846	12,925
55 - 56	195	85.85	16,741	10,820
56 - 57	173	87.25	15,094	9,861
57 - 58	155	88.65	13,741	8,990
58 - 59	153	90.10	13,785	9,027
59 - 60	133	91.50	12,170	7,980
60 - 61	105	92.90	9,755	6,405
61 - 62	133	94.30	12,542	8,246
62 - 63	110	95.70	10,527	6,930
63 - 64	83	97.15	8,063	5,312
64 - 65	138	98.55	13,600	8,970
65 - 66	97	99.95	9,695	6,402
66 - 67	85	101.35	8,615	5,695
67 - 68	101	102.75	10,378	6,868
68 - 69	73	104.15	7,603	5,037
69 - 70	154	105.60	16,262	10,780
Total	283,576		\$7,824,668	3,516,228

Custom Designed
Test Year After Rates Volume, Revenue and Postage Pounds

<u>Weight</u>		<u>Volume</u>	<u>Proposed Rates</u>	<u>Calculated Revenue</u>	<u>Postage Pounds</u>
0 -	0.5	25,857	\$9.50	\$245,842	12,929
0.5 -	1	24,024	13.50	324,324	24,024
1 -	2	48,284	13.75	636,130	92,528
2 -	3	32,635	15.50	505,843	97,905
3 -	4	31,304	17.35	543,124	125,216
4 -	5	24,417	19.75	482,236	122,085
5 -	6	21,299	22.75	484,552	127,794
6 -	7	19,700	24.25	477,725	137,900
7 -	8	18,588	25.75	478,541	148,704
8 -	9	17,152	27.25	467,392	154,368
9 -	10	17,884	28.75	514,165	178,840
10 -	11	17,071	29.90	503,595	187,781
11 -	12	18,086	30.25	547,102	217,032
12 -	13	17,836	31.00	546,715	229,268
13 -	14	18,525	31.75	588,169	259,350
14 -	15	18,405	32.50	598,183	276,075
15 -	16	18,488	34.00	627,912	295,488
16 -	17	17,833	34.50	615,239	303,161
17 -	18	17,736	36.00	638,496	319,248
18 -	19	18,690	37.50	625,875	317,110
19 -	20	15,972	38.50	614,922	319,440
20 -	21	14,700	40.50	595,350	308,700
21 -	22	13,656	41.00	559,896	300,432
22 -	23	12,296	43.00	528,728	282,808
23 -	24	11,040	44.00	485,760	264,960
24 -	25	9,859	45.00	435,105	241,725
25 -	26	8,913	46.50	414,455	231,738
26 -	27	8,207	47.50	389,833	221,589
27 -	28	7,624	48.50	369,764	213,472
28 -	29	6,817	50.00	340,850	197,893
29 -	30	7,004	50.80	355,803	210,120
30 -	31	6,497	52.25	339,488	201,407
31 -	32	8,214	53.70	333,692	198,848
32 -	33	5,588	55.15	308,178	184,404
33 -	34	5,629	56.65	318,883	191,386
34 -	35	5,140	58.10	298,634	179,900
35 -	36	4,718	59.55	280,957	169,848
36 -	37	4,450	61.00	271,450	164,650
37 -	38	3,921	62.45	244,896	148,998
38 -	39	3,302	63.95	211,183	128,778
39 -	40	3,402	65.40	222,491	136,080
40 -	41	2,940	66.85	195,539	120,540
41 -	42	2,910	68.30	198,753	122,220
42 -	43	2,706	69.75	188,744	116,358
43 -	44	2,739	71.20	195,017	120,516
44 -	45	2,782	72.70	202,251	125,190
45 -	46	2,673	74.15	198,203	122,958
46 -	47	2,435	75.60	184,088	114,445
47 -	48	2,532	77.05	195,091	121,536
48 -	49	2,384	78.50	187,144	116,816
49 -	50	2,525	79.95	201,874	126,250
50 -	51	2,088	80.25	167,562	106,488
51 -	52	2,031	81.70	165,933	105,612
52 -	53	1,867	83.10	155,148	98,951
53 -	54	1,725	84.55	145,849	93,150
54 -	55	1,539	85.95	132,277	84,645
55 -	56	1,395	87.45	121,993	78,120
56 -	57	1,345	88.85	119,503	76,665
57 -	58	1,218	90.30	109,805	70,528
58 -	59	1,153	91.75	105,788	68,027
59 -	60	1,231	93.15	114,668	73,880
60 -	61	1,003	94.60	94,884	61,183
61 -	62	947	96.05	90,959	58,714
62 -	63	880	97.50	85,800	55,440
63 -	64	807	98.90	79,812	51,848
64 -	65	741	100.35	74,359	48,165
65 -	66	706	101.80	71,871	46,596
66 -	67	833	103.20	85,326	42,411
67 -	68	826	104.70	85,542	42,568
68 -	69	565	106.10	59,947	38,985
69 -	70	6,252	107.55	672,403	437,640
Total		659,710		\$23,018,413	11,070,007

Test Year After Rates Volume, Revenue and Postage Pounds
Same Day Airport

<u>Weight</u>	<u>Volume 1/</u>	<u>Proposed Rates</u>	<u>Calculated Revenue</u>	<u>Postage Pounds</u>	
0	0.5	4	\$9.25	\$37	4
0.5	1	1	10.75	11	1
1	2	1	11.25	11	2
2	3	2	12.25	25	6
3	4	-	13.25	0	-
4	5	1	14.25	14	5
5	6	4	15.50	62	24
6	7	-	16.50	0	-
7	8	1	17.75	18	8
8	9	1	19.00	19	9
9	10	-	20.25	0	-
10	11	-	21.50	0	-
11	12	-	22.75	0	-
12	13	-	24.00	0	-
13	14	-	25.25	0	-
14	15	-	26.50	0	-
15	16	-	27.75	0	-
16	17	1	29.00	29	17
17	18	-	30.25	0	-
18	19	3	31.50	95	57
19	20	1	32.75	33	20
20	21	-	34.00	0	-
21	22	-	35.25	0	-
22	23	-	36.50	0	-
23	24	-	37.75	0	-
24	25	-	39.00	0	-
25	26	-	40.25	0	-
26	27	-	41.50	0	-
27	28	9	42.75	385	252
28	29	3	44.00	132	87
29	30	-	45.25	0	-
30	31	-	46.50	0	-
31	32	-	47.50	0	-
32	33	-	48.70	0	-
33	34	-	49.80	0	-
34	35	-	50.90	0	-
35	36	-	52.00	0	-
36	37	-	53.10	0	-
37	38	3	54.20	163	114
38	39	3	55.30	166	117
39	40	1	56.40	56	40
40	41	-	57.50	0	-
41	42	-	58.60	0	-
42	43	-	59.70	0	-
43	44	-	60.80	0	-
44	45	-	61.90	0	-
45	46	-	63.00	0	-
46	47	-	64.10	0	-
47	48	-	65.15	0	-
48	49	-	66.15	0	-
49	50	-	67.15	0	-
50	51	-	68.15	0	-
51	52	-	69.15	0	-
52	53	-	70.15	0	-
53	54	-	71.15	0	-
54	55	-	72.15	0	-
55	56	-	73.15	0	-
56	57	-	74.15	0	-
57	58	-	75.15	0	-
58	59	-	76.15	0	-
59	60	-	77.15	0	-
60	61	-	78.15	0	-
61	62	-	79.15	0	-
62	63	-	80.15	0	-
63	64	-	81.15	0	-
64	65	-	82.15	0	-
65	66	-	83.15	0	-
66	67	-	84.15	0	-
67	68	-	85.15	0	-
68	69	-	86.15	0	-
69	70	-	87.15	0	-
Check	39				
Total	42			\$1,254	763

USPS-33F

EXPRESS MAIL
DISTRIBUTION OF TRANSPORTATION COSTS
TEST YEAR BEFORE RATES

<u>Line No.</u>		
1	Total TYBR Postage Pounds (USPS-33G)	99,289,873
2	Total TYBR Air Postage Pounds (USPS-33G)	80,462,183
3	Domestic TYBR Air Costs (USPS 33I)	38,783,000
4	Air Cost per Pound (Line 3 / Line 2)	0.482003
5	TYBR Same Day Air Postage Pounds (USPS 33G)	761
6	TYBR ND & CD Air Postage Pounds (Line 2 - Line 5)	80,461,422
7	TYBR Surface Postage Pounds (Line 1 - Line 2)	18,827,689
8	TYBR Distance-Related Surface Costs (USPS-33I)	18,669,064
9	Distance-Related Cost Per Pound (Line 8 / Line 15)	0.991575
10	TYBR Non-Distance Related Costs (USPS-33I TYBR Sur. - Line 8)	12,999,936
11	Total CD and ND Postage Pounds (Line 6 + Line 7)	99,289,112
12	Non-Distance Cost Per Pound (Line 10 / Line 11)	0.130930
13	Trans. Cost Check sum (Line 3 + Line 8 + Line 10)	70,452,000
14	Postage Pounds Check sum (Line 2 + Line 7)	99,289,873

Same Day Air:

	<u>Transportation</u> <u>Cost per Pound</u> (1)	<u>Nontransportation</u> <u>\$0.02 Add-On</u> (2)	<u>Contingency</u> <u>Factor</u> (3)	<u>Cost per Pound</u> <u>Contingency</u> ((1)+(2))*(3)
15	\$0.48	\$0.02	1.01	\$0.51

Next Day and Custom Designed

	<u>Transportation</u> <u>Cost per Pound</u> (1)	<u>Nontransportation</u> <u>\$0.02 Add-On</u> (2)	<u>Contingency</u> (3)	<u>Cost per Pound</u> <u>Contingency</u> ((1)+(2))*(3)
16	\$0.71	\$0.02	1.01	\$0.74

