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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

DIRECT TESTIMONY
OF
VIRGINIA J. MAYES
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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1 AUTOBIOGRAPHICAL SKETCH
2

3 My name is Virginia J. Mayes and I am an Economist in the Pricing
4 Division, Marketing Systems in the United States Postal Service. My current
5 responsibilities include covering issues related to Standard Mail.

6 I joined the Rate Development Division of the Office of Rates at the Postal
7 Service in April of 1987. My work with the Postal Service has encompassed a
8 variety of rate issues including, but not limited to, preferred rate mail categories
9 and revenue forgone appropriations, caller service, parcel and expedited mail
10 services, and treatment of undeliverable mail. I was responsible for designing
11 rates for both domestic and international Express Mail in 1990, and testified as
12 an expert witness on behalf of the Postal Service on the subject of domestic
13 Express Mail rate design in Docket No. R90-1. I testified as a rebuttal witness
14 on behalf of the Postal Service in Docket No. MC93-1, the Bulk Small Parcel
15 Service. At the request of the Internal Revenue Service, I provided testimony to
16 be used in the case of *United Cancer Council v. Commissioner*, Docket No.
17 2008-91 X on revenue forgone and the development of rates for preferred rate
18 mail categories.

19 Prior to joining the Postal Service, I was employed as an Associate with
20 the economic consulting firm of Robert R. Nathan Associates where I prepared
21 analyses and testimony for antitrust litigation, personal injury and wrongful death
22 settlements. In addition, I conducted market studies for telecommunications
23 products and performed a long-term study of the effects of tax policies on the
24 economy of Puerto Rico. I had also worked as a statistician at the Bureau of the

1 Census on issues concerning the growth of service industries, and the effects of
2 deregulation on data availability for telecommunications and transportation
3 industries; and as an economic analyst with the International Trade Commission.

4 I received a Bachelor's Degree in economics and psychology from
5 Washington University in St. Louis, Missouri in 1982. I completed a Master's
6 Degree in economics at Brown University in 1983, and continued graduate
7 course work in economics at Brown through the spring of 1984.

1 **I. PURPOSE OF TESTIMONY**

2 The purpose of this testimony is to describe the Postal Service's proposed
3 changes in the rates, service offerings, and classifications for Standard Parcel
4 Post.

5

6 **II. PARCEL POST**

7

8 **A. Characteristics of Parcel Post**

9 Parcel Post includes mailable matter weighing 16 ounces or more but not
10 exceeding 70 pounds or 108 inches in combined length and girth, and not
11 eligible for any other Standard Mail subclass. The current rate structure for
12 Parcel Post is based on the weight and machinability of the piece, the distance
13 between origin and destination three-digit ZIP Codes as measured by zones,
14 and whether the parcel is mailed and delivered within a bulk mail center (BMC)
15 or auxiliary service facility (ASF) service area. Library Reference H-187
16 includes volume, revenue and rate histories for all domestic classes and
17 subclasses of mail, including Parcel Post.

18

19 **B. Brief History of Parcel Post Rate Design**

20 The rate design for Parcel Post immediately following Postal
21 Reorganization was a fairly simple one with rates varying by pound increment
22 from two to seventy pounds, and by eight postal zones and the local zone as
23 measures of distance traveled from origin to destination three-digit ZIP Codes.
24 Parcels weighing less than 10 pounds, but measuring over 84 inches in

1 combined length and girth, were charged rates equal to the rates for ten-pound
2 parcels for the zone to which they were addressed. This "stop-loss" or "balloon"
3 charge was changed in 1975 to apply the applicable 15-pound rates to pieces
4 measuring more than 84 inches in combined length and girth but weighing less
5 than 15 pounds.

6 The rate design for Parcel Post changed in several ways as a result of
7 Docket No. R80-1. The rate structure began differentiating between parcels
8 entered within the service area of a BMC—intra-BMC pieces—and parcels
9 entered for delivery outside of the origin BMC service area—inter-BMC pieces.
10 The rate difference between intra-BMC pieces and inter-BMC pieces was a
11 simple 14 cent per-piece difference. The Docket No. R80-1 rate design also
12 differentiated between machinable and nonmachinable inter-BMC parcels,
13 assessing the latter an additional 50 cents per piece. The "stop-loss" or
14 "balloon" charge previously assessed low-density pieces was removed from the
15 rate design at that time.

16 Parcel Post rate design remained unchanged until Docket No. R90-1,
17 although the sizes of the inter-BMC nonmachinable surcharge and the difference
18 between the intra-BMC and inter-BMC rates increased. As can be seen from
19 Library Reference H-187, Parcel Post volume declined steadily between 1970
20 and 1990. At its low point, Parcel Post volume in 1989 was only 21 percent of
21 the 1970 volume. In Docket No. R90-1, Postal Service witness Nai-Chi Wang
22 proposed discounts from the intra-BMC rate schedule for bulk mailings of at
23 least 50 properly prepared parcels entered at the destination bulk mail center

1 (DBMC), with the discounts varying with both weight and zone. The DBMC rates
2 that were implemented as a result of Docket No. R90-1 are shown in Library
3 Reference H-187. In introducing the DBMC proposal, Dr. Wang stated that,
4 “[w]hile the proposed DBMC worksharing program may not arrest the downward
5 trend of parcel post volume, it may open the door to increased competition and
6 satisfy, in part, the needs of high volume mailers.” Docket No. R90-1, USPS-T-
7 21, page 18.

8 In fact, the steady decline in Parcel Post volumes turned around in 1990,
9 with an increase in volume of 6 percent. Volume continued to increase each
10 year thereafter until 1995 when the volume fell from the 1994 peak of 224 million
11 pieces to 218 million pieces. The 1994 volume was the highest annual volume
12 since 1978, although it was still less than 40 percent of the 1970 volume. The
13 1996 volume of Parcel Post was 213 million pieces.

14 The reversal of the trend of steadily declining Parcel Post volume cannot
15 be attributed solely to the introduction of the DBMC discounts, but it is worth
16 noting that in 1992, total Parcel Post volume was almost 20 percent higher than
17 in 1991, and 14 percent of the 1992 Parcel Post volume was in the DBMC
18 category. In 1996, more than 45 percent of Parcel Post volume was mailed at
19 DBMC rates, while total Parcel Post volume was 30 percent higher than the
20 1992 level.

21 **C. Parcel Post Rate Design**

22 The rate design being proposed in this docket is consistent with the
23 changes made in the structure since 1981, but also reinstates the “stop-loss” or

1 "balloon" charge that was removed from the rate schedule at that time. Using
2 the existing rate structure as a base, the Postal Service's proposal incorporates
3 additional worksharing opportunities for parcel shippers, several of which mirror
4 similar opportunities afforded mailers of other types of mail in previous dockets.

5 The proposed rate design includes separate rate schedules for intra-
6 BMC, inter-BMC and DBMC parcels, as well as for nonmachinable inter-BMC
7 parcels. Unlike in the existing or previous rate designs, however, the three main
8 rate schedules are independently derived. That is, the rates for intra-BMC
9 pieces are not simply the rates for machinable inter-BMC parcels less a per-
10 piece discount. In this docket, the transportation costs for intra-BMC, inter-BMC
11 and DBMC were independently developed, as shown in the testimony of Postal
12 Service witness Hatfield (USPS-T-16).

