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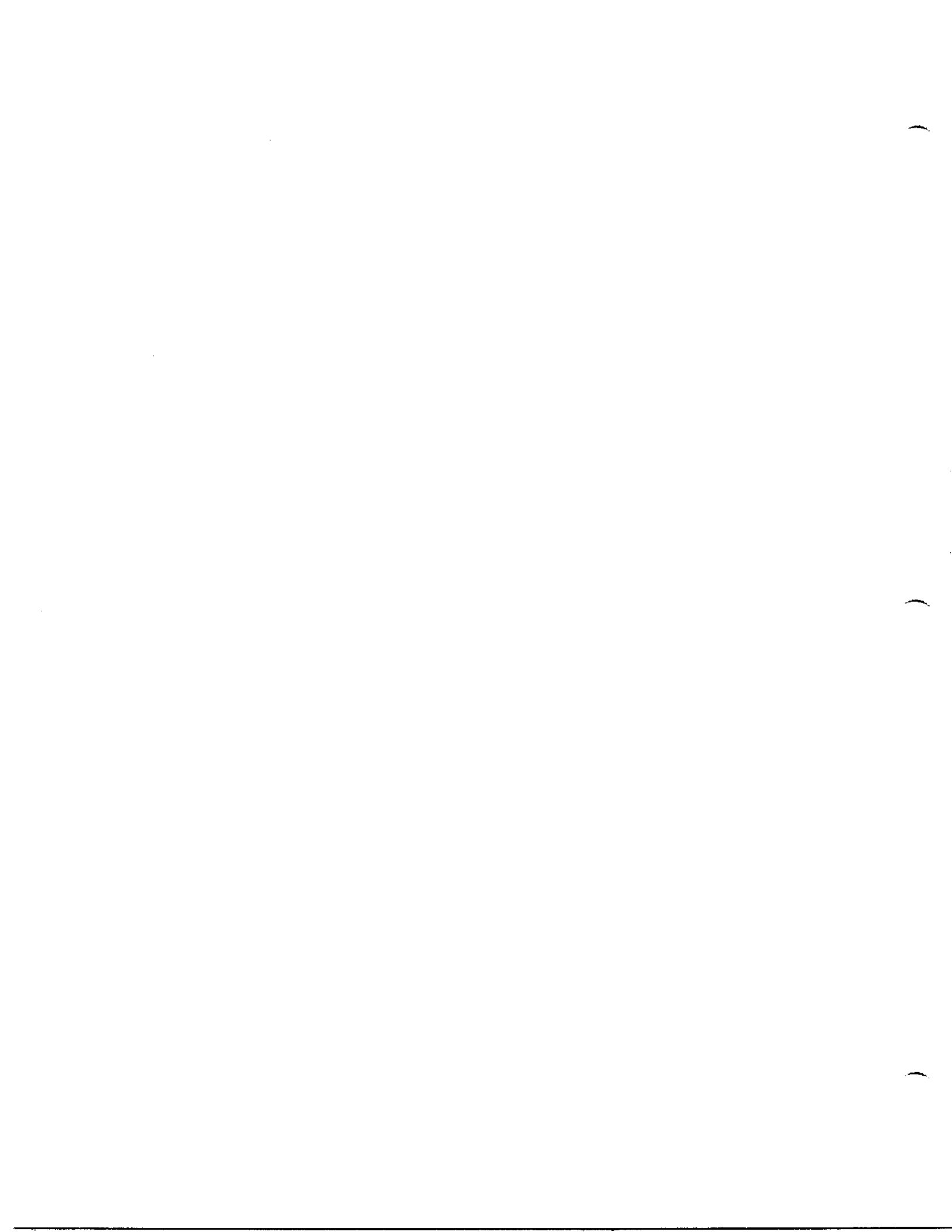
USPS-T-38