**EXPRESS MAIL.
POSTAGE PAID BY SERVICE
TEST YEAR BEFORE RATES**

<u>Total Postage Pounds 1/</u>					
	Same Day	Next Day	Custom Designed	Total	
	761	88,050,159	11,238,959	99,289,873	
<u>Air Postage Pounds 2/</u>					
Zone	Same Day	Next Day	Custom Designed	Total	
		FY06	FY06	FY06	
2		1,169,996	1,307,704	407,037	1,762,371
3		6,782,234	7,380,498	1,460,303	9,212,401
4		11,420,903	12,765,136	2,279,511	15,312,512
5		12,555,390	14,344,461	2,002,946	16,604,773
6		10,002,250	11,179,508	924,640	12,212,802
7		7,705,017	8,611,892	415,829	9,076,356
8		6,921,493	7,736,148	644,854	8,456,778
2		6,822,265	7,032,860	785,263	7,831,000
Total	761	63,149,547	70,582,206	8,940,385	80,462,183
<u>Surface Postage Pounds 3/</u>					
Zone	Same Day	Next Day	Custom Designed	Total	
		FY06	FY06	FY06	
2	-	13,604,163	15,203,363	824,415	16,126,655
3	-	1,771,409	1,979,456	378,018	2,401,894
4	-	253,312	283,134	16,323	759,149
Total	0	15,628,490	17,467,953	1,216,755	18,877,699
Grand Totals		78,778,037	88,050,159	10,057,140	99,289,873
Sum Check					11,238,959

17 Exhibit-33D

2/ All Same Day Airport postage pounds are assigned to air postage pounds

All mail Dry and Custom Designed postage pounds going to Zones 3 through 9 are assigned to air outside Next Dry and Custom Designed postage pounds going to Zones 2 through 4 are allocated between air and surface pounds according to the share each zone in each service as presented in Docket No. R87-1, USPS-IBX, page 1.

Not Dry		Custom Distances		
Zone	Surface	% Air	Surface	Air
2	13,771,102	89%	1,469,663	725,614
3	2,106,392	79%	620,737	2,397,943
4	286,151	98%	33,227	5,288,230

3/ Postage pounds that were not assigned to air postage pounds.

EXPRESS MAIL
TEST YEAR PER-PIECE COSTS

<u>Service</u>	<u>Cost Study Per-Piece Diff. 1/</u>	<u>TYBR Volume 2/</u>	<u>Calculated Costs 3/</u>	<u>Adjusted TYBR 4/</u>	<u>Adjusted CRA Per- Piece 5/</u>	<u>Per Pound Cost 6/</u>
Custom Designed	-\$1.836	669,771	\$2,366,690	\$2,368,952	\$3.54	\$0.74
Same Day Airport	-1.721	42	\$155	\$155	\$3.65	\$0.51
Post Office to Post Office	-1.721	287,901	\$1,050,430	\$1,051,434	\$3.65	\$0.74
Post Office to Addressee	<u>0.022</u>	<u>63,419,286</u>	<u>\$341,930,350</u>	<u>\$342,257,110</u>	<u>\$5.40</u>	<u>\$0.74</u>

Total		64,377,000	\$345,347,625	\$345,677,650		
			Avg Cost per Piece-->	\$5.37		

Development of Adjusted TYBR CRA Cost

TYBR total Express Mail Cost (Table 2 Line 4)	\$419,288,000
TYBR Total Express Mail Cost with Contingency (Line 1 x Line 5)	\$423,480,880
TYBR Cost Segment 14 Cost (Exhibit 33I Line 6)	\$70,452,000
TYBR Cost Segment 14 with Contingency (Line 3 x Line 5)	\$71,156,520
Contingency Factor (Table 2, Line 3)	1.01
TYBR Pickup Cost (Exhibit 33J)	\$4,641,054
Total Postage Pounds (Exhibit-33F, Line 1)	99,289,873
Two Cent Pound Charge	\$0.02
Total 2 cent Pound Cost (Line 5 x Line 7 x Line 8)	\$2,005,655
Adjusted CRA with Contingency (Line 1 x Line 5)-Line 4-Line 6-Line 9)	\$345,677,650
Sum Check (Line 10 + Line 9 + Line 6 + Line 4)	\$423,480,880
Cost w/o Pickup (Line 1- Line 6)	\$414,646,946

1/ USPS-19, Exhibit 4

2/ USPS-33B

3/ Cost Study cost per piece minus Per Piece Difference multiplied by TYBR volume.

4/ Calculated Cost by Service divided by Total Calculated Cost times Adjusted TYBR Cost (Line 10)

5/ Adjusted TYBR Cost divided by TYBR Volume

6/ USPS-33F

USPS-33I

Distribution of TYBR Purchased Transportation Costs
To Distance-Related and Non-Distance Related Costs
Using FY 1996 Breakdown of Costs

<u>Line No.</u>	<u>Cost Segment 14</u>	<u>FY 1996 /1</u>		<u>TYBR</u>	
		<u>Distance-related</u>	<u>Total</u>	<u>Distance-related /2</u>	<u>Total /3</u>
		(1)	(2)	(3)	(4)
1	Air Total	17,897,000	30,515,000	22,746,169	38,783,000
2	Highway Total	14,888,000	25,341,000	18,438,889	31,385,000
3	Railroad Total	187,000	204,000	217,250	237,000
4	Water Total	11,000	40,000	12,925	47,000
5	Total Surface			<u>18,669,064</u>	<u>31,669,000</u>
6	Total all modes	32,984,000	56,100,000	41,422,260	70,452,000

1/ USPS-T-5, WP - B, W/S 14.0.7

2/ Column (1)/Column(2) * Column (5)

3/ USPS-T-15

USPS-33J

Test Year Pickup Fee Development

Parcel Post	On-Call	Scheduled	Total
Calls	41,439	244	41,683
Cost	\$344,742	\$1,872	\$346,614
Priority			
Calls	250,515	5,887	256,402
Cost	\$2,084,099	\$45,167	\$2,129,266
Revenue at Current			\$1,269,189
Revenue at Proposed			\$2,115,315
PO-PO			
Calls	301,738	27,559	329,297
Cost	\$2,510,237	\$211,434	\$2,721,672
Custom Designed			
Calls		250,206	250,206
Cost		\$1,919,599	\$1,919,599
Express			
Cost			\$4,641,271
Revenue at Current			\$2,868,541
Revenue at Proposed			\$4,780,901
Total			
Calls			877,588
Revenue at Current		\$4.95	4,344,061
Cost			7,117,151
Average Cost includes contingency		\$	8.109899
Revenue at Proposed		\$8.25	7,240,101
Coverage at Proposed			102%

/ 1 - USPS-T-19

/2 - Cost per Stop times Contingency

TOTAL PRIORITY MAIL
FY 1998 VOLUME

USPS-33K
Page 1 of 2

Weight to (Pounds)	<u>L 1,2&3</u>	<u>Zone 4</u>	<u>Zone 5</u>	<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Total</u>
Flat Rate	35,375,625	10,082,123	11,363,277	7,355,615	5,739,023	9,426,502	79,342,166
2	350,384,244	84,157,583	85,054,803	47,724,036	34,479,656	66,615,826	670,416,147
3	41,482,778	12,837,334	12,931,461	8,037,563	5,593,834	11,776,573	62,669,560
4	16,022,251	4,693,148	5,520,971	3,469,236	2,352,198	5,302,034	37,359,841
5	7,746,915	2,485,254	2,833,568	1,832,277	1,315,852	2,787,341	19,001,207
6	4,339,561	1,418,648	1,645,806	982,546	834,494	1,749,490	10,970,595
7	2,573,703	976,992	999,881	703,757	558,193	1,153,209	6,835,736
8	1,656,848	596,529	606,916	448,327	363,062	876,167	4,579,850
9	1,115,449	429,581	557,801	257,770	243,970	584,652	3,189,222
10	793,623	331,903	363,189	203,431	213,686	451,383	2,387,215
11	542,236	210,514	259,515	190,212	160,785	414,331	1,777,595
12	315,818	137,002	284,228	139,036	126,551	340,155	1,322,790
13	316,328	93,585	192,694	114,271	70,080	262,832	1,049,769
14	223,461	98,186	202,809	87,645	81,243	225,397	916,740
15	193,332	59,966	114,594	65,707	52,913	155,696	642,408
16	211,808	44,556	51,917	54,273	52,604	168,759	583,717
17	156,661	69,695	55,071	35,512	45,696	151,288	513,123
18	110,698	55,545	62,145	31,944	39,156	143,878	443,465
19	86,517	24,915	63,233	30,574	42,796	119,448	367,481
20	86,024	32,111	47,204	20,457	31,414	91,603	308,814
21	89,394	20,508	39,784	14,300	19,253	101,420	284,638
22	81,354	24,761	28,037	16,273	15,378	65,951	231,754
23	125,362	23,522	17,693	13,096	22,482	62,524	284,678
24	56,365	10,657	22,566	15,661	16,171	56,329	180,760
25	56,705	21,827	13,098	21,725	9,281	40,282	162,997
26	79,368	13,138	15,495	6,475	10,529	30,298	155,323
27	32,483	12,023	23,908	9,596	11,603	26,819	116,132
28	35,631	5,563	10,151	6,562	17,004	24,399	99,310
29	27,135	2,893	8,809	2,823	7,333	19,005	67,797
30	30,842	11,769	7,073	3,345	11,150	16,077	80,256
31	23,766	33,378	8,004	11,829	14,299	16,963	108,239
32	23,033	12,888	13,777	19,773	4,904	17,592	91,966
33	23,726	7,653	25,159	6,997	3,568	22,700	89,805
34	19,851	3,726	2,522	6,587	6,438	13,144	52,268
35	26,484	1,769	9,915	6,397	4,546	13,110	62,221
36	8,862	11,243	3,671	5,926	3,958	14,472	48,133
37	5,528	6,828	1,224	4,165	1,581	13,490	32,815
38	20,835	6,527	3,222	2,132	2,966	10,897	46,379
39	15,084	2,170	3,540	3,828	1,957	12,413	38,970
40	10,844	2,127	8,884	2,860	1,996	12,180	38,491
41	8,869	4,820	162	460	5,471	10,471	30,084
42	5,548	3,501	10,320	1,654	4,639	6,776	32,439
43	1,581	412	1,841	3,919	240	2,936	10,929
44	8,282	1,393	2,651	1,088	2,133	3,508	19,085
45	987	1,284	606	2,293	1,184	4,165	10,519
46	1,792	3,079	822	1,663	997	6,752	15,105
47	1,547	576	176	1,297	833	2,580	7,019
48	2,859	162	1,307	1,278	1,037	2,198	8,929
49	2,647	365	667	1,019	1,075	5,491	11,284
50	4,549	272	232	629	353	7,689	13,725
51	6,374	2,453	0	419	0	1,440	10,686
52	2,451	978	983	883	6,143	7,888	19,328
53	2,075	330	24	2,926	822	874	7,051
54	974	0	2,535	747	0	18	4,274
55	470	426	0	157	710	4,001	5,764
56	1,013	1,029	555	170	573	1,732	5,072
57	2,621	0	0	0	235	2,405	5,261
58	452	0	241	1,776	221	3,806	6,495
59	363	458	0	894	1,760	1,361	4,855
60	106	42	371	1,028	460	828	2,836
61	2,228	0	0	0	394	260	2,880
62	2,659	0	24	0	39	1,688	4,410
63	1,232	0	470	0	602	737	3,040
64	378	0	695	0	0	181	1,254
65	238	0	24	19	0	206	487
66	457	0	0	0	0	480	916
67	72	5,975	144	0	94	698	6,985
68	849	0	0	0	0	552	1,201
69	1,123	5,289	0	181	0	211	6,803
70	3,368	0	54	88	0	0	3,511
TOTAL	464,584,516	119,101,885	123,482,221	71,988,756	52,643,576	105,471,642	937,272,598