13 The rate development process in this docket followed, in large part, the
14 methodologies used by the Commission and previous Postal Service witnesses.
15 The transportation costs as identified by Postal Service witness Hatfield (USPS-
16 T-16), which are incurred primarily on the basis of cube and distance, were
17 distributed to weight and zone separately for intra-BMC, inter-BMC and DBMC,
18 utilizing three independent cube/weight relationships. The rate for each piece
19 includes the two-cent per-pound weight-related nontransportation handling cost
20 applied on the basis of postage pounds to each cell, in keeping with Commission
21 practice. The costs thus allocated through the two-cent per-pound charge were
22 subtracted from the non-transportation costs, and the remaining costs were
23 recovered through the per-piece elements of the rates.

1 At the conclusion of the rate development process, largely as a result of
2 incorporating the updated transportation cost analysis, the rate changes implied
3 for some weight and zone combinations would have been excessive. As both
4 the Postal Service and the Commission have done in the past, the proposed rate
5 design incorporates constraints that mitigate the impact of the rate changes. In
6 keeping with Commission precedent, any revenue loss or gain as a result of
7 instituting the constraints was incorporated into the next iteration of the rate
8 design, thus keeping as close as practicable to the desired revenue and cost
9 coverage.

10 The Postal Service recognizes that for some of the worksharing
11 opportunities and commensurate discounts proposed in this docket, mailers may
12 already be preparing their Parcel Post in such a way that would qualify them for
13 the discounts associated with the worksharing activity. For those mailers, the
14 discount associated with the worksharing activity would create a reduction in
15 revenue to the Postal Service with no additional cost savings. In order to assess
16 both the interest of the Postal Service's largest Parcel Post mailers in the
17 contemplated worksharing opportunities, as well as the extent to which these
18 mailers are already performing the activities for which discounts are proposed, a
19 survey was performed, the results of which are shown in Library Reference H-
20 163. It was believed that the larger mailers would be more likely to already be
21 performing the worksharing activities, and also would be more likely to
22 participate in a worksharing program once such activities were recognized with
23 lower rates. In addition, because of the ongoing business relationship between

1 the Postal Service and these large customers, the cost of establishing contact
2 with these customers and obtaining their cooperation in the data collection effort
3 was minimized. The cost savings and revenue reductions estimated based on
4 the survey results have been incorporated into the development of Parcel Post
5 rates as a whole.¹ Thus, there has been some de-averaging of rates within
6 Parcel Post, with the result that mailers who participate in the worksharing
7 programs will experience a rate decrease relative to what their rates would
8 otherwise have been, whereas mailers who do not participate in the worksharing
9 programs will experience a rate increase relative to what their rates would
10 otherwise have been.

11 For most of the worksharing activities, the proposed rate difference
12 represents a passthrough as close as practicable to the cost savings measured
13 for that activity. The following sections describe the worksharing discounts and
14 rate categories and other proposed changes to the Parcel Post rate design in
15 more detail.

16 Additional adjustments were made to the Parcel Post rate design to
17 accommodate the impacts of other proposed changes on the volume of Parcel
18 Post. For example, as described in the testimony of Postal Service witness
19 Plunkett (USPS-T-3, Docket No. MC97-5), some volume of Parcel Post is
20 expected to shift to Priority Mail in response to the advent of Packaging Service.
21 As described in the testimony of Postal Service witness Currie (USPS-T-42), the
22 Other Mailable Hazardous Materials Surcharge is expected to drive away some

¹ See workpapers USPS-T-37, WP I.F., WP II.C., and WP II.D.

1 Parcel Post volume. Additional volume is expected to accrue to Parcel Post as a
2 result of increasing the maximum combined length and girth, and from offering
3 Delivery Confirmation Service. The impacts of these changes on the Parcel
4 Post revenue and costs are detailed in my workpapers.

5

6

1. OBMC Entry

7 The current rate design for Parcel Post offers mailers discounted rates for
8 entering their mail at the destination BMC. Mailers who use DBMC rates have
9 sufficient volume and/or need to shorten time in transit to warrant purchasing
10 transportation to the destination BMC. As evidenced by DBMC volume growth,
11 the DBMC rates appear to serve the needs of many large parcel shippers. The
12 rates for intra-BMC and inter-BMC Parcel Post were designed to meet the needs
13 of individual parcel mailers. In this docket, the Postal Service is proposing
14 several changes to the Parcel Post rate structure to expand worksharing
15 opportunities to parcel mailers who occupy a place between the very large
16 volume and small volume customers.

17 The Postal Service believes that there are mailers with sufficient volume
18 to presort to destination BMC(s) who might be willing or able to transport the
19 presorted mail to a BMC, but do not have the volume or inclination to dropship at
20 each BMC for which the mailer has prepared a separation. Such mailers may
21 have sufficient volume to warrant purchasing transportation to one BMC, for
22 example, and have enough mail for one or more other BMCs to prepare a pallet
23 or a gaylord to the other BMC(s), but not enough mail to warrant purchasing

1 transportation from the first BMC to the other BMC(s). In such a case, it is
2 efficient for the mailer to transport and enter all of the parcels at the first BMC.
3 By so doing, the mailer bypasses the upstream facilities (associate offices or
4 plants, for example), and may reduce transit time.

5 The Postal Service proposes a discount for origin BMC entry (OBMC
6 discount) that would apply to properly prepared inter-BMC mailings of 50 or
7 more pieces entered at a BMC which is not the destination BMC. Mailers
8 seeking to qualify for the OBMC discount will be required to enter their parcels
9 presorted to destination BMCs. Thus, the OBMC discount reflects the savings
10 associated with a BMC presort, as well as the savings associated with bypassing
11 upstream facilities. The cost basis for the OBMC discount is found in the
12 testimony of Postal Service witness Crum (USPS-T-28). The proposed
13 discount is 57 cents per piece from the applicable inter-BMC Parcel Post rates.

14

15 **2. BMC Presort**

16 Some mailers may have sufficient volume to be able to prepare mail
17 sorted to the destination BMC(s), but not have the volume or inclination to
18 purchase transportation to a BMC, either the destination or the origin BMC. For
19 such mailers who presort their inter-BMC parcels to destination BMCs or to the
20 secondary sort operations, the Postal Service proposes that they qualify for
21 discounts based on the mail processing costs saved. Properly prepared
22 mailings of at least 50 pieces must be separated into machinable and
23 nonmachinable parcels in order to qualify for the BMC presort discount. The

1 proposed discount for BMC presorted parcels is 12 cents per piece. The cost
2 analysis underlying the BMC presort discounts is provided by Postal Service
3 witness Crum (USPS-T-28).