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES, 2000

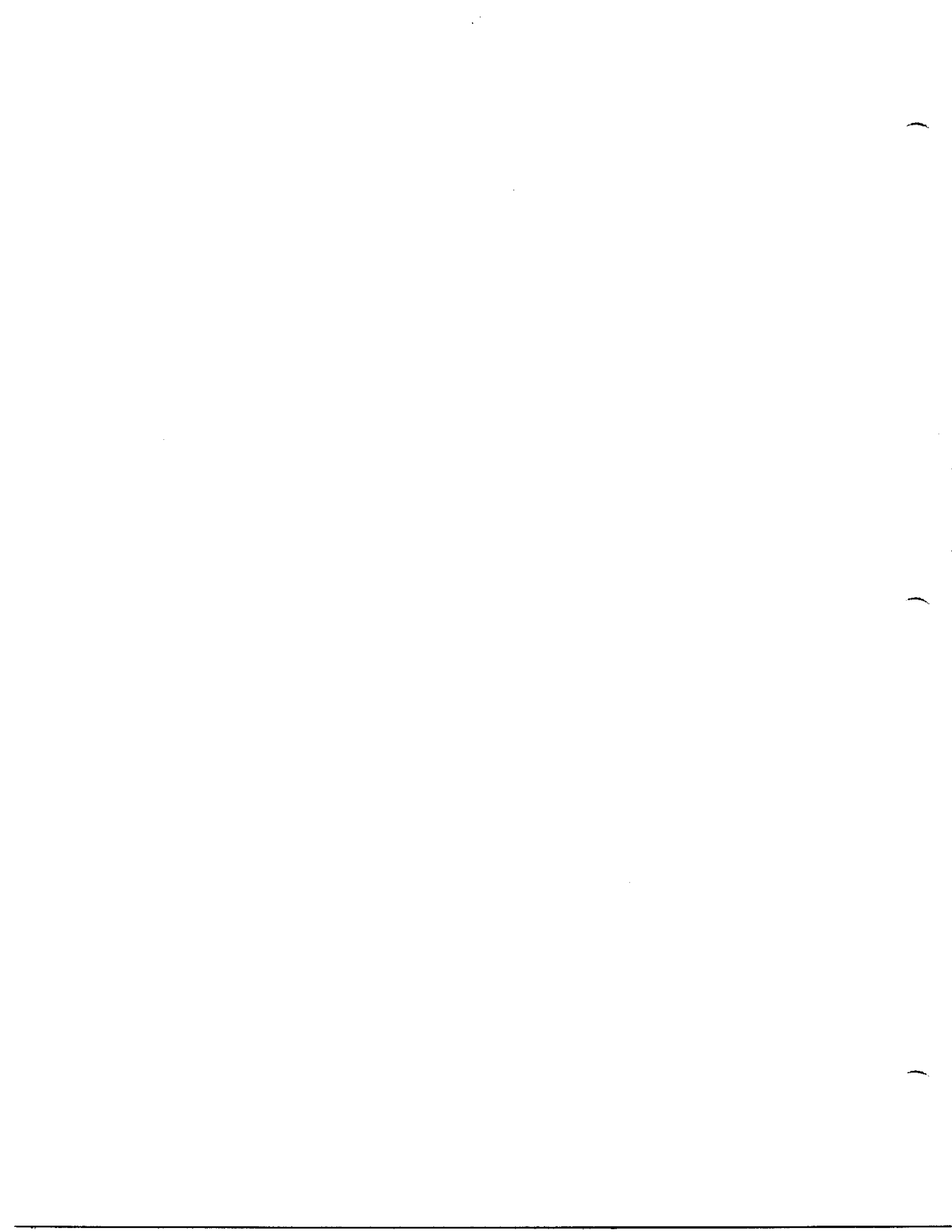
Docket No. R2000-1

DIRECT TESTIMONY
OF
ALTAF H. TAUFIQUE
ON BEHALF OF
UNITED STATES POSTAL SERVICE



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AUTOBIOGRAPHICAL SKETCH

1 My name is Altaf H. Taufique. I currently serve as an economist in the
2 office of Pricing at the United States Postal Service. Prior to joining the Postal
3 Service in July 1996, I was employed by the Gulf States Utilities Company (GSU)
4 in Beaumont, Texas, from 1980 to 1994. At GSU, I served as an economic
5 analyst in the Corporate Planning department and was subsequently promoted
6 to Economist, Senior Economist and finally to the position of Director, Economic
7 Analysis and Forecasting. My responsibilities at GSU included the preparation of
8 the official energy, load and short-term revenue forecasts, and the economic
9 forecasts, for the regions served by the Company.