TOTAL PRIORITY MAIL
FY 1996 CALCULATED REVENUE

USPS-33K
Page 2 of 2

Weight to (Pounds)	<u>L1,2&3</u>	<u>Zone 4</u>	<u>Zone 5</u>	<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Total</u>
Flat Rate	\$106,094,589	\$30,239,224	\$34,070,086	\$22,062,625	\$17,210,671	\$28,275,357	\$227,952,551
2	1,050,827,905	252,400,706	255,089,730	143,147,614	103,410,629	205,788,783	2,010,665,367
3	165,899,136	51,337,262	51,720,446	32,147,114	22,366,900	47,102,159	370,573,018
4	80,103,597	23,463,781	27,603,513	17,345,236	11,759,233	26,509,890	186,785,202
5	46,469,743	14,911,246	17,000,463	10,963,581	7,895,111	16,723,687	113,963,830
6	27,550,880	9,788,097	11,685,407	7,074,308	6,506,971	13,965,814	76,603,279
7	17,114,508	7,327,223	7,855,831	5,911,481	5,135,275	11,300,905	54,645,234
8	11,514,564	4,788,201	5,462,207	4,259,109	4,067,709	10,163,135	40,274,925
9	8,253,560	3,694,266	5,466,293	2,732,357	2,756,856	7,600,444	30,503,796
10	6,189,666	3,086,571	4,148,051	2,319,106	2,590,283	6,341,818	24,661,576
11	4,473,376	2,084,088	2,945,501	2,320,581	2,090,209	6,256,397	20,170,151
12	2,747,266	1,445,372	3,197,156	1,807,468	1,759,057	5,463,344	16,449,886
13	2,878,582	1,046,040	2,466,480	1,576,938	1,033,322	4,520,647	13,523,960
14	2,134,052	1,139,726	2,758,207	1,275,252	1,267,006	4,113,313	12,687,537
15	1,933,280	746,575	1,644,430	1,006,568	873,084	3,008,737	9,214,665
16	2,200,713	585,909	781,358	876,504	912,679	3,434,243	8,791,407
17	1,701,908	944,552	670,126	601,835	631,612	3,237,568	8,187,702
18	1,250,866	797,064	1,025,395	567,015	745,930	3,232,270	7,818,559
19	1,012,211	374,968	1,090,781	567,136	653,773	2,807,028	6,705,877
20	1,045,179	502,484	647,303	364,626	653,420	2,248,662	5,692,076
21	874,368	335,290	743,588	287,427	416,617	2,566,348	5,253,836
22	1,057,580	419,698	543,911	340,066	346,776	1,757,569	4,485,631
23	1,686,109	412,619	356,510	264,175	526,088	1,731,904	4,997,588
24	780,658	194,492	470,508	353,046	362,142	1,705,713	3,696,559
25	810,875	413,320	282,916	506,104	232,602	1,202,412	3,447,530
26	1,170,883	256,194	345,534	155,713	273,760	936,202	3,138,286
27	492,117	242,257	542,991	236,438	311,545	656,670	2,684,219
28	555,838	115,719	241,065	168,311	471,005	806,162	2,357,121
29	435,516	61,902	215,376	69,379	209,722	647,108	1,639,002
30	507,354	260,068	178,243	90,969	328,376	564,292	1,829,344
31	401,637	757,688	207,291	331,200	433,273	613,226	2,744,313
32	399,558	301,578	367,165	589,456	152,968	654,406	2,445,180
33	421,181	183,661	668,092	207,104	114,340	868,279	2,482,677
34	390,905	91,658	70,876	200,247	211,799	516,570	1,452,056
35	492,607	44,757	285,558	199,589	153,417	528,985	1,704,914
36	168,815	291,186	106,481	189,346	137,161	599,155	1,494,144
37	107,767	181,271	37,019	136,404	56,130	572,647	1,081,257
38	414,620	177,523	99,881	71,539	107,806	485,312	1,336,682
39	308,558	60,323	112,213	131,415	72,664	552,994	1,239,398
40	225,546	60,504	281,358	93,505	76,090	555,427	1,292,400
41	168,019	134,454	6,372	16,525	213,114	488,456	1,046,939
42	120,117	104,166	349,317	60,706	184,677	323,229	1,142,417
43	34,933	12,497	63,712	146,976	9,774	143,278	411,170
44	166,509	43,252	93,576	41,687	66,626	174,873	628,583
45	22,651	40,640	21,841	89,668	50,203	212,012	437,015
46	41,634	99,808	30,194	66,284	43,180	350,756	631,857
47	36,616	18,980	6,582	52,731	36,796	137,282	289,187
48	69,338	5,445	53,361	52,975	46,696	118,687	346,472
49	65,256	12,502	29,753	43,052	49,344	302,587	499,474
50	114,176	9,490	9,195	27,060	16,501	431,750	608,202
51	162,647	67,093	0	18,362	0	82,362	350,664
52	63,612	35,403	40,415	36,362	297,929	459,484	936,205
53	54,787	12,130	1,006	132,848	40,571	51,820	293,162
54	26,190	0	107,848	34,490	0	1,090	169,588
55	12,796	16,226	0	7,357	36,267	245,636	318,283
56	28,072	39,842	24,415	8,106	29,765	106,156	238,355
57	73,647	0	0	0	12,397	152,728	238,773
58	12,891	0	10,945	87,647	11,843	245,673	369,000
59	11,118	18,577	0	44,836	96,007	89,257	259,792
60	3,127	1,741	17,412	52,402	25,460	55,174	155,315
61	66,433	0	0	0	22,182	17,607	106,222
62	80,569	0	1,164	0	2,234	116,116	200,084
63	37,828	0	23,034	0	34,919	51,445	147,225
64	11,784	0	34,594	0	0	12,805	59,183
65	7,515	0	1,216	1,047	0	14,800	24,578
66	14,810	0	0	0	0	33,548	48,158
67	2,344	273,370	7,506	0	5,796	51,714	340,731
68	21,359	0	0	0	0	41,446	62,805
69	37,390	248,846	0	10,485	0	16,046	312,766
70	113,685	0	2,891	5,196	0	0	121,613
Total	\$1,554,788,376	\$416,781,566	\$444,640,731	\$264,651,145	\$201,127,136	\$435,414,632	\$3,317,603,587