4

5 **3. DSCF Dropship**

6 As noted above, over 45 percent of Parcel Post volume is now entered at
7 DBMC rates. In addition to offering mailers lower rates for parcels entered
8 deeper into the postal processing system, DBMC shortens the time in transit for
9 parcels, and, some mailers have reported, both narrows the range surrounding
10 the delivery date, as well as reduces the opportunities for mishaps such as
11 missorts, damage or loss. Mailers have indicated that they are interested in
12 worksharing opportunities that would encourage and reward entry even deeper
13 into the postal system, such as are currently available to other types of mail.

14 The Postal Service proposes lower rates for mail entered at the
15 destination sectional center facility (SCF, or plant) serving the recipient of the
16 parcel. Such mail would bypass all facilities upstream of the destination BMC
17 and all BMC processing activities, in addition to the transportation associated
18 with the trips to the origin BMC, from the origin BMC to the destination BMC, and
19 from the destination BMC to the destination SCF. The nontransportation cost
20 savings associated with DSCF entry is reported in the testimony of Postal
21 Service witness Crum (USPS-T-28), and the transportation costs associated
22 with DSCF entry are derived in the testimony of Postal Service witness Hatfield
23 (USPS-T-16) and my workpapers.

1 The mail processing system used for Parcel Post is set up such that the
2 vast majority of equipment used to sort parcels is concentrated in the BMCs.
3 Machinable parcels usually arrive at the destination SCF from the BMC sorted to
4 the five-digit level. The Postal Service does not want to encourage entry of
5 parcels at downstream facilities if it means that the parcels would then have to
6 be backhauled to the BMC for processing, then returned to the destination SCF
7 once sorted, or would have to be sorted in an SCF that is not equipped for
8 efficient sortation of parcels. Thus, to qualify for destination SCF rates, the mail
9 must be entered in properly prepared mailings of at least 50 pieces, sorted to the
10 five-digit level, so that the SCF receives destination SCF parcels sorted at least
11 as finely as are parcels received from the destination BMC.

12 4. DDU Dropship

14 Destination SCF and destination delivery unit (DDU) worksharing
15 incentives have been offered to both Periodicals and other types of Standard
16 Mail, extending incentives for dropshipping further into the postal system, and
17 encouraging mailers to bypass virtually all transportation and most mail
18 processing operations and associated costs. The Postal Service proposes to
19 offer Parcel Post mailers similar worksharing opportunities. The non-
20 transportation cost savings associated with DDU entry is described in the
21 testimony of Postal Service witness Crum (USPS-T-28), and the transportation
22 cost savings is calculated in the testimony of Postal Service witness Hatfield
23 (USPS-T-16) and my workpapers.

5. Balloon Rate

As noted above in the section describing the history of Parcel Post rate design, until Docket No. R80-1, the rate design for Parcel Post included a "stop-loss" charge for bulky, lightweight parcels. Such parcels are sometimes referred to as "balloon" parcels because their dimensions are unusually large for their weight. Originally, the stop-loss, or balloon rate assessed the applicable 10-pound rate to any pieces weighing less than ten pounds but having a combined length and girth exceeding 84 inches. The stop-loss rate was then changed to apply the 15-pound rate to pieces over 84 inches but weighing less than 15 pounds. A similar charge was applicable within Priority Mail.

In Docket No. R80-1, the Postal Service proposed a per-piece surcharge be assessed nonmachinable parcels. In the view of the Commission, the nonmachinable surcharge and the stop-loss charge were targeting the same set of additional costs, and the Commission declined to recommend the continuance of the stop-loss charge, saying:

We recommend that the stop-loss charge be retained for "balloon" priority mail, although we recommend it be eliminated for parcel post. For the latter class, the Service proposed, and we recommend, a nonmachinable surcharge for parcels incompatible with its mechanized handling equipment. The Service admits that parcels might fit the descriptions of both nonmachinable and balloon parcels. We have determined that the parcel post stop-loss charge should be eliminated because the Service has pointed to no additional costs that balloon parcel post might cause for reasons other than nonmachinability. In parcel post, therefore, nonmachinability is the main cause of exceptional handling costs. In priority mail, on the other hand, where the mail is not machine-processed, a nonmachinable surcharge would be inapplicable. Nonetheless,

balloon parcels will still cause additional costs which must be recognized. In priority mail, therefore, unlike parcel post, the appropriate mechanism for recovering them is the stop-loss charge.

PRC Op., Docket No. R80-1, at 306h, ¶¶ 0745. The Commission continued:

The Postal Service has produced no evidence to show that balloon parcel post incurs costs greater than other parcel post of the same weight, apart from their nonmachinability. The stop-loss charge for parcel post was designed to recover additional costs associated with hard-to-handle items. [footnote omitted] With the mechanization at the BMCs, the only way apparent on this record that these parcels could cause significantly greater costs would be if they are nonmachinable. [footnote omitted] ...We, of course, welcome further analysis and the Postal Service may present whatever cost information it may have in a subsequent case, and we will consider this issue again.

Id. at 481, ¶¶ 1035.

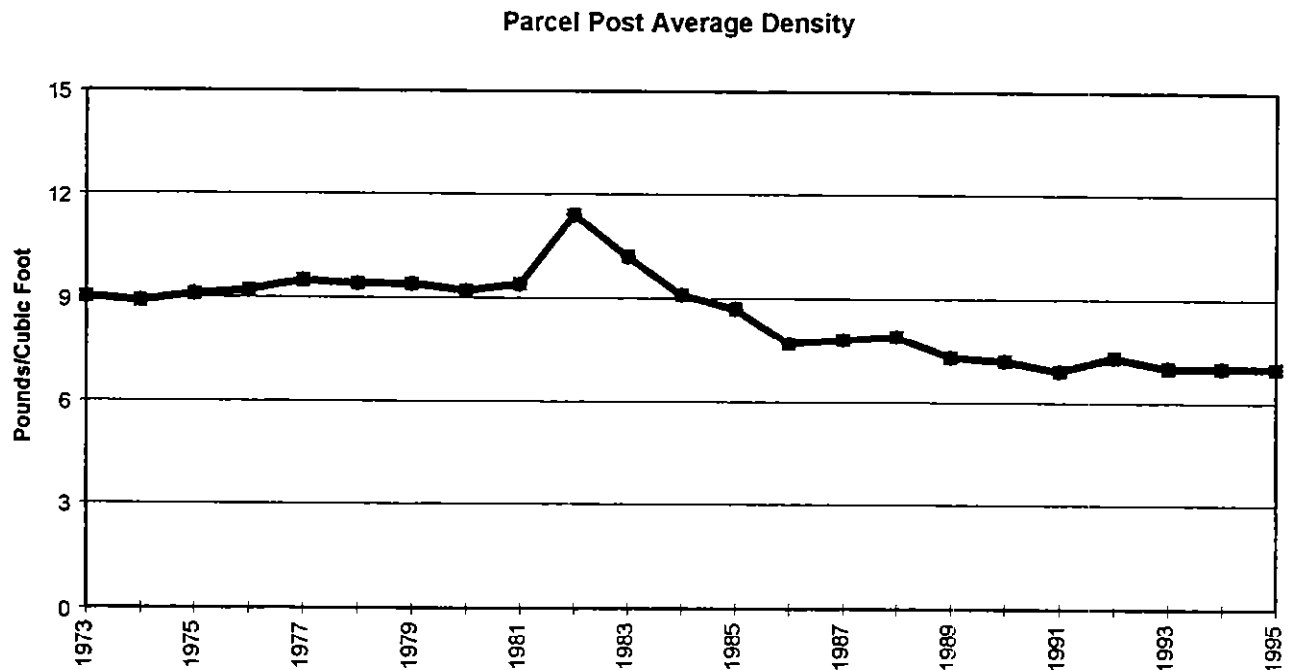
Interestingly enough, support for the proposition that other additional costs are incurred by balloon parcels was also provided by the Commission in that Opinion: "Transportation costs are incurred on the basis of cube rather than weight. The rate schedule, of course, for practical administrative reasons, charges by weight." *Id.* at 477, ¶¶ 1032. The Commission thereby touched upon the most important area in which the balloon parcels could be demonstrated to incur costs above and beyond those of the average piece of Parcel Post for any given weight. How much transportation cost is incurred by a given parcel is determined primarily by how much space it occupies in the truck or rail van. When a parcel is particularly bulky as compared to pieces of similar weight, the rate paid for the piece is less likely to cover the transportation cost of the piece because the rate is tied to the average cube for that weight increment.