10 I have testified before the Public Utility Commission of Texas in Austin
11 and the Federal Energy Regulatory Commission in Washington, D.C. My
12 testimony defended GSU's official energy and load forecasts. I have testified
13 before the Postal Rate Commission in several other proceedings. In Docket No.
14 MC96-3, I filed rebuttal testimony that dealt with the Postal Service's role in the
15 post office box market, and other issues relating to pricing of post office boxes.
16 In Docket No. MC97-5, I rebutted a claim of undue harm to Postal Service
17 competitors due to the proposed packaging service. In Docket No. R97-1, my
18 direct testimony presented the rate proposals for the Periodicals Regular and
19 Within County subclasses, and my rebuttal testimony challenged a proposal to
20 allocate institutional costs based on weighted attributable costs. My testimony in
21 Docket No. MC99-3 addressed the issue of a rate anomaly affecting Nonprofit

1 and Classroom Periodicals mailers. My latest testimony, filed in Docket No.
2 MC2000-1, presented the Postal Service's proposal for an experimental "Ride-
3 Along" classification for Periodicals.

4 I received a Master's Degree in Economics from Central Missouri State
5 University in Warrensburg, Missouri in 1976, and a Bachelor's degree in
6 Economics & International Relations from Karachi University in Karachi,
7 Pakistan. I have also completed thirty-three credit hours of coursework towards
8 a Ph.D. in Economics at Southern Illinois University. I taught economics at
9 Chadron State College in Chadron, Nebraska between 1978 and 1980. During
10 my employment at GSU in Texas, I taught courses in economics at Lamar
11 University in Port Arthur, Texas.

1 **I. PURPOSE OF TESTIMONY**

2 The purpose of my testimony is to present the proposed rates for
3 Periodicals. My testimony will be presenting rates for the proposed Outside
4 County (combined Regular Rate, Nonprofit and Classroom) and the existing
5 Within County subclasses of Periodicals, in addition to rates for Science of
6 Agriculture. Rates are developed based on cost data from various cost
7 witnesses, statutory requirements, and the rate level requirements developed by
8 witness Mayes (USPS-T-32). The Postal Service is also proposing classification
9 changes to reflect the formation of an Outside County subclass, the rewrite of
10 Note 1 to Rate Schedule 421 reflecting the discount provided to proposed
11 Nonprofit and Classroom rate categories within the Outside County subclass,
12 and the deletion of the last two sentences of DMCS Section 441¹. I am also
13 proposing to change DMCS Section 430 to clarify that the physical limitation for
14 other classes of mail also apply to Periodicals mail.

15 **II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION**

16 My testimony begins with an overview of the proposals and then
17 addresses the subclasses individually. My Microsoft Excel spreadsheets provide
18 a guide to replicate the rate proposal presented in this testimony. Hard copy and
19 electronic versions of these spreadsheets are included in library reference I-167.
20 These spreadsheets use data from a number of witnesses identified in my

¹ No change is proposed to Note 11 which was added in Docket No. MC99-3 regarding the eligibility of Nonprofit and Classroom mailers using Rate Schedule 421 to claim 100 percent editorial content if they have 10 percent or less advertising content.

1 testimony and from library reference I-125 (Billing Determinants). I prepared the
2 Periodicals Billing Determinants for this library reference.

3 **III. REVIEW OF THE PROPOSAL**

4 **A. Current Application of RFRA**

5 Currently, the Revenue Foregone Requirement Act (RFRA) requires that
6 the markup for the Regular subclass be determined independently based on the
7 factors contained in 39 U.S.C. § 3622 (b). The preferred subclasses, Nonprofit,
8 Classroom, and Within County, receive one-half of the markup determined for
9 Regular subclass. One goal of this 'half the Regular markup' requirement is to
10 keep the preferred rates lower than their Regular counterparts, while providing
11 some contribution from the preferred subclasses. This goal was not entirely met
12 by the recommended rates resulting from Docket No. R97-1, implemented on
13 January 10, 1999. These rates, in some instances, provided lower postage for
14 preferred publications when the Regular rate schedule was used, rather than the
15 preferred schedule. While no Nonprofit or Classroom rate cells were higher than
16 the corresponding rate cell in the Regular schedule, a combination of rate cells
17 with certain discounts produced this anomaly. Only in some instances when
18 Regular rates are combined with some relatively large Regular discounts, a
19 preferred mailer may pay lower postage using the Regular schedule rather than
20 the preferred rate schedule.