TOTAL PRIORITY MAIL
TEST YEAR BEFORE RATES VOLUMES

USPS-33L
Page 1 of 3

Weight to. (Pounds)	1,1,2&3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Total
Flat Rate	42,414,248	12,068,145	13,824,208	8,819,148	6,880,905	11,302,076	95,128,730
2	420,088,561	100,902,262	101,978,000	57,219,599	41,340,009	82,288,190	803,807,612
3	49,748,518	15,391,555	15,504,434	9,836,782	8,706,829	14,119,736	111,107,852
4	19,210,169	5,828,935	6,819,488	4,159,506	2,820,210	6,356,970	44,793,259
5	9,288,304	2,979,740	3,397,358	2,196,842	1,577,684	3,341,933	22,781,843
6	5,202,983	1,700,914	1,973,341	1,178,042	1,000,532	2,097,582	13,153,393
7	3,085,788	1,171,383	1,162,867	643,783	669,255	1,382,661	8,315,726
8	1,986,508	717,618	727,673	537,530	471,289	1,050,496	5,491,095
9	1,337,388	515,054	668,786	309,067	292,512	700,979	3,823,775
10	951,529	397,941	471,421	243,907	256,202	541,193	2,862,194
11	650,126	252,400	311,151	228,058	192,776	496,770	2,131,280
12	378,656	164,261	316,801	186,700	151,730	407,835	1,585,983
13	379,267	112,205	231,034	137,007	83,999	315,127	1,258,639
14	267,823	115,324	243,182	105,063	97,407	270,244	1,098,143
15	231,799	71,897	137,395	78,780	63,441	186,914	770,227
16	253,712	53,421	62,247	85,071	63,071	202,337	699,859
17	188,071	82,383	66,029	42,578	54,788	181,390	615,218
18	132,723	66,596	74,510	38,300	46,947	172,623	531,700
19	103,731	29,872	75,814	36,657	51,311	143,214	440,598
20	103,140	38,500	58,595	24,528	37,865	109,829	370,258
21	83,202	24,588	47,876	17,145	23,083	121,599	317,293
22	97,541	29,688	33,815	19,510	18,438	79,074	277,865
23	150,305	28,203	21,213	15,701	26,965	74,964	317,340
24	67,580	12,778	27,068	18,813	19,388	71,134	216,749
25	67,987	26,290	15,704	26,047	11,103	48,297	195,428
26	95,184	15,752	18,578	7,763	12,624	36,326	186,227
27	38,946	14,415	28,308	11,505	13,812	32,155	139,239
28	42,720	6,670	12,171	7,867	20,387	29,253	119,069
29	32,534	3,468	10,561	3,145	8,792	22,786	81,286
30	36,979	14,110	8,480	4,011	13,369	19,275	96,225
31	28,494	40,020	9,596	14,182	17,145	20,339	129,775
32	27,615	15,452	16,519	23,707	5,879	21,082	110,284
33	28,450	9,176	30,165	8,389	4,277	27,217	107,673
34	23,801	4,467	3,024	7,898	7,719	15,780	62,668
35	31,754	2,121	11,888	7,670	5,450	15,718	74,601
36	10,625	13,480	4,402	7,105	4,746	17,352	57,709
37	6,627	8,186	1,467	4,984	1,896	16,174	39,344
38	24,981	7,825	3,863	2,567	3,556	12,825	55,607
39	18,062	2,802	4,244	4,587	2,348	14,883	48,724
40	13,001	2,550	10,412	3,189	2,384	14,604	46,150
41	10,633	5,540	230	552	6,560	12,554	36,070
42	6,652	4,198	12,373	1,983	5,562	8,125	38,893
43	1,895	494	2,208	4,699	288	3,520	13,104
44	9,942	1,670	3,178	1,305	2,557	4,206	22,859
45	1,183	1,540	726	2,750	1,420	4,984	12,613
46	2,148	3,692	965	1,994	1,196	8,095	18,110
47	1,855	691	210	1,555	999	3,106	8,416
48	3,428	195	1,875	1,532	1,243	2,633	10,706
49	3,174	438	824	1,222	1,289	6,584	13,530
50	5,454	326	278	754	423	9,219	16,455
51	7,642	2,941	0	503	0	1,726	12,813
52	2,939	1,174	1,179	1,059	7,365	9,457	23,173
53	2,488	395	29	3,508	986	1,048	8,454
54	1,168	0	3,039	895	0	22	5,124
55	563	511	0	188	852	4,797	8,910
56	1,215	1,234	665	203	687	2,076	6,061
57	3,142	0	0	0	262	2,884	6,308
58	541	0	289	2,129	265	4,563	7,787
59	460	549	0	1,072	2,110	1,631	5,822
60	128	51	445	1,233	551	993	3,400
61	2,668	0	0	0	473	312	3,453
62	3,188	0	29	0	47	2,024	5,287
63	1,477	0	563	0	722	883	3,645
64	454	0	834	0	0	217	1,504
65	285	0	29	23	0	247	583
66	547	0	0	0	0	551	1,098
67	87	7,164	173	0	113	837	8,374
68	778	0	0	0	0	662	1,440
69	1,346	6,341	0	217	0	253	8,157
70	4,039	0	65	106	0	0	4,209
TOTAL	557,022,042	142,799,368	148,051,251	86,312,227	63,117,972	126,457,141	1,123,760,000

TOTAL PRIORITY MAIL
TEST YEAR BEFORE RATES POSTAGE POUNDS

USPS-33L
Page 2 of 3

Weight to. (Pounds)	L 1 2&3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Total
Flat Rate	42,414,248	12,068,145	13,624,208	8,819,148	6,880,905	11,302,076	95,128,730
2	809,492,126	151,356,699	152,352,095	85,146,564	61,883,568	122,848,844	1,183,079,725
3	149,245,553	46,174,664	46,513,302	28,910,346	20,120,466	42,359,207	333,323,556
4	76,840,877	22,507,741	26,477,872	16,638,025	11,280,840	25,427,882	179,173,037
5	46,441,520	14,898,702	16,986,791	10,884,210	7,888,322	16,709,857	113,909,213
6	31,217,898	10,205,482	11,840,048	7,068,249	6,003,189	12,585,494	78,620,361
7	21,800,517	8,199,880	8,139,988	5,908,479	4,684,786	9,678,625	58,210,085
8	15,892,066	5,740,842	5,821,387	4,300,241	3,770,152	4,403,969	43,826,756
9	12,036,490	4,635,482	6,019,076	2,781,517	2,632,805	6,308,807	34,413,978
10	9,515,289	3,979,415	4,714,215	2,439,067	2,562,025	5,411,934	28,621,945
11	7,151,381	2,776,397	3,422,859	2,508,633	2,120,541	5,464,465	23,444,076
12	4,543,876	1,971,134	3,801,811	2,000,397	1,820,785	4,884,014	19,031,797
13	4,930,473	1,458,668	3,003,437	1,781,084	1,091,991	4,086,849	16,362,311
14	3,730,916	1,614,532	3,404,267	1,471,167	1,363,702	3,783,412	15,387,996
15	3,476,965	1,078,458	2,080,926	1,181,704	951,814	2,803,717	11,553,404
16	4,059,388	854,736	996,959	1,041,140	1,009,130	3,237,384	11,197,737
17	3,197,203	1,400,167	1,122,490	723,830	931,397	3,083,626	10,458,712
18	2,389,018	1,198,730	1,341,181	689,408	845,051	3,107,216	9,570,804
19	1,970,865	567,569	1,440,461	696,479	974,902	2,721,072	8,371,369
20	2,062,810	789,893	1,131,910	480,555	753,298	2,198,580	7,406,156
21	1,747,232	516,349	1,001,192	380,046	484,747	2,553,583	6,863,149
22	2,145,901	653,127	739,531	429,225	405,633	1,739,620	6,113,038
23	3,457,013	648,662	487,902	361,129	619,957	1,724,166	7,288,830
24	1,821,923	306,881	849,361	451,510	465,318	1,707,210	5,201,973
25	1,869,673	657,238	392,801	651,187	277,577	1,207,415	4,885,892
26	2,474,781	409,558	483,022	201,832	328,229	944,479	4,841,901
27	1,051,550	389,201	784,252	310,637	375,619	868,192	3,759,450
28	1,196,161	186,771	340,779	220,288	570,837	819,096	3,333,931
29	943,485	100,576	306,283	91,202	254,987	660,793	2,357,306
30	1,109,383	423,309	254,413	120,324	401,068	578,263	2,888,741
31	883,315	1,240,805	297,475	439,644	531,481	630,495	4,023,015
32	883,691	494,471	528,593	758,622	188,143	674,935	3,528,455
33	938,840	302,613	995,430	276,833	141,154	898,151	3,563,221
34	809,221	151,888	102,821	288,521	262,431	536,828	2,130,708
35	1,111,381	74,236	416,081	268,446	190,755	550,143	2,611,044
36	382,496	485,286	158,456	256,797	170,859	624,887	2,077,542
37	245,211	302,882	54,286	184,767	70,142	508,437	1,455,727
38	949,267	297,356	148,795	97,150	135,125	487,356	2,113,049
39	704,403	101,464	166,523	178,904	91,504	580,423	1,822,220
40	520,044	101,992	416,468	127,579	95,741	584,157	1,845,981
41	435,971	227,128	9,449	22,627	288,965	514,713	1,478,853
42	279,385	176,322	519,658	83,298	233,621	341,232	1,633,516
43	81,492	21,228	94,934	202,065	12,381	151,389	583,470
44	437,439	73,485	139,846	57,420	112,525	189,062	1,005,778
45	53,251	69,278	32,689	123,732	63,883	224,730	567,563
46	98,812	169,818	45,313	91,737	54,999	372,381	833,061
47	87,170	32,460	9,891	73,099	46,966	145,963	395,548
48	164,555	9,341	80,381	73,552	59,681	128,374	513,893
49	155,527	21,445	40,352	59,865	63,158	322,607	662,954
50	272,696	16,324	13,902	37,724	21,159	460,957	822,763
51	389,732	150,015	0	25,647	0	88,046	653,439
52	152,831	81,057	61,308	55,052	382,985	491,775	1,205,008
53	131,874	20,945	1,530	185,944	52,241	56,530	448,064
54	63,081	0	164,101	48,334	0	1,169	276,686
55	30,987	28,121	0	10,322	46,847	263,812	380,069
56	68,045	89,123	37,256	11,386	38,489	116,282	340,561
57	179,116	0	0	0	16,046	164,372	359,534
58	31,400	0	16,747	123,506	15,351	264,865	451,668
59	27,114	32,367	0	63,243	124,499	96,249	343,473
60	7,851	3,032	26,708	73,988	33,060	59,551	203,990
61	162,771	0	0	0	28,841	19,007	210,619
62	197,662	0	1,790	0	2,909	125,459	327,820
63	93,073	0	35,471	0	45,475	55,632	229,651
64	29,027	0	53,358	0	0	13,859	96,244
65	18,533	0	1,877	1,486	0	16,031	37,926
66	36,128	0	0	0	0	36,366	72,494
67	5,804	480,001	11,607	0	7,577	56,101	561,089
68	52,930	0	0	0	0	44,994	97,924
69	92,889	437,550	0	14,942	0	17,432	562,813
70	282,706	0	4,548	7,411	0	0	294,664
TOTAL	1,081,223,903	303,420,802	324,317,871	193,078,272	147,362,226	320,223,582	2,369,628,656