1 The Postal Service and the Commission have used regression analyses
2 to distribute transportation costs, which represent more than forty percent of
3 Parcel Post volume variable costs and are incurred on the basis of cube, to rate
4 cells that are tied to the weight of the piece. Thus, for any given weight
5 increment, the amount of transportation cost associated with that cell is directly
6 tied to the estimated average cube associated with pieces of that weight.
7 Balloon pieces demonstrate the characteristic that their cube is considerably
8 larger than the cube for pieces of comparable weight. Thus, at any given weight,
9 the balloon pieces incur more transportation cost than the average piece. It is
10 reasonable to design rates for such pieces that acknowledge this cost
11 incurrence.

12 Other areas in which cube plays an important role in cost incurrence
13 become apparent when one considers the mail processing flow models such as
14 those developed by Postal Service witnesses Crum (USPS-T-28) and Daniel
15 (USPS-T-29). In such models, the Postal Service attempts to measure costs for
16 mail processing activities, including dumping containers or sacks, or
17 crossdocking containers. The cost associated with a particular dumping or
18 crossdocking activity is the same, no matter how many pieces are in the
19 container being dumped or crossdocked. This cost is usually assigned on a per-
20 piece basis. But the cost per piece associated with the dumping or crossdocking
21 activity varies with the number of pieces in the container at the time it is dumped
22 or moved, and the number of pieces in the container depends on the cube of the
23 pieces. Therefore, the number of pieces contained therein will necessarily be

1 lower as the average cube of the pieces increases. Even in the absence of
2 explicit cost analysis in other areas, such as delivery costs, the Postal Service
3 submits that cube is, in fact, an important cost driver for Parcel Post.

4 As should be apparent from the discussion above, if costs are incurred on
5 the basis of cube but rates are based on weight, density (pounds per cubic foot)
6 is a crucial determinant of financial viability. As the following chart shows, the
7 average density of Parcel Post has declined since the implementation of the
8 Docket No. R80-1 rate structure. With no rate signal to discourage the bulky but
9 lightweight parcels, the average density of Parcel Post has decreased from its
10 fairly stable level of around 9 pounds per cubic foot from 1973 through 1981, to
11 a fairly stable level of around 7 pounds per cubic foot since the late 1980s to the
12 current period. While the Postal Service cannot state conclusively that the
13 decline in density is due solely to the discontinuance of the stop-loss charge, the
14 subsequent decline in density suggests that the stop-loss charge was, in fact, an
15 appropriate means by which to signal the extraordinary costs associated with the
16 low-density pieces.



1
2

3 It is important to note that, while the Postal Service does not now have a
4 dimension-based rate schedule or a stop-loss charge, United Parcel Service
5 does continue to incorporate such a charge into its ground parcel service rates.
6 Specifically, the minimum charge for a ground service package weighing less
7 than 30 pounds but measuring over 84 inches in combined length and girth is
8 the charge for a package weighing 30 pounds.² This information is not offered to

² From the UPS Web site, www.ups.com/using/services/details/detground.html. Thus, for example, a five-pound ground service parcel for residential delivery would pay \$4.79 for delivery to Zone 5 if its combined length and girth were below 84 inches, and would pay \$10.38 if its combined length and girth were more than 84 inches, for a rate difference of \$5.59. UPS Web site, www.ups.com/using/software/97rates/rate-text/gndres.txt. The published rate schedules for UPS Air Services and Hundredweight Air Services incorporate the use of dimensional weight. The dimensional weight of a parcel is calculated by
(continued...)

1 suggest that the Postal Service necessarily must have rate schedules that mirror
2 those of UPS, but rather to point out that the absence of a stop-loss charge in
3 the Parcel Post schedule at the same time that there is one in the published rate
4 schedules for UPS ground services places the Postal Service in a position of
5 vulnerability. As the declining density of Parcel Post indicates, without some
6 mechanism to discourage balloon pieces or charge them rates commensurate
7 with their costs, such pieces will continue to receive false price signals from the
8 Postal Service, and Parcel Post will continue to carry a disproportionate number
9 of such pieces at rates below their costs.

10 The Postal Service does not, at this time, have a viable rate structure
11 proposal that is based solely on the dimensions of the parcels. The proposed
12 rate structure continues the existing structure of assessing rates based on
13 weight and distance traveled, for ease of administration, but seeks the
14 reinstatement of the balloon rate, or stop-loss charge.

15 The Postal Service proposes that Parcel Post pieces weighing less than
16 15 pounds but measuring more than 84 inches in combined length and girth be
17 assessed the applicable 15-pound rate. This will establish a balloon rate that

(...continued)

multiplying the package's length by height by width in inches, dividing the total by 194 inches, and rounding up to the nearest full pound. If the dimensional weight of a package measuring over one cubic foot exceeds the actual weight of the package, the dimensional weight is used to determine the package charge. Thus, dimensional weight pricing more directly targets the high-cube parcels. UPS Web site, www.ups.com/using/services/details/detair.html.

1 mirrors the one continuing in Priority Mail. Mailers and the Postal Service are
2 familiar with such a structure, making it fairly easy to administer.

3 In Docket No. R94-1, the Commission issued Notice of Inquiry No. 1,
4 Concerning Parcel Post Rates, in which the Commission sought input regarding
5 possible rate design approaches to what was believed to be a dramatic increase
6 in the number of nonmachinable parcels. In its discussion, the Commission
7 noted that the cubic feet per pound of nonmachinable pieces in FY 1993 was
8 considerably larger than that of equivalent weight of machinable parcels. The
9 Commission noted, on page 2 of the Notice of Inquiry, that the nonmachinable
10 surcharge assessed nonmachinable inter-BMC pieces was intended "to recover
11 the additional processing costs incurred in handling nonmachinable parcels.
12 The nonmachinable surcharge is not designed to recover additional
13 transportation costs caused by nonmachinable parcels. [footnote omitted.]"