21 This anomaly led to the filing of the Periodicals Classification Change
22 case (Docket No. MC99-3). The Commission's recommended decision in that
23 Docket, as implemented by the Postal Service, allows Nonprofit and Classroom

1 mailers to use the Regular rate schedule for mailing a single issue, if the postage
2 is cheaper. Also, in that Docket, the Postal Service expressed its hope that it
3 would propose Nonprofit and Classroom rates that are uniformly lower than
4 Regular rates in the next omnibus rate case, Docket No. MC99-3, USPS-T-1,
5 Page 3, lines 16-18. However, "half the Regular mark-up", will not keep preferred
6 postage below Regular postage in all instances when the Periodicals markup is
7 low. Arguably, this circumstance was not envisioned when the RFRA was
8 contemplated. In the most recent rate proceeding, prior to the enactment of
9 RFRA, markups for Regular Rate Periodicals ranged from 23 to 25 percent (See
10 Docket No. R97-1, PRC Op., Vol. 2, Appendix G, Schedule 3, page 32 of 33),
11 providing a buffer between the Regular and preferred rate schedules.
12 Subsequently, the circumstances changed substantially. The Postal Service in
13 this Docket is proposing a low mark-up of 1.4 percent to mitigate the impact
14 Periodicals' costs which have increased at a higher rate than most other mail
15 classes. See USPS-T-32, Exhibit USPS-32B, p. 1. Cost trends and the
16 subsequent relatively low markup for Periodicals as a whole will keep the rate
17 anomaly issue alive, unless a change is made in the provisions of RFRA.

18 **B. Description of the Legislative Change**

19 The Postal Service anticipates legislative change that would combine two
20 of the preferred subclasses (Nonprofit and Classroom) with Regular subclass for
21 ratemaking purposes, with one set of rates. The preferred nature of Nonprofit
22 and Classroom subclasses would be recognized with a bottom-line discount of 5
23 percent on total postage, excluding the postage for advertising pounds.

1 Advertising pounds are excluded in order to be consistent with the provisions of
2 RFRA which provide for the same advertising rates for Regular and preferred
3 Periodicals. The subclass as a whole (combined Regular, Nonprofit, and
4 Classroom) will cover its costs and provide contribution deemed reasonable for
5 Periodicals based on the pricing criteria. This combination, and resultant two
6 subclasses instead of four, could simplify, consolidate and provide stability to
7 Periodicals volume and cost estimates. For ratemaking purposes, data for the
8 Regular, Nonprofit, and Classroom subclasses would be combined for the new
9 'Outside County' subclass. Within County would still remain an independent
10 subclass and the current RFRA provisions would be used to propose the Within
11 County rate schedule.

12 **C. Rationale for the Legislative Change**

13 Given the potential of relatively low Periodicals markups in the near future,
14 this legislative change is the only certain way to avoid rate anomalies in the
15 current rate case as well as future proceedings. By definition, postage for
16 Nonprofit and Classroom publications would be lower than equivalent Regular
17 publications. This is appropriate because Nonprofit and Classroom are preferred
18 classifications. Also, Nonprofit and Classroom mail is not believed to have
19 different cost causing characteristics compared to Regular mail of the same
20 profile.

21 The statistical systems that are used to estimate cost data for the various
22 subclasses will become even more reliable if the Regular, Nonprofit and
23 Classroom subclasses are combined into a single larger subclass. Both the

1 volume and cost for the Outside County subclass should attain greater stability
2 as a result of this combination.

3 **D. Development of Rates**

4 Outside County rates were developed for this filing by combining the
5 existing subclasses of Regular, Nonprofit and Classroom. Since GFY98 billing
6 determinants did not reflect the 3/5 split recommended in R97-1, PQ3 for FY99
7 was used to estimate the volume under the new structure for each of the existing
8 subclasses before the billing determinants were combined. Volume variable
9 costs for the three existing subclasses were also added up for rate development
10 purposes. The contingency and mark-up were applied to the combined cost.