TOTAL PRIORITY MAIL
REVENUES AT CURRENT RATES
USING 1996 BEFORE RATES VOLUMES

USPS-33L
Page 3 of 3

Weight to: (Pounds)	L-1,2&3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Total
Flat Rate	\$127,204,034	\$36,255,866	\$40,848,848	\$26,452,385	\$20,635,046	\$33,901,252	\$285,297,531
2	1,259,909,198	302,620,410	305,844,463	171,629,431	123,986,061	245,734,198	2,410,723,751
3	198,907,762	61,551,743	62,011,167	38,543,367	26,817,201	55,473,989	444,305,249
4	96,041,663	28,132,302	33,095,733	20,798,388	14,098,946	31,784,478	223,949,509
5	55,715,742	17,878,108	20,383,013	13,180,963	9,465,987	20,051,168	136,674,973
6	33,032,628	11,735,617	14,010,431	8,481,871	7,804,049	18,780,298	91,844,892
7	20,519,750	8,785,107	9,418,852	7,067,690	6,157,031	13,549,425	85,517,866
8	13,805,598	5,740,900	6,549,012	5,106,536	4,901,033	12,185,276	48,288,353
9	9,885,756	4,429,331	6,553,911	3,276,009	3,305,382	9,112,890	36,573,080
10	7,421,212	3,700,701	4,973,381	2,780,536	3,112,636	7,803,757	29,592,424
11	5,363,435	2,498,755	3,531,582	2,782,302	2,506,084	7,501,221	24,183,368
12	3,293,908	1,732,956	3,833,291	2,187,096	2,108,063	6,586,345	19,722,649
13	3,451,304	1,256,586	2,957,231	1,890,699	1,236,920	5,420,112	16,214,833
14	2,558,861	1,368,495	3,307,002	1,528,982	1,519,102	4,831,731	15,211,853
15	2,317,818	896,120	1,971,619	1,209,277	1,046,775	3,807,380	11,048,090
16	2,838,585	702,486	936,823	1,050,901	1,084,273	4,117,548	10,540,617
17	2,040,533	1,132,488	1,043,255	721,701	997,076	3,881,741	9,816,795
18	1,499,772	865,654	1,229,416	679,833	894,346	3,875,389	9,134,410
19	1,213,609	449,574	1,307,787	679,978	1,023,647	3,385,537	8,040,133
20	1,253,137	602,462	1,015,889	473,386	783,430	2,896,314	6,824,618
21	1,048,339	402,002	881,538	344,816	499,751	3,112,939	6,299,184
22	1,268,005	503,205	652,132	407,764	415,774	2,107,270	5,354,149
23	2,021,591	494,957	427,444	340,717	630,739	2,076,498	5,991,946
24	935,984	233,190	564,124	423,290	470,165	2,045,098	4,671,850
25	972,213	495,558	339,207	605,604	279,243	1,441,654	4,133,478
26	1,403,851	307,168	414,284	186,695	328,229	1,122,477	3,762,705
27	560,033	290,459	651,029	285,879	373,532	1,027,380	3,218,293
28	886,433	138,744	289,054	201,799	564,721	985,383	2,826,113
29	522,170	74,218	258,228	83,183	251,450	775,862	1,985,112
30	606,301	311,838	213,707	108,093	383,715	676,588	2,313,222
31	481,549	908,443	248,535	397,098	519,480	735,238	3,290,344
32	479,068	361,582	440,219	682,760	183,439	784,612	2,931,869
33	504,982	220,228	825,000	248,311	137,091	1,041,038	2,976,650
34	432,714	109,895	84,979	240,088	253,940	819,351	1,740,988
35	590,620	53,862	342,375	239,301	183,943	634,237	2,044,137
36	202,404	349,122	130,066	227,020	184,452	718,368	1,791,431
37	129,233	217,338	44,384	163,544	67,299	686,586	1,308,383
38	497,116	212,845	119,754	85,773	129,258	557,884	1,802,639
39	367,564	72,328	134,540	157,562	87,398	663,022	1,482,402
40	270,423	72,542	337,339	112,110	91,193	665,939	1,549,546
41	225,429	161,206	7,640	19,813	255,517	585,643	1,255,247
42	144,016	124,895	418,820	72,787	221,662	387,542	1,369,721
43	41,883	14,983	76,389	176,219	11,719	171,786	492,980
44	223,690	51,857	112,195	49,982	106,259	206,667	733,851
45	27,158	48,726	26,187	107,510	60,192	254,195	523,967
46	50,158	119,427	36,201	79,473	51,771	420,547	757,577
47	44,141	22,756	7,891	63,223	44,118	164,597	346,727
48	83,135	6,529	63,978	63,515	55,951	142,302	415,409
49	78,240	14,990	32,076	51,618	59,182	362,768	598,853
50	136,893	11,378	11,025	32,480	19,784	517,656	729,215
51	195,248	104,422	0	22,051	0	98,749	420,470
52	76,289	42,447	48,457	47,217	357,207	550,883	1,122,479
53	65,688	14,543	1,206	159,280	48,643	82,130	351,492
54	31,365	0	129,306	41,352	0	1,307	203,330
55	15,343	19,455	0	8,821	43,482	294,510	381,611
56	33,658	47,769	29,273	9,719	35,687	129,676	285,780
57	88,301	0	0	0	14,864	183,116	286,281
58	15,456	0	13,123	105,086	14,200	294,564	442,419
59	13,327	22,273	0	53,757	115,109	107,016	311,482
60	3,749	2,087	20,877	62,828	30,525	66,151	186,217
61	79,651	0	0	0	26,595	21,110	127,356
62	96,599	0	1,396	0	2,679	139,219	239,894
63	45,355	0	27,617	0	41,866	61,680	176,518
64	14,128	0	41,477	0	0	15,353	70,959
65	9,010	0	1,458	1,255	0	17,745	29,468
66	17,516	0	0	0	0	40,223	57,739
67	2,811	327,762	9,000	0	6,949	62,004	408,526
68	25,609	0	0	0	0	49,692	75,301
69	44,829	298,358	0	12,571	0	19,239	374,997
70	136,305	0	3,515	6,230	0	0	146,050
TOTAL	\$1,864,141,755	\$499,707,827	\$533,349,872	\$317,308,296	\$241,145,034	\$522,048,279	\$3,977,701,052

TOTAL PRIORITY MAIL
TEST YEAR AFTER RATES VOLUMES

USPS-33M
Page 1 of 2

Weight (Pounds)	L 1,2&3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Total
Flat Rate	41,058,089	11,701,640	13,168,589	8,537,165	6,660,895	10,940,704	92,087,093
2	408,667,327	97,678,022	98,717,395	55,360,065	40,018,208	79,637,754	778,106,741
3	48,157,863	14,699,427	15,008,697	9,326,656	8,462,385	13,668,272	107,555,300
4	18,565,945	5,447,020	6,407,818	4,026,510	2,730,037	6,153,713	43,361,044
5	8,991,321	2,884,467	3,258,731	2,126,900	1,527,220	3,235,079	22,053,418
6	5,036,623	1,646,529	1,910,246	1,140,375	968,541	2,030,514	12,732,828
7	2,987,123	1,133,929	1,125,678	816,804	647,856	1,338,452	8,049,840
8	1,622,992	694,873	704,407	520,343	456,201	1,016,906	5,315,523
9	1,294,626	496,595	647,402	298,178	283,159	678,566	3,701,514
10	921,105	385,218	458,348	238,108	248,011	523,689	2,770,679
11	629,339	244,329	301,202	220,766	186,613	480,886	2,063,134
12	366,549	159,009	306,672	161,370	146,879	364,794	1,535,273
13	367,141	106,617	223,647	132,627	81,314	305,051	1,218,396
14	259,356	111,636	235,367	101,723	94,283	261,603	1,063,999
15	224,387	69,596	133,002	76,261	61,412	180,938	745,600
16	245,600	51,713	80,257	62,961	61,054	195,667	677,481
17	162,057	79,729	63,918	41,217	53,036	175,590	595,547
18	126,480	64,467	72,128	37,076	45,446	167,104	514,700
19	100,414	28,917	73,390	35,485	49,670	138,635	426,511
20	99,643	37,269	54,786	23,744	36,461	106,318	358,419
21	80,541	23,802	46,151	16,597	22,345	117,711	307,148
22	94,422	28,738	32,540	18,886	17,848	76,545	268,981
23	145,499	27,301	20,535	15,199	26,093	72,567	307,194
24	65,419	12,969	26,191	18,211	18,768	68,859	209,819
25	66,613	25,449	15,202	25,215	10,748	46,752	189,179
26	92,140	15,249	17,964	7,515	12,221	35,165	180,273
27	37,701	13,854	27,401	11,137	13,467	31,127	134,787
28	41,354	6,457	11,782	7,616	19,735	28,316	115,262
29	31,494	3,357	10,224	3,044	8,511	22,057	78,667
30	35,796	13,659	8,209	3,883	12,841	18,659	93,148
31	27,583	38,740	9,289	13,729	16,596	19,688	125,625
32	26,732	14,956	15,990	22,949	5,691	20,417	106,739
33	27,540	8,883	29,200	8,121	4,141	26,346	104,231
34	23,040	4,324	2,927	7,645	7,472	15,256	60,664
35	30,738	2,053	11,508	7,425	5,276	15,216	72,216
36	10,285	13,049	4,261	6,878	4,594	16,797	55,664
37	8,415	7,924	1,420	4,834	1,835	15,657	38,086
38	24,182	7,575	3,740	2,475	3,442	12,415	53,829
39	17,484	2,518	4,108	4,441	2,271	14,407	45,230
40	12,585	2,468	10,079	3,087	2,317	14,137	44,674
41	10,293	5,363	223	534	6,350	12,153	34,916
42	6,439	4,064	11,977	1,920	5,385	7,865	37,650
43	1,835	478	2,137	4,549	279	3,406	12,685
44	9,624	1,617	3,077	1,263	2,476	4,071	22,128
45	1,146	1,490	703	2,662	1,374	4,634	12,209
46	2,079	3,574	954	1,931	1,157	7,836	17,531
47	1,795	669	204	1,506	967	3,006	8,147
48	3,319	188	1,621	1,483	1,204	2,549	10,364
49	3,073	424	797	1,183	1,248	6,373	13,097
50	5,280	316	299	730	410	8,924	15,929
51	7,397	2,647	0	487	0	1,671	12,403
52	2,845	1,137	1,141	1,025	7,130	9,155	22,432
53	2,409	383	26	3,396	954	1,014	8,184
54	1,131	0	2,942	866	0	21	4,960
55	545	495	0	162	825	4,643	6,669
56	1,176	1,195	644	197	685	2,010	5,887
57	3,042	0	0	0	273	2,792	6,106
58	524	0	280	2,061	256	4,417	7,538
59	445	531	0	1,036	2,043	1,579	5,635
60	123	49	431	1,184	533	961	3,291
61	2,583	0	0	0	458	302	3,342
62	3,086	0	28	0	45	1,956	5,118
63	1,430	0	545	0	699	855	3,529
64	439	0	807	0	0	210	1,456
65	276	0	26	22	0	239	565
66	530	0	0	0	0	533	1,063
67	84	6,935	168	0	109	811	8,107
68	753	0	0	0	0	641	1,394
69	1,303	6,139	0	210	0	245	7,896
70	3,910	0	93	102	0	0	4,075
TOTAL	539,211,870	138,233,514	143,317,474	83,552,487	61,099,843	122,413,812	1,087,829,000