14 The Commission asked if the nonmachinable surcharge should be
15 adjusted to account for the transportation cost differences between machinables
16 and nonmachinables, or if separate rate schedules would be warranted.³ In this
17 docket, the Postal Service is answering the Commission's question by proposing
18 a rate structure in which the nonmachinable surcharge and the balloon rate exist
19 in parallel, with the nonmachinable surcharge targeting the cost difference in

³ In fact, for some pieces, the very characteristic that causes them to be considered nonmachinable, such as excessive density (See DMM E622.3.2.h), would mean that these parcels should be incurring less transportation cost than an otherwise machinable parcel on a cost per pound basis.

1 mail processing, and the balloon rate as the first step toward more directly
2 recognizing cube-related costs.⁴

3 **6. Maximum Combined Length and Girth**

4 Currently, the maximum combined length and girth for Parcel Post pieces
5 is 108 inches. By comparison, the maximum combined length and girth for
6 ground service parcels accepted by United Parcel Service (UPS) is reported to
7 be 130 inches. Over the years, many of our customers have indicated that,
8 while few of their pieces exceed 108 inches in combined length and girth, when
9 they do encounter some pieces exceeding the 108 inch limit, it is inconvenient
10 for them to isolate those oversized pieces and ship them via another parcel
11 delivery company. Thus, in response to our customers' requests, the Postal
12 Service proposes to increase the maximum combined length and girth for Parcel
13 Post from the existing 108 inches to 130 inches, comparable to that accepted by
14 UPS. The Postal Service proposal would permit no more than ten percent of
15 the pieces in any mailing to have combined length and girth exceeding 108
16 inches.

⁴ Again, it should be noted that in the rate schedule for UPS ground parcels, in addition to the stop-loss charge, there is an additional handling charge that applies to articles "not fully encased in an outside shipping container," articles "encased in an outside shipping container made of metal or wood," "[c]ans or pails that are not fully encased in a shipping container made of corrugated cardboard," and "any package that exceeds 60 inches in length." USP Web site, www.ups.com/using/services/details/detground.html. The conditions that lead to the assessment of the additional handling charge bear a passing resemblance to conditions that would lead to the assessment of a nonmachinable surcharge in parcel post. Thus, for sake of comparison, it appears that the UPS rate schedule has both a stop-loss charge and a surcharge covering additional

(continued...)

1 The Postal Service acknowledges that these oversized parcels are not
2 likely to be handled at the same costs as existing parcels, due to the
3 comparatively large amount of space such parcels will take up in containers and
4 transportation equipment.⁵ Thus, in order to begin recovering the additional
5 transportation and handling costs that these pieces will incur, the Postal Service
6 proposes that any piece exceeding 108 inches in combined length and girth be
7 assessed the applicable 70-pound rate, regardless of its actual weight.

8 As can be seen in my workpapers, transportation costs have been
9 distributed to rate cell on the basis of three cube/weight relationships, one each
10 for intra-BMC, inter-BMC and DBMC.⁶ The cubic feet per piece figures
11 associated with the 70-pound rate cells that result from the three cube/weight
12 relationships are 2.64, 2.52, and 3.54 for intra-BMC, inter-BMC and DBMC,
13 respectively. Thus, these figures represent the basis on which transportation
14 costs have been assigned to the 70-pound rates. As is shown in USPS-T-37,
15 WP I.H., page 13, the estimated average cube for the parcels exceeding 108
16 inches in combined length and girth is over 8 cubic feet per piece, considerably
17 more than the cube assigned to the average 70-pound piece.

18

(...continued)

handling costs such as the Postal Service would incur with nonmachinable parcels.

⁵ See USPS-T-37, WP I.H.

⁶ See USPS-T-37, WP I.E.

7. Nonmachinable Surcharge

As shown in the testimony of Postal Service witness Daniel (USPS–T–29), the measured difference between the cost of processing a machinable inter-BMC piece of Parcel Post, and the cost of processing a nonmachinable inter-BMC piece of Parcel Post has declined since it was last modeled in Docket No. R90–1. The current surcharge assessed nonmachinable inter-BMC Parcel Post is \$1.75. The Postal Service proposes to reduce this surcharge to \$1.35, a decrease of nearly 23 percent. This surcharge would apply to the approximately 8.7 percent of inter-BMC parcels categorized as nonmachinable either on the basis of their weight, contents or packaging. The Postal Service is not, at this time, proposing that a nonmachinable surcharge be applied to nonmachinable intra-BMC or DBMC pieces.

In its Opinion and Recommended Decision in Docket No. R80–1, the Commission indicated that it believed that the nonmachinable surcharge and the “stop-loss” or “balloon” charge were both intended to recover the same set of additional costs associated with oversized pieces. Specifically, the Commission said, “[w]e are eliminating the stop-loss [charge] for balloon parcel post because the nonmachinable surcharge is a better reflection of the costs the charge was designed to recover.” PRC Op., R80–1, Vol. 1, at 484, ¶ 1036. As noted above in the section regarding the balloon rate, the reintroduction of the balloon rate or “stop-loss” charge alongside the nonmachinable surcharge is not double charging parcels for the same costs. As noted above, a parcel incurs costs of varying types as it travels through the postal processing and transportation

1 system. The nonmachinable surcharge is intended only to look at the
2 differences in mail processing costs from the origin SCF to the destination
3 delivery unit (DDU). The nonmachinable surcharge does not take into account
4 differences in use of transportation space, or in use of container space prior to
5 the origin SCF or after unloading at the DDU, or in the delivery function.

6 It is possible that an oversized, lightweight inter-BMC parcel could be
7 subject to the balloon rate, and bumped up to the applicable 15-pound rate, and
8 also be assessed the nonmachinable surcharge.⁷ This is not, in the view of the
9 Postal Service, an unfair or punitive result. If the parcel weighs less than 15
10 pounds but has a combined length and girth exceeding 84 inches, it will have
11 taken up considerably more cube during transport than the average parcel, even
12 than the average nonmachinable parcel. Depending on the dimensions of the
13 parcel, it may qualify as machinable, even though it is assessed the balloon rate.
14 The maximum dimensions, 34 inches by 17 inches by 17 inches (DMM C050),
15 for a machinable parcel result in a combined length and girth of 102 inches—
16 larger than the 84 inches at which the balloon rate is assessed. On the other
17 hand, if the dimensions of the oversized parcel do not fall within the maximum
18 dimensions of a machinable parcel, the parcel would pay the balloon rate which
19 would relate to the additional cube-related costs associated with that parcel, as

⁷ This would only be possible for nonmachinable inter-BMC parcels that weigh less than 15 pounds and are over 84 inches in combined length and girth. Only 640,088 pieces would have satisfied all of those conditions in FY 1996. See Library Reference H-135.

1 well as the nonmachinable surcharge which relates to the inability of that parcel
2 to be sorted on parcel sorting equipment.