11 **E. Rate Increase**

12 The overall rate increase for Periodicals is approximately 12.6 percent.
13 The average revenue per piece increases from 21.5 cents to 24.2 cents for the
14 overall Periodicals class including Within County. Within County average
15 revenue per piece increases from 8.7 cents to 9.5 cents, an increase of
16 approximately 8.5 percent. The Outside County Periodicals average revenue per
17 piece increases from 22.7 cents to 25.6 cents, an increase of approximately 12.7
18 percent. This above-average overall increase is a result of an above average
19 increase in volume variable costs during the current rate cycle. Table 1 provides
20 the details of the rate increase while Table 2 depicts the before and after rates
21 cost coverage for the two subclasses.

Table 1- TEST YEAR COMPARISON, BEFORE AND AFTER RATES

	TYBR Revenue	TYBR Fee	TYBR Total	TYBR Pieces	TYBR Rev./Piece
Outside County	\$ 2,147,799,120	\$ 18,618,000	\$ 2,166,417,120	9,556,551,134	0.227
Within County	\$ 74,589,123	\$ 1,692,000	\$ 76,281,123	872,194,000	0.087
Total	\$ 2,222,388,243	\$ 20,310,000	\$ 2,242,698,243	\$ 10,428,745,134	0.215

	TYAR Revenue*	TYAR Fee	TYAR Total	TYAR Pieces	TYAR Rev./Piece	Percent Change
Outside County	\$ 2,397,074,923	\$ 19,852,000	\$ 2,416,926,923	9,459,105,146	0.256	12.7%
Within County	\$ 80,038,312	\$ 1,809,000	\$ 81,847,312	862,060,572	0.095	8.6%
Total	\$ 2,477,113,235	\$ 21,661,000	\$ 2,498,774,235	\$ 10,321,165,719	0.242	12.6%

- Nonprofit and Classroom Revenues after 5% discount
- Source: USPS-LR-I-167

1

**Table 2
BEFORE AND AFTER RATES COST COVERAGE**

	TYBR REVENUE PER PIECE	TYBR COST PER PIECE	COST COVERAGE
OUTSIDE COUNTY	0.227	0.253	89.68%
WITHIN COUNTY	0.087	0.094	92.77%

	TYAR REVENUE PER PIECE	TYAR COST PER PIECE	COST COVERAGE
OUTSIDE COUNTY	0.256	0.252	101.37%
WITHIN COUNTY	0.095	0.094	100.54%

2

- Source: USPS-LR-I-167

1 **IV. OUTSIDE COUNTY PERIODICALS**

2 The rate design for Outside County Periodicals (Regular, Nonprofit and
3 Classroom) remains essentially unchanged from the Commission recommended
4 methodology in Docket No. R97-1. A few exceptions are discussed in this
5 section. The first and major exception is that the rates are designed for a
6 combined subclass using combined billing determinants, volume variable costs
7 and a mark-up that applies to the combined subclass.

8 The piece-pound split for revenue generation remains 60%-40% as
9 recommended by the Commission in Docket No. R97-1. Key inputs for
10 Periodicals' rate design are developed by various Postal Service witnesses.
11 Volume variable and Segment 14 (Purchased Transportation) costs for both Test
12 Year Before Rates (TYBR) and Test Year After Rates (TYAR) were developed
13 by witness Kashani (USPS-T-14), volume forecasts for both TYBR and TYAR
14 are developed by witnesses Tolley and Thress (USPS-T-6 and USPS-T-7). Cost
15 coverage is determined by witness Mayes (USPS-T-32). The contingency of 2.5
16 percent is described by witness Tayman (USPS-T-9). Billing Determinants for the
17 subclasses are in Library Reference I-125. The distance-related transportation
18 cost proportion was developed by witness Pickett (USPS-T-19). Witness Crum
19 (USPS-T-27) provides the cost saving estimates for DDU and DSCF
20 dropshipment. Witnesses Yacobucci (USPS-T-25), Daniel (USPS-T-28) and
21 Miller (USPS-T-24) provide cost estimates for presort and barcode discounts.
22 The following table provides the proposed rates for Outside County Periodicals:

23

Table 3

**OUTSIDE COUNTY PERIODICALS
PROPOSED RATE SCHEDULE**

	Proposed Rate
Pound Rates	
Delivery Unit	\$ 0.180
SCF	\$ 0.210
Zones 1&2	\$ 0.247
Zone 3	\$ 0.263
Zone 4	\$ 0.302
Zone 5	\$ 0.361
Zone 6	\$ 0.423
Zone 7	\$ 0.499
Zone 8	\$ 0.563
Nonadvertising	\$ 0.186
Science of Agriculture - Pound Rates, Disc. Cells	
SCI. OF AGRICULTURE. DELIVERY OFFICE	\$ 0.135
SCI. OF AGRICULTURE SCF	\$ 0.158
SCI. OF AGRICULTURE ZONES 1&2	\$ 0.186
Piece Rates	
BASIC NON-AUTOMATION	\$ 0.318
BASIC AUTOMATION LETTER	\$ 0.262
BASIC AUTOMATION FLAT	\$ 0.286
3-DIGIT NON-AUTOMATION	\$ 0.274
3-DIGIT AUTOMATION LETTER	\$ 0.229
3-DIGIT AUTOMATION FLAT	\$ 0.247
5-DIGIT NON-AUTOMATION	\$ 0.222
5-DIGIT AUTOMATION LETTER	\$ 0.174
5-DIGIT AUTOMATION FLAT	\$ 0.194
CARRIER ROUTE BASIC	\$ 0.141
CARRIER ROUTE HIGH DENSITY	\$ 0.116
CARRIER ROUTE SATURATION	\$ 0.098
PERCENTAGE EDITORIAL DISCOUNT	\$ (0.066)
WKSHARING DISCNT DELIVERY OFFICE ENTRY	\$ (0.021)
WKSHARING DISCNT SCF ENTRY	\$ (0.012)

* Same rates apply to all Outside County Periodicals.
Nonprofit and Classroom mailers get a 5% discount on all components of postage except advertising pounds.

1 **A. Pound Rates**

2 The calculation of pound rates follows the traditional allocation of
3 distance-related transportation cost (no mark-up included) to Zone 1 & 2 through
4 Zone 8 based on the proportion of pound-miles in each zone. Non-distance
5 related transportation cost is allocated to all the zoned advertising pound rates
6 except for the Destination Delivery Unit (DDU) rate cell, and the residual revenue
7 is derived from all the rate cells. The editorial pound rate remains at 75 percent
8 of the Zone 1 & 2 rate. Science of Agriculture DDU, DSCF & Zone 1 & 2 rates
9 are also determined at 75 percent of corresponding rates for advertising pounds.
10 Witness Pickett provides the estimate for the percent of transportation cost that
11 is distance-related. Library Reference I-60, pp. 9-10 . Piece-based dropship
12 discounts for DDU and DSCF as well as the DDU and DSCF pound rates are
13 discussed in the next subsection.

14 **B. Dropship Discounts**

15 Witness Crum provides an estimate of non-transportation cost savings
16 related to DDU and DSCF dropshipment of Periodicals. USPS-T-27, Figure 4, p.
17 21. The allocation of these non-transportation cost savings to pounds and pieces
18 is one area where my proposal differs from the R97-1 Commission methodology.
19 Instead of a 50/50 split, the Postal Service is proposing a 75 percent allocation of
20 these cost savings to piece-related discounts and only 25 percent to pound-
21 related rate reduction for DDU and DSCF entry. The Postal Service is interested
22 in providing a meaningful discount to mailers when they avoid interim postal
23 facilities and provide their own transportation like the discount recommended by

1 the Commission in Docket No. MC95-1. PRC Op., MC95-1, Appendix One, Rate
 2 Schedule 421. On the pound side the value of this discount diminishes because
 3 less than half of all the pounds actually pay the zoned advertising pound rates.
 4 The piece discount provides a more efficient vehicle to provide dropship
 5 incentives because the value of the discount applies to every piece regardless of
 6 the proportions of editorial and advertising contents.

7 Table 4 shows that this allocation of non-transportation related
 8 dropshipment cost savings brings the dropshipment piece discounts in line with
 9 the level of discounts recommended by the Commission in Docket No. MC95-1.
 10 The percent increase from the existing piece discounts is high because these
 11 discounts were significantly reduced in Docket No. R97-1.

12 **Table 4 -- DDU and DSCF Dropship Discounts