TOTAL PRIORITY MAIL

USPS-33M

TY Revenues at Proposed Rates

Page 2 of 2

Weight to: (Pounds)	(Without Delivery Confirmation, Std A SP, HAZMAT and Package Services Adjustments)	L 1 2&3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Total
Flat Rate		\$131,385,917	\$37,445,247	\$42,203,484	\$27,318,928	\$21,314,887	\$35,010,254	\$294,678,698
2		1,301,335,445	312,583,271	315,885,568	177,248,208	128,058,284	254,840,814	2,488,941,571
3		211,884,587	85,557,477	86,038,285	41,046,088	28,588,494	80,140,389	473,243,319
4		102,277,898	29,958,610	35,242,987	22,145,806	15,015,203	33,845,423	238,485,740
5		59,342,717	19,037,479	21,705,927	14,035,562	10,079,854	21,351,520	145,552,559
6		33,987,207	11,361,048	14,804,408	8,894,925	7,980,481	17,787,001	84,815,048
7		21,059,221	8,617,861	9,880,811	7,432,914	6,381,386	14,923,738	68,065,929
8		14,133,890	5,785,783	6,868,645	5,229,449	4,949,777	12,809,854	49,345,288
9		9,903,891	4,487,268	6,635,875	3,290,833	3,389,592	9,282,420	38,949,979
10		7,480,649	3,755,873	5,085,488	2,809,888	3,174,536	7,779,757	30,046,287
11		5,380,844	2,553,243	3,584,305	2,836,839	2,584,585	7,742,283	24,882,079
12		3,288,643	1,772,952	3,910,082	2,226,902	2,181,153	6,849,684	20,239,898
13		3,489,478	1,287,117	3,041,594	1,948,810	1,292,885	5,873,949	18,714,833
14		2,587,625	1,408,818	3,389,574	1,591,971	1,593,548	5,182,819	15,742,156
15		2,322,410	925,858	2,028,281	1,285,938	1,102,354	3,808,747	11,453,389
16		2,652,478	723,981	933,985	1,102,337	1,156,973	4,387,834	10,937,586
17		2,048,146	1,178,007	1,041,857	780,450	1,080,725	4,135,148	10,222,331
18		1,503,211	998,011	1,233,383	719,271	954,370	4,144,171	9,550,418
19		1,220,031	487,008	1,313,876	720,340	1,085,224	3,811,447	8,427,727
20		1,253,028	827,977	1,024,497	504,550	840,417	2,897,161	7,147,627
21		1,043,009	418,913	885,340	368,450	538,517	3,354,768	6,588,998
22		1,280,536	525,912	834,535	436,277	447,983	2,277,224	5,582,477
23		2,000,612	518,718	415,831	395,541	682,327	2,249,575	8,232,804
24		925,883	244,287	551,325	455,285	508,561	2,220,714	4,908,855
25		957,581	520,431	331,402	653,059	303,096	1,583,887	4,329,436
26		1,377,500	322,507	405,534	201,768	358,841	1,220,212	3,884,380
27		578,711	304,884	639,803	309,614	407,377	1,119,020	3,358,419
28		651,327	145,930	283,935	218,575	618,724	1,053,433	2,989,925
29		508,824	78,224	254,573	90,285	274,900	848,107	2,054,893
30		587,061	327,819	210,588	118,806	430,951	739,835	2,415,041
31		484,773	958,814	245,233	433,137	570,065	805,249	3,477,292
32		482,470	380,885	434,838	744,893	201,194	880,591	3,084,570
33		488,836	232,284	816,142	271,230	150,719	1,143,437	3,102,847
34		420,473	118,112	84,018	282,811	279,444	681,166	1,843,824
35		574,809	56,889	339,484	281,719	202,594	897,645	2,132,820
36		198,981	389,276	128,890	248,994	181,246	791,142	1,918,509
37		125,742	229,804	44,101	179,584	74,231	757,008	1,410,470
38		484,849	225,355	118,916	94,187	142,852	615,788	1,681,928
39		358,299	78,887	133,731	173,183	98,528	732,585	1,572,012
40		264,293	78,887	336,128	123,345	100,905	738,537	1,638,085
41		220,794	170,799	7,607	21,824	282,908	847,732	1,351,865
42		141,021	132,484	417,405	80,251	245,536	429,024	1,445,722
43		41,003	15,914	76,180	194,487	12,889	190,147	530,710
44		219,906	54,969	111,962	55,142	117,983	232,278	792,250
45		28,691	51,788	28,159	118,711	88,856	281,842	572,046
46		49,388	128,687	38,188	87,935	57,523	466,266	823,985
47		43,448	24,188	7,883	69,934	49,043	182,633	377,109
48		81,804	8,942	64,040	70,310	62,286	158,013	443,395
49		77,274	15,930	32,086	57,182	65,817	403,111	651,401
50		135,158	12,105	11,035	35,870	22,040	575,622	791,927
51		192,704	111,049	0	24,437	0	109,797	437,987
52		75,395	45,181	48,582	52,420	398,189	612,916	1,232,663
53		64,913	15,474	1,211	178,772	54,244	89,170	381,785
54		31,041	0	129,731	45,922	0	1,456	208,150
55		15,206	20,714	0	9,801	48,565	328,275	422,561
56		33,348	50,901	29,399	10,795	39,868	144,525	308,833
57		87,807	0	0	0	18,810	204,200	308,416
58		15,329	0	13,178	118,980	15,885	328,646	490,018
59		13,235	23,765	0	59,820	128,889	119,465	344,974
60		3,728	2,223	20,985	69,951	34,183	73,884	204,934
61		79,171	0	0	0	29,772	23,557	132,500
62		95,980	0	1,404	0	3,002	155,434	255,820
63		45,120	0	27,796	0	48,888	88,898	188,700
64		14,072	0	41,808	0	0	17,158	73,035
65		8,970	0	1,489	1,400	0	19,839	31,878
66		17,480	0	0	0	0	44,964	62,424
67		2,801	349,877	9,073	0	7,794	89,343	438,887
68		25,506	0	0	0	0	55,597	81,103
69		44,764	318,284	0	14,045	0	21,534	398,626
70		136,051	0	3,547	6,984	0	0	148,582
TOTAL		\$1,934,279,852	\$518,185,951	\$553,823,532	\$330,522,045	\$251,137,183	\$546,457,427	\$4,134,385,991

PRIORITY MAIL
TEST YEAR BEFORE RATES
NONTRANSPORTATION COST DEVELOPMENT

USPS-33N

Line No

1 Total Attributable Costs (TYBR Rollforward June 5, 1997)	\$2,130,953,000
2 Total Transportation Costs (TYBR Rollforward)	\$723,114,000
3 Total Nontransportation Costs+ Delivery Confirmation Base Cost (Line 1-Line2+ Line 18)	\$1,417,821,571
4 Nontransportation cost per Pound	\$0.02000
5 Nontransportation cost per Pound including contingency and markup (Line 8 x Line 11 x Line 12) *	\$0 04000
6 Postage Pounds (USPS-33G page 2 of 3)	2,369,626,656
7 Nontransportation costs per pound element (Line 5 x Line 6)	\$94,775,588
8 Net Nontransportation Cost Piece Cost (Line 3 -Line 7)	\$1,323,045,983
9 Test Year Before Rates Volumes (RCF Forecast)	1,123,760,000
10 Net Nontransportation Cost Per Piece (Line 8 / Line 25)	\$1 16618
11 Markup to Achieve Target	198%
12 Contingency (From Witness Foster/Tayman)	101%
13 Net Nontransportation Cost Per Piece includes markup & contingency (Lines 10 x Lines 11 x Line 12)	\$2.33212
14 Weight Related Cost (Transportation plus Non-Transportation Pound Cost) (Line 2 + Line 7)	\$817,889,588
15 Test Year After Rates Total Volume Forecast (RCF Round 4 Forecast 6/23/97)	1,087,829,000
16 Test Year Delivery Confirmation Volume (USPS- 33R x 1, 000, 000)	66,487,284
17 Test Year Priority Mail Unit Attributable Base Cost for Delivery Confirmation (USPS-T-22, Table 7)	\$0.148656
18 Test Year Priority Mail Delivery Confirmation Cost Base with Contingency (Line 16 x Line 17x Line 12)	\$9,982,571
19 Test Year Attributable Cost Including Delivery Confirmation Base	\$2,140,935,571
20 Test Year New Delivery Confirmation Volume (Non-Postal + Express+First Class) (USPS- 33R, p. x 1 million)	46,686,795
21 TYAR Volume Forecast (RCF Forecast) + New Delivery Confirmation Volume (Line 9 + Line 20)	1,134,515,795

PRIORITY MAIL
DISTRIBUTION OF TRANSPORTATION COST TO ZONES
TOTAL TEST YEAR BEFORE RATES

USPS - 330

Zones	Air Line Haul Pound Miles /1	Distance-related Air TYBR Cost	Terminal Handling Pounds /2	Non-Distance Air TYBR Cost	Total Air Cost	Postage Pounds /3	Inter-SCF Key /4	Dist -related Surface	Non-Distance Surface	Includes Markup and Contingency			
										Total Trans. Cost	Total /5 \$ per Pound	Non-Trans. Pound Charge	Pound Charge
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
		Dist on Col. 2		Dist on Col. 4	Col. 3 + Col. 4			Dist on Col. 6	Dist on Col. 7	Sum 10, 9, 3, 6,	(11)*(7)*1k	USPS-33N, L. 6	(12)*(13)
L 1, 2, 3	6,605,103,688	1,026	38,515,654	8,646	9,672	1,081,223,903	0.8181	\$137,057	\$56,631	\$202,258	\$0.374	\$0.040	\$0.414
4	65,013,879,030	10,092	199,024,765	35,287	45,378	303,420,802	0.1819	\$30,476	\$15,611	\$91,486	\$0.603	\$0.040	\$0.643
5	182,863,383,014	28,384	273,301,934	60,644	88,028	324,317,871			\$16,687	\$106,716	\$0.652	\$0.040	\$0.692
6	174,615,089,666	27,088	181,299,934	40,229	67,318	193,076,272			\$9,934	\$77,252	\$0.800	\$0.040	\$0.840
7	182,600,238,167	28,328	134,224,405	29,784	58,111	147,362,226			\$7,582	\$65,693	\$0.892	\$0.040	\$0.931
8	640,240,416,752	99,379	292,369,358	84,875	184,254	320,223,582			\$16,476	\$180,730	\$1.128	\$0.040	\$1.169
Total	1,251,738,090,337	194,298 /5	1,078,736,051	239,365 /5	433,661	2,369,626,656	1.0000	\$167,532	\$121,921	\$723,114			
Sum Check—>		194,296		239,365				\$167,532	\$121,921	\$723,114			

"Dist" means distributed in proportion to designated column.