3 **8. Prebarcode Discount**

4
5 The proposed parcel barcode discount of 4 cents per piece would be
6 available for all Parcel Post parcels that are routinely processed individually on
7 BMC parcel sorters equipped with barcode readers. Thus, the discount will not
8 be available to DDU or DSCF Parcel Post as these pieces are intended to
9 bypass BMC sortation. The savings associated with a mailer-applied barcode is
10 quantified in the testimony of Postal Service witness Daniel (USPS-T-29).

11 **9. Hazardous Materials Surcharge**

12
13 As described in the testimony of Postal Service witness Currie (USPS-T-
14 42), some material in Parcel Post will be subject to the Other Mailable
15 Hazardous Materials Surcharge of \$1.00. The imposition of the surcharge is
16 expected to cause the departure of some small portion of Parcel Post volume.
17 The remaining volume subject to the surcharge would pay \$1.00 in addition to
18 the otherwise applicable Parcel Post rates. The financial impacts of the
19 surcharge are incorporated into my workpapers.

20 **10. Delivery Confirmation Service**

21
22 As described in the testimony of Postal Service witness Plunkett (USPS-T-
23 33), delivery confirmation service will be available to Parcel Post customers at
24 fees of \$0.25 and \$0.60 per piece for electronic delivery confirmation service
25 and manual delivery confirmation service, respectively. The revenues and costs
26 associated with the delivery confirmation service itself are accounted for in

1 witness Plunkett's testimony. However, a market survey of existing Parcel Post
2 customers, provided as Library Reference H-163, indicated that the advent of
3 the delivery confirmation service would encourage more volume into Parcel
4 Post. I have incorporated this additional volume, and the estimated revenues
5 and costs associated therewith, into my financial analyses, as shown in my
6 workpapers.

7 **11. Packaging Service**
8

9 Packaging service, which is anticipated to be proposed in a separate filing
10 before the Commission, will be made available for items that may be shipped as
11 Parcel Post. The offering of this service will encourage more Parcel Post
12 volume, but a larger portion of Parcel Post will convert to Priority Mail, thus
13 leading to a net loss of Parcel Post volume. My workpapers incorporate the
14 loss of revenue and cost associated with the estimated migrating Parcel Post
15 volume.

16 **12. Pickup Fee**
17

18 Pickup service was expanded to Parcel Post and Priority Mail in Docket
19 No. R90-1, for a charge of \$4.50 per pickup stop. DBMC mail was excluded
20 from pickup service because of the requirement that the mailer enter such mail
21 at the destination BMC. The charge for pickup service was increased to \$4.95
22 per pickup stop in 1995.

23 As is described in the testimonies of Postal Service witnesses Sharkey
24 (USPS-T-33) and Nelson (USPS-T-19), analysis of the costs underlying the
25 pickup fee indicates that the current fee of \$4.95 does not recover the current

1 costs associated with picking up a parcel or parcels at a customer's location.
 2 Consequently, a fee of \$8.25 has been proposed. The revenue for Parcel Post
 3 associated with the change in the pickup fee has been incorporated into my
 4 financial analyses and is shown in my workpapers.

5

6 **C. Financial Summary**

7

Parcel Post Costs and Revenue Estimated Test Year

8

	<u>Costs</u>	<u>Revenue</u>	<u>Revenue as % of Costs</u>
Without Rate Changes	\$794,828,590	\$737,969,915	92.85%
With Rate Changes	\$761,146,415	\$782,916,184	102.86%

9

10 **D. Proposed Rates**

11 The proposed rates for Parcel Post are shown in the following tables.

TABLE 1
PARCEL POST
PROPOSED INTRA-BMC RATES
(dollars)

Weight (Pounds)	Local	Zones 1 & 2	Zone 3	Zone 4	Zone 5
2	2.48	2.70	2.70	2.70	2.70
3	2.65	2.98	2.98	3.02	3.36
4	2.79	3.25	3.25	3.46	4.36
5	2.94	3.45	3.50	3.78	4.87
6	3.08	3.58	3.73	4.07	5.35
7	3.20	3.69	3.95	4.35	5.79
8	3.33	3.82	4.15	4.59	6.21
9	3.44	3.91	4.36	4.84	6.60
10	3.55	4.03	4.54	5.06	6.97
11	3.64	4.12	4.71	5.27	7.31
12	3.71	4.23	4.88	5.47	7.64
13	3.78	4.32	5.04	5.66	7.94
14	3.84	4.41	5.18	5.84	8.23
15	3.90	4.49	5.33	6.02	8.50
16	3.97	4.56	5.47	6.18	8.77
17	4.02	4.65	5.61	6.34	9.01
18	4.07	4.72	5.74	6.49	9.26
19	4.12	4.81	5.86	6.63	9.48
20	4.19	4.88	5.98	6.76	9.69
21	4.23	4.94	6.10	6.89	9.91
22	4.28	5.02	6.20	7.02	10.11
23	4.33	5.08	6.32	7.15	10.30
24	4.38	5.14	6.42	7.26	10.48
25	4.43	5.20	6.53	7.38	10.66
26	4.47	5.27	6.62	7.49	10.83
27	4.52	5.33	6.73	7.59	10.99
28	4.56	5.38	6.82	7.70	11.15
29	4.62	5.45	6.91	7.80	11.31
30	4.67	5.50	7.01	7.89	11.46
31	4.71	5.56	7.10	7.99	11.60
32	4.75	5.62	7.18	8.08	11.74
33	4.80	5.67	7.27	8.17	11.88
34	4.84	5.72	7.35	8.25	12.00
35	4.88	5.77	7.42	8.34	12.13
36	4.91	5.82	7.51	8.43	12.26
37	4.95	5.88	7.58	8.50	12.38
38	4.99	5.93	7.65	8.59	12.49
39	5.04	5.98	7.73	8.66	12.60
40	5.08	6.02	7.80	8.73	12.72

**TABLE 1
PARCEL POST
PROPOSED INTRA-BMC RATES
(dollars)**

Weight (Pounds)	Local	Zones 1 & 2	Zone 3	Zone 4	Zone 5
41	5.12	6.08	7.87	8.80	12.82
42	5.16	6.12	7.95	8.87	12.92
43	5.20	6.16	8.01	8.95	13.03
44	5.25	6.21	8.08	9.01	13.12
45	5.28	6.25	8.14	9.08	13.22
46	5.32	6.31	8.21	9.14	13.31
47	5.36	6.36	8.27	9.20	13.40
48	5.40	6.40	8.33	9.27	13.50
49	5.43	6.44	8.39	9.33	13.58
50	5.47	6.47	8.46	9.38	13.67
51	5.51	6.53	8.52	9.45	13.75
52	5.54	6.57	8.57	9.50	13.83
53	5.58	6.60	8.63	9.55	13.91
54	5.62	6.64	8.69	9.61	13.99
55	5.66	6.68	8.75	9.67	14.06
56	5.69	6.73	8.80	9.72	14.13
57	5.72	6.77	8.85	9.77	14.21
58	5.76	6.81	8.91	9.82	14.28
59	5.80	6.85	8.96	9.87	14.35
60	5.82	6.89	9.01	9.93	14.42
61	5.88	6.94	9.06	9.97	14.49
62	5.90	6.98	9.11	10.02	14.55
63	5.94	7.01	9.17	10.07	14.61
64	5.97	7.05	9.22	10.12	14.68
65	6.01	7.09	9.27	10.16	14.74
66	6.03	7.14	9.31	10.20	14.81
67	6.08	7.18	9.36	10.25	14.86
68	6.11	7.20	9.41	10.30	14.92
69	6.15	7.24	9.46	10.34	14.98
70	6.18	7.28	9.50	10.39	15.03

Notes:

- 1 For barcoded mail, deduct \$0.04 per piece.
- 2 Pieces with combined length and girth exceeding 84 inches and weight under 15 pounds pay the applicable 15-pound rate.
- 3 Pieces exceeding 108 inches in combined length and girth pay the applicable 70-pound rate.
- 4 For each pickup stop, add \$8.25.
- 5 Add \$0.50 per piece for hazardous medical materials and \$1.00 per piece for other mailable hazardous materials.

TABLE 2
PARCEL POST
PROPOSED INTER-BMC RATES
(dollars)

Weight (Pounds)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
2	3.15	3.15	3.15	3.15	3.15	3.15	3.15
3	3.59	3.85	4.23	4.35	4.35	4.35	4.35
4	3.73	4.16	4.80	5.45	5.45	5.45	5.45
5	3.86	4.39	5.31	6.22	6.55	6.55	6.55
6	3.99	4.62	5.71	6.83	7.75	8.20	8.70
7	4.11	4.82	6.07	7.41	8.93	9.80	11.10
8	4.24	5.01	6.38	7.94	9.60	10.80	12.35
9	4.33	5.19	6.71	8.43	10.25	11.85	13.60
10	4.45	5.36	6.99	8.87	10.85	12.75	14.80
11	4.54	5.53	7.27	9.30	11.39	13.80	16.05
12	4.64	5.68	7.53	9.69	11.91	14.62	16.86
13	4.73	5.81	7.77	10.07	12.39	15.25	17.21
14	4.82	5.97	8.01	10.42	12.85	15.83	18.27
15	4.90	6.10	8.24	10.74	13.26	16.37	19.25
16	4.98	6.23	8.45	11.05	13.67	16.88	20.30
17	5.07	6.34	8.66	11.35	14.05	17.36	21.35
18	5.14	6.46	8.85	11.62	14.40	17.82	22.40
19	5.23	6.58	9.04	11.88	14.74	18.26	23.25
20	5.29	6.68	9.20	12.13	15.06	18.67	23.84
21	5.36	6.80	9.37	12.37	15.36	19.06	24.41
22	5.43	6.89	9.54	12.60	15.66	19.43	24.96
23	5.50	7.01	9.71	12.82	15.93	19.78	25.47
24	5.55	7.10	9.85	13.02	16.21	20.12	25.97
25	5.62	7.19	10.01	13.21	16.46	20.43	26.45
26	5.68	7.28	10.15	13.40	16.70	20.73	26.91
27	5.75	7.37	10.28	13.59	16.93	21.03	27.34
28	5.80	7.46	10.43	13.75	17.14	21.32	27.77
29	5.86	7.55	10.56	13.92	17.35	21.58	28.17
30	5.92	7.63	10.67	14.08	17.55	21.84	28.57
31	5.98	7.70	10.80	14.23	17.75	22.08	28.94
32	6.03	7.79	10.92	14.38	17.94	22.31	29.30
33	6.08	7.87	11.04	14.52	18.11	22.54	29.66
34	6.14	7.93	11.14	14.65	18.29	22.75	30.00
35	6.19	8.01	11.26	14.79	18.46	22.96	30.33
36	6.24	8.07	11.38	14.91	18.61	23.16	30.64
37	6.29	8.14	11.47	15.04	18.77	23.35	30.94
38	6.34	8.22	11.58	15.15	18.92	23.54	31.24
39	6.40	8.28	11.67	15.27	19.06	23.71	31.53
40	6.44	8.35	11.77	15.37	19.20	23.89	31.81

**TABLE 2
PARCEL POST
PROPOSED INTER-BMC RATES
(dollars)**

Weight (Pounds)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
41	6.50	8.42	11.86	15.50	19.33	24.06	32.07
42	6.54	8.48	11.95	15.60	19.46	24.21	32.33
43	6.58	8.54	12.05	15.69	19.58	24.37	32.58
44	6.63	8.59	12.13	15.79	19.70	24.52	32.83
45	6.67	8.66	12.22	15.88	19.81	24.66	33.06
46	6.72	8.72	12.30	15.98	19.93	24.80	33.30
47	6.77	8.78	12.38	16.06	20.03	24.93	33.52
48	6.81	8.84	12.47	16.15	20.14	25.06	33.73
49	6.85	8.89	12.55	16.24	20.24	25.18	33.95
50	6.89	8.94	12.61	16.31	20.35	25.31	34.15
51	6.94	9.00	12.70	16.39	20.44	25.42	34.35
52	6.98	9.06	12.77	16.47	20.53	25.54	34.54
53	7.02	9.11	12.83	16.54	20.62	25.64	34.74
54	7.06	9.17	12.91	16.61	20.71	25.76	34.92
55	7.10	9.20	12.99	16.69	20.79	25.85	35.10
56	7.15	9.27	13.05	16.75	20.88	25.96	35.27
57	7.19	9.32	13.12	16.82	20.95	26.05	35.44
58	7.23	9.36	13.18	16.88	21.04	26.14	35.60
59	7.27	9.41	13.25	16.95	21.12	26.24	35.76
60	7.31	9.46	13.33	17.01	21.19	26.32	35.92
61	7.36	9.52	13.38	17.07	21.26	26.40	36.07
62	7.40	9.56	13.44	17.12	21.34	26.49	36.22
63	7.42	9.61	13.51	17.19	21.40	26.58	36.37
64	7.46	9.65	13.57	17.24	21.46	26.66	36.50
65	7.50	9.70	13.62	17.29	21.52	26.74	36.64
66	7.55	9.75	13.68	17.34	21.59	26.81	36.77
67	7.59	9.79	13.74	17.39	21.65	26.88	36.91
68	7.62	9.83	13.81	17.45	21.71	26.96	37.04
69	7.66	9.87	13.86	17.50	21.76	27.02	37.15
70	7.70	9.93	13.92	17.55	21.83	27.08	37.28

Notes:

- 1 For nonmachinable inter-BMC parcels, add \$1.35 per piece.
- 2 For each pickup stop, add \$8.25.
- 3 For OBMC discount, deduct \$0.57 per piece.
- 4 For BMC presort, deduct \$0.12 per piece.
- 5 For barcoded mail, deduct \$0.04 per piece.
- 6 Pieces with combined length and girth exceeding 84 inches and weight under 15 pounds pay the applicable 15-pound rate.
- 7 Pieces exceeding 108 inches in combined length and girth pay the applicable 70-pound rate.
- 8 Add \$0.50 per piece for hazardous medical materials and \$1.00 per piece for other mailable hazardous materials.