1/ USPS-33P, Column (6)

2/ USPS-33P, Column (5)

/3 USPS-33L, page 2 of 3, totals by zone.

/4 USPS-33P, Column (9)

/5 USPS-33Q.

/6 Multiplied by USPS-33N, Line 11 and Line 12.

DEVELOPMENT OF TRANSPORTATION DISTRIBUTION KEYS TO ZONES

USPS-33P

TEST YEAR BEFORE RATES

Zone	From	To	<u>Eagle /1</u>		<u>Passenger Air /1</u>		<u>Total Air</u>		<u>Postage</u> Pounds	<u>Surface</u> Pound Miles	<u>Inter-Sat</u> Key
			<u>Pounds</u>	<u>Avg. Haul</u>	<u>Pounds</u>	<u>Avg. Haul</u>	<u>Total Pounds</u>	<u>Pass Air Pound Miles</u>			
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
							(1)+(3)	(3)x(4)			Dist. on (8)
1	1	50	61,601	44	414,176	44	475,777	18,020,813			
2	51	150	2,700,020	122	3,899,062	108	6,599,082	419,227,193			
3	151	300	5,852,280	224	25,588,515	241	31,440,795	6,167,855,682			
L123							38,515,654	6,605,103,688	947,667,000 /2	227,287,836,390 /3	81.8%
4	301	600	20,165,562	463	138,859,203	468	159,024,765	65,013,879,030	303,420,802	50,538,612,876 /4	18.2%
5	601	1000	42,576,989	806	230,724,946	793	273,301,934	182,863,363,014	324,317,871		
6	1001	1400	31,509,288	1171	149,790,646	1165	181,299,934	174,515,089,686	193,078,272		
7	1401	1800	19,541,753	1563	114,682,652	1591	134,224,405	182,500,238,167	147,362,226		
8	1800		44,368,917	2901	248,000,440	2582	292,368,358	640,240,416,752	320,223,582		
Total			166,776,410		911,959,641		1,078,736,051	1,251,738,090,337	2,236,069,754	277,826,449,267	100.0%
Check-->							1,078,736,051				

1/ PFY96 Pounds and Average Haul times (PFY96vol /TYBRvc or 1.1990

PFY 1996 Transportation Data (LR-H-191, Eagle, page 20, Pass Air, page 10)

Zone	<u>Eagle</u>		<u>Passenger Air</u>	
	<u>Pounds</u>	<u>Avg. Haul</u>	<u>Pounds</u>	<u>Avg. Haul</u>
1	51,378	44	345,444	44
2	2,251,953	122	3,252,015	108
3	4,881,097	224	21,342,114	241
L123	7,184,428		24,939,573	
4	16,819,097	463	115,815,589	468
5	35,511,359	806	192,436,258	793
6	26,280,338	1171	124,832,964	1165
7	16,298,809	1563	95,651,124	1591
8	37,005,918	2901	206,844,893	2582
Total	139,099,949		760,620,401	

2/ Test Year Before Rates Postage Pounds time (1 - Local Percent)

Local Percent from R90-1:

1 Local Postage Pounds	59,543,062
2 Total TYBR L, 1, 2, 3 Postage Pounds	482,037,098
3 Local Percent (Line 1/ Line 2)	12%

3/ [TYBR Non-Local Postage Pounds (USPS-33L) - Air Pounds (Column 5)] x 250 Miles

4/ [Column (7) - Column (5)] x 350 Miles

DEVELOPMENT OF DISTANCE AND NON-DISTANCE RELATED TRANSPORTATION COST

USPS-33Q

<u>Cost Element</u>	<u>Base Year 1996 /1</u>			<u>Test Year BR</u>		
	Percent	Priority	Distance	Priority	Distance-	Non-Distance
	Distance					
	<u>Related</u>	<u>Total</u>	<u>Related</u>	<u>Total /2</u>	<u>Related</u>	<u>Related</u>
<u>Air</u>						
Loose Sack and Container	34.52%	\$287,267	\$99,168			
Intra-Alaska Preferential	50.42%	\$7,655	\$3,860			
Intra-Alaska Non-preferential	46.99%	\$694	\$326			
Intra-Hawaii	54.77%	\$10,012	\$5,483			
Network	81.76%	\$29,765	\$24,337			
Western Air	83.80%	\$5,511	\$4,618			
Christmas	76.47%	\$27,524	\$21,047			
Air Taxi	86.14%	\$15,069	\$12,981			
Air Total		\$383,497	\$171,821	\$433,661	\$194,296	\$239,365
<u>Highway</u>						
Intra-SCF		\$58,862	\$0			
Inter-SCF		\$63,932	\$63,932			
Plant Load		\$177	\$177			
Intra-BMC		\$11,861	\$11,861			
Inter-BMC		\$4,063	\$4,063			
Alaskan		\$83	\$83			
Contract Terminal		\$207	\$119			
Area Bus		\$0	\$0			
Empty Equipment		\$437	\$0			
Highway Total		\$139,622	\$80,235	\$285,404	\$164,011	\$121,393
<u>Railroad</u>						
Passenger		\$2,326	\$2,326			
Freight		\$232	\$232			
Plant Load		\$0	\$0			
Empty Equipment		\$248	\$0			
Railroad Total		\$2,806	\$2,558	\$3,501	\$3,192	\$309
<u>Water</u>						
Inland		\$171	\$0			
Offshore		\$259	\$259			
Water Total		\$430	\$259	\$548	\$330	\$218
Total all modes		\$526,355	\$254,873	\$723,114	\$361,828	\$361,286
Percent Distance-related			48.42%			

Summary of Test Year Before Rates Transportation Cost

	Distance	Non-Distance	
	<u>Related</u>	<u>Related</u>	<u>Total</u>
Air	\$194,296	239,365	433,661
Surface	167,532	121,921	289,453
Total	361,828	361,286	723,114

/1 USPS-T-5, WP-B, W/S, W/S 14.0.7

/2 USPS-T-15, Test Year apportioned on 1996 distance and non-distance related split.

**Priority Mail Delivery Confirmation
Revenue, Cost and Volume Adjustments
(in millions)**

USPS - 33R
Page 1 of 8

	<u>TYARVOL /1</u>	<u>Percent of Class Volume Switched to Priority w/DC /2</u>	<u>Subclass Volume Switched to Priority w/DC /3</u>	<u>Volume from Non-Postal Sources /4</u> <u>102.485</u>	<u>Year 1 Percent /4</u> <u>11.92%</u>
	(1)	(2)	(3) (1)x(2)x Yr 1 %	(4)	
Single Piece - Letters	54,413.387		33.700		
Total First Class Mail	100,969.614	0.28%	33.700		
Priority Mail	1,087.829	15.27%	19.800	12.216	
<u>Express Mail</u>	<u>63.410</u>	<u>10.20%</u>	<u>0.771</u>		
Total			54.271	12.216	

1/ USPS-T-6

2/ LR-H-166 Priority Mail Delivery Confirmation Market Response Research – Survey Methodology & Results June, 12, 1997, page 34.

3/ Includes current Priority Mail which converts to Priority Mail with Delivery Confirmation.

4/ The volume from non-postal sources, 102.485 million pieces, is developed by applying percent switched of Overnight (2.85 %) , Second and Third Day (4.62%) and Ground Market (.8%) from LR-H-166 to projected GFY'98 non-postal volume of 1,272,986,000, 863,705,000 and 4,442,726,000, respectively.

The Year 1 Percent adjustment factor is based on an "S-curve" function to describe the adoption rate for this new product feature. Under the phase-in calculation, with the constraint that it will take six years for the full-up volumes to be realized and the assumption that half the volume will be obtained in year 3, the year 1 adoption rate is 11.92%. (See page 6 for description of model.) Both Postal and Non-postal volumes are adjusted by the year 1 adjustment factor.

**Priority Mail Delivery Confirmation
Revenue, Cost and Volume Adjustments**

(in millions)

USPS - 33R
Page 2 of 8

	<u>Incoming to Priority:</u>				
	<u>Volume /1</u>	<u>Rev. Per Piece /2</u>	<u>Revenue /3</u>	<u>Cost Per Piece /4</u>	<u>Cost /5</u>
First Class	33.699618	\$3.20	\$107.838779	\$1.33	\$44.820492
Express	0.770964	\$3.80	\$2.929664	\$1.92	\$1.480251
Non-Postal	12.216212	\$3.80	\$46.421606	\$1.92	\$23.455127
Subtotal -New DC Priority	46.686795		\$157.190048		\$69.755871
Priority with DC	19.800489				
Total DC	66.487284				
Sum Check-->	66.487284				
Retail Volume	59.439632				
Percent PMRS DC (LR-H-166)	89.4%				
	<u>Outgoing from:</u>				
	<u>Volume /6</u>	<u>Rev. Per Piece /7</u>	<u>Revenue /8</u>	<u>Cost Per Piece /9</u>	<u>Cost /10</u>
First Class	33.699618	\$1.84	\$61.920772	\$0.92	\$30.960386
Express	0.770964	\$13.41	\$10.338629	\$6.59	\$5.079750
Certified	3.469069	\$1.55	\$5.377057	\$1.13	\$3.904904
Return Receipt	2.914018	\$1.45	\$4.225326	\$0.98	\$2.860750

/1 USPS-33R, page 1.