TABLE 3
PARCEL POST
PROPOSED DESTINATION BMC RATES
(dollars)

Weight (Pounds)	Zones 1 & 2	Zone 3	Zone 4	Zone 5
2	2.01	2.26	2.70	2.70
3	2.18	2.67	3.02	3.36
4	2.34	2.99	3.46	4.36
5	2.49	3.28	3.78	4.87
6	2.63	3.56	4.07	5.35
7	2.75	3.82	4.35	5.79
8	2.88	4.06	4.59	6.21
9	3.00	4.30	4.84	6.60
10	3.11	4.52	5.06	6.97
11	3.21	4.67	5.27	7.31
12	3.32	4.81	5.47	7.64
13	3.41	4.93	5.66	7.94
14	3.50	5.08	5.84	8.23
15	3.60	5.20	6.02	8.50
16	3.68	5.32	6.18	8.77
17	3.76	5.43	6.34	9.01
18	3.85	5.54	6.49	9.26
19	3.92	5.64	6.63	9.48
20	4.00	5.75	6.76	9.69
21	4.08	5.85	6.89	9.91
22	4.15	5.94	7.02	10.11
23	4.22	6.05	7.15	10.30
24	4.30	6.14	7.26	10.48
25	4.36	6.21	7.38	10.66
26	4.42	6.31	7.49	10.83
27	4.48	6.38	7.59	10.99
28	4.55	6.47	7.70	11.15
29	4.61	6.57	7.80	11.31
30	4.66	6.63	7.89	11.46
31	4.72	6.70	7.99	11.60
32	4.78	6.79	8.08	11.74
33	4.84	6.85	8.17	11.88
34	4.89	6.92	8.25	12.00
35	4.94	6.99	8.34	12.13
36	5.00	7.05	8.43	12.26
37	5.05	7.11	8.50	12.38
38	5.10	7.19	8.59	12.49
39	5.14	7.24	8.66	12.60
40	5.19	7.31	8.73	12.72

**TABLE 3
PARCEL POST
PROPOSED DESTINATION BMC RATES
(dollars)**

Weight (Pounds)	Zones 1 & 2	Zone 3	Zone 4	Zone 5
41	5.25	7.38	8.80	12.82
42	5.29	7.44	8.87	12.92
43	5.34	7.49	8.95	13.03
44	5.38	7.54	9.01	13.12
45	5.42	7.61	9.08	13.22
46	5.47	7.67	9.14	13.31
47	5.52	7.72	9.20	13.40
48	5.56	7.77	9.27	13.50
49	5.60	7.83	9.33	13.58
50	5.64	7.88	9.38	13.67
51	5.68	7.93	9.45	13.75
52	5.73	8.00	9.50	13.83
53	5.77	8.05	9.55	13.91
54	5.81	8.09	9.61	13.99
55	5.85	8.13	9.67	14.06
56	5.89	8.19	9.72	14.13
57	5.93	8.24	9.77	14.21
58	5.97	8.28	9.82	14.28
59	6.01	8.33	9.87	14.35
60	6.05	8.39	9.93	14.42
61	6.08	8.42	9.97	14.49
62	6.12	8.46	10.02	14.55
63	6.15	8.52	10.07	14.61
64	6.19	8.55	10.12	14.68
65	6.23	8.61	10.16	14.74
66	6.27	8.66	10.20	14.81
67	6.30	8.70	10.25	14.86
68	6.34	8.74	10.30	14.92
69	6.37	8.76	10.34	14.98
70	6.41	8.83	10.39	15.03

Notes:

- 1 For barcoded mail, deduct \$0.04 per piece.
- 2 Pieces with combined length and girth exceeding 84 inches and weight under 15 pounds pay the applicable 15-pound rate.
- 3 Pieces exceeding 108 inches in combined length and girth pay the applicable 70-pound rate.
- 4 Add \$0.50 per piece for hazardous medical materials and \$1.00 per piece for other mailable hazardous materials.

**TABLE 4
PARCEL POST
PROPOSED DESTINATION SCF RATES
(dollars)**

Weight (Pounds)	DSCF	Weight (Pounds)	DSCF
2	1.60	36	3.83
3	1.72	37	3.87
4	1.84	38	3.91
5	1.94	39	3.95
6	2.04	40	3.99
7	2.12	41	4.04
8	2.22	42	4.07
9	2.31	43	4.11
10	2.38	44	4.14
11	2.46	45	4.18
12	2.54	46	4.22
13	2.60	47	4.26
14	2.67	48	4.30
15	2.74	49	4.33
16	2.80	50	4.36
17	2.86	51	4.40
18	2.93	52	4.44
19	2.98	53	4.47
20	3.04	54	4.51
21	3.11	55	4.54
22	3.16	56	4.58
23	3.21	57	4.61
24	3.28	58	4.65
25	3.32	59	4.68
26	3.37	60	4.72
27	3.42	61	4.74
28	3.47	62	4.78
29	3.52	63	4.80
30	3.56	64	4.84
31	3.61	65	4.87
32	3.66	66	4.91
33	3.70	67	4.94
34	3.74	68	4.97
35	3.78	69	5.00
		70	5.03

Notes:

- 1 Pieces with combined length and girth exceeding 84 inches and weight under 15 pounds pay the applicable 15-pound rate.
- 2 Pieces exceeding 108 inches in combined length and girth pay the applicable 70-pound rate.
- 3 Add \$0.50 per piece for hazardous medical materials and \$1.00 per piece for other mailable hazardous materials.

TABLE 5
PARCEL POST
PROPOSED DESTINATION DELIVERY UNIT RATES
(dollars)

Weight (Pounds)	DDU	Weight (Pounds)	DDU
2	1.37	36	2.17
3	1.44	37	2.19
4	1.48	38	2.21
5	1.54	39	2.24
6	1.59	40	2.26
7	1.63	41	2.28
8	1.69	42	2.30
9	1.73	43	2.32
10	1.77	44	2.36
11	1.80	45	2.37
12	1.81	46	2.39
13	1.83	47	2.42
14	1.83	48	2.44
15	1.84	49	2.46
16	1.87	50	2.48
17	1.87	51	2.51
18	1.88	52	2.52
19	1.89	53	2.55
20	1.92	54	2.58
21	1.92	55	2.60
22	1.93	56	2.62
23	1.95	57	2.64
24	1.96	58	2.67
25	1.98	59	2.69
26	1.99	60	2.70
27	2.01	61	2.75
28	2.02	62	2.76
29	2.05	63	2.79
30	2.08	64	2.81
31	2.09	65	2.84
32	2.11	66	2.85
33	2.13	67	2.89
34	2.15	68	2.91
35	2.16	69	2.94
		70	2.96

Notes:

- 1 Pieces with combined length and girth exceeding 84 inches and weight under 15 pounds pay the applicable 15-pound rate.
- 2 Pieces exceeding 108 inches in combined length and girth pay the applicable 70-pound rate.
- 3 Add \$0.50 per piece for hazardous medical materials and \$1.00 per piece for other mailable hazardous materials.