/2 USPS-33R, page 2.

/3 Volume times revenue per piece.

/4 USPS-33R, page 3

/5 Volume times cost per piece

/6 USPS-33R, page 1 and page 4

/7 USPS-33R, page 3 and page 4

/8 Volume times revenue per piece

/9 USPS-33R, page 3 and page 4

/10 Volume times cost per piece.

Distribution of Converted First Class to Non-Presort Letters based on Proposed Rates

USPS - 33R
Page 3 of 8

<u>Single Piece Letters</u>	<u>Proposed Rates 1/</u>	<u>Relative Price</u>	<u>Converted Pieces</u>	<u>Converted Revenues</u>
	(1)	(2)	(3)	(4)
Ounces up to:			(2) x conv ltrs	(1)x(3)
1	\$0.33	2%	0.683	\$0.23
2	0.56	3%	1.159	0.649
3	0.79	5%	1.635	1.292
4	1.02	6%	2.111	2.154
5	1.25	8%	2.588	3.234
6	1.48	9%	3.064	4.534
7	1.71	11%	3.540	6.053
8	1.94	12%	4.016	7.791
9	2.17	13%	4.492	9.747
10	2.40	15%	4.968	11.923
11	2.63	16%	5.444	14.318
Total	16.28	100%	33.700	61.921
Sum Check Converted Letters----->			33.700	61.921

Development of Unit Revenue and Cost of Outgoing:

Development of Unit Revenue and Cost of Incoming:

	<u>TYAR Cost 2/</u>	<u>TYAR Volume 3/</u>	<u>Unit Cost w ctgy. 4/</u>	<u>Unit Revenue 5/</u>	<u>Incoming Express and Non-Postal</u>
Express	\$413,661	63.410	\$6.59	\$13.41	Cost Per Piece 6/
First-Class Letters	na	na	\$0.92	\$1.84	Revenue Per Piece 6/
Contingency Factor ---->	1.01				
					<u>Incoming First Class</u>
					Cost Per Piece 7/
					Revenue Per Piece 8/

1/ USPS-T-32

2/ USPS-T-15, WP G. Table E, Column (1) + Column (3)

3/ USPS-T-6

4/ Express Mail unit cost with contingency equals TYAR Cost divided by TYAR volume times contingency factor

First Class unit cost with contingency equals unit revenue divided by assumed coverage of 200%

5/ Express Mail Unit Revenue from Table 3 First Class Letters Unit Revenue equals total converted revenue divided by total converted pieces

6/ Table 6

7/ USPS-33R, page 5

8/ Table 8

Priority Mail Delivery Confirmation
Certified and Return Receipt Adjustments

USPS - 33R
Page 4 of 8

Full Up Conversion /1	10%	% Return Receipt /3	84%
Year 1 Percent /2	11.92%	Proposed Fee /3	\$1.45
Proposed Certified Fee /3	\$1.55		

Mail Class	FY96		Certified /6		TYAR		Return Receipt		
	Revenue /12	Volume /12	Pieces /4	Fee Revenue /5	Cost /6	Pieces /7	Fee Revenue /8	Cost /9	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
FIRST CLASS	117,352,057	258,512,865	3,348,665	\$5,190,430	\$3,769,373	2,812,878	\$4,078,673	\$2,761,459	
PRIORITY	37,889,188	9,295,083	120,405	\$186,627	\$135,531	101,140	\$146,653	\$99,291	
TOTAL			3,469,069	\$5,377,057	\$3,904,904	2,914,018	\$4,225,326	\$2,860,750	

1996 Certified Volume ----->	269,730,000
TYAR Certified Volume 10/ ----->	293,118,000
TYAR Volume Adjustment Factor ----->	1.086708931

<u>Certified Cost</u>		<u>Return Receipt Cost</u>	
Cost	\$326,677.11/		
Volume	293,118	TYAR Unit Cost 3/	\$0.972
Unit Cost (Cost / Volume)	\$1.11	TYAR Unit Cost x Contingency	\$0.982
Contingency	1.01		
Unit Cost with Contingency (Unit x Contingency)	\$1.13		

Footnotes

- 1/ Assumes that Delivery Confirmation is a substitute for Certified Service in 1 of 10 cases at full up.
- 2/ USPS-33R, page 1
- 3/ USPS-T-39.
- 4/ FY96 Certified Pieces x Full Conversion Rate x Year 1 Adjustment x TYAR Volume Adjustment Factor
- 5/ Column (3) times proposed certified fee.
- 6/ Column (3) times Unit Certified Cost with Contingency
- 7/ Column (3) times % return receipt
- 8/ Column (6) times proposed Return Receipt fee
- 9/ Column (6) times TYAR Unit Cost of Return Receipt with contingency.
- 10/ USPS-T-6
- 11/ USPS-T-15, USPS-T-15, WP G, Table E, Column (1) + Column (3)
- 12/ Library Reference H-118

Development of Unit Cost for Diverted Third Class Single Piece

Line No.		<u>L1,2&3</u>	<u>Zone 4</u>	<u>Zone 5</u>	<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Total</u>
1	Piece Cost with Contingency (USPS-33N, Line 10 x Line12)	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	
2	Pound with Markup & Contingency (USPS-33O, Column 14)	\$0.41	\$0.64	\$0.69	\$0.84	\$0.93	\$1.17	
3	Pound with Contingency and No markup(Line 2/USPS-33N, Line 11)	\$0.21	\$0.32	\$0.35	\$0.42	\$0.47	\$0.59	
4	Priority Mail 2 pound pieces as distribution key (USPS-33M, page 1)	406,667,327	97,678,022	98,717,365	55,390,065	40,018,208	78,637,754	778,106,741
5	Inputed Cost 13.58 oz. pc. ((Line 4 x Line1)+(Line 4 x Line3)x13.58/16)	\$551,197,513	\$141,970,698	\$145,559,532	\$85,194,891	\$63,119,482	\$133,708,840	\$1,120,750,954
					Unit Cost for converted Standard (A) Single Piece->			\$1.44

Development of Unit Cost for First Class Converted to Priority Mail with Delivery Confirmation

6	Inputed Cost of an 8 oz. pc. ((Line 4xLine1)+(Line4xLine3)x8/16)	\$521,512,768	\$130,902,342	\$133,520,049	\$76,891,773	\$56,546,344	\$117,302,707	1,036,777,983
					Unit Cost for 8 ounce Piece (Line 6/Line 4)----->			\$1.33

Development of Average Weight of 3-C Single Piece Volumes Diverted to Priority

	<u>Pieces 1/</u>	<u>Weight Step Ounces</u>	<u>Ounces 2/</u>	<u>Average Wgt. 3/</u>
	4,503.940	12	54,047.280	
	4,661.068	13	60,593.884	
	2,902.906	14	40,840.684	
	3,242.879	15	48,643.185	
	<u>1682.804</u>	<u>16</u>	<u>26,924.864</u>	
Total	16,993.597		230,849.897	13.58

/1 USPS-32A

/2 Pieces times ounces.

The phase-in percentage for delivery confirmation volume was determined by using a pure imitative diffusion model. By using a pure imitative model it is assumed that the predicted phase-in volume results solely from imitation or word of mouth. This model, developed by Fisher and Pry in 1971, has historically worked well when a product using new technology has been introduced.¹

The equation which results is in the form of a S- shaped curve or more specifically a logistic function.

Since delivery confirmation is a new service and limited information about adoption rates was known before predicting a diffusion model, the most common S- shaped curve, the logistic function was chosen².

$$f = \frac{1}{1 + e^{-b(t-t_0)}}$$

where

f = fraction of market having adopted new product
 b = constant characterizing growth to potential associated with particular technology
 t = time since introduction
 t_0 = time when adoption of new product has penetrated half the market

Since there is no information concerning the growth to potential associated with delivery confirmation, b is taken to equal to one. This results in the simplified equation:

$$f = \frac{1}{1 + e^{-1(t-t_0)}}$$

¹ Lilien, G.L., Kotler, P. and Moorthy, S. Marketing Models. Englewood Cliffs, NJ: Prentice-Hall, 1993, p.466.

² Lilien, G.L., Kotler, P. and Moorthy, S. Marketing Models. Englewood Cliffs, NJ: Prentice-Hall, 1993, p.659.

The phase in percentage, f , is the phased in volume percentage and is equal to the reciprocal of one plus an exponential growth curve where the exponential growth factor is based on the anticipated inflection point year less the current year of implementation. The inflection point year, t_0 , is the year in which the phase-in percentage will reach 50 percent. It is assumed that it will take three years to reach the inflection point in the phase in curve. In the 1998 test year (year 1) this results an 11.92 percent phase in.

$$f = \frac{1}{1 + e^{-1(1-3)}} = 11.92\%$$

The inflection point at year three implies that the rate of volume phase in will increase at an increasing rate until the end of year three at which point the phased in volume will continue to increase but at a decreasing rate. The growth rate pattern of Express Mail was used as a benchmark for delivery confirmation as both involve the introduction of new technologies and both are true new product/service introductions. As seen in the following table the point at which Express Mail volume ceases to increase at an increasing rate (inflection point) was year four, while this point for delivery confirmation is anticipated to be year three.

Express Mail vs Delivery Confirmation Percentage Increase

Years from Introduction	Express Mail Percentage Increase	Projected DC Percentage Increase
0	-	-
1	75%	151%
2	157%	126%
3	194%	86%
4	51%	46%
5	53%	20%

One reason that year three was chosen as the inflection point year is that while Express Mail was a new product and had no customer base, delivery confirmation is a special service so the primary customer base (current First-Class, Priority Mail, Standard B and Express Mail customers) has already been established. Another reason is that delivery confirmation is significantly less expensive than Express Mail and therefore less of a commitment for the customer.

The following graph represents the volume for the first 6 years after implementation of delivery confirmation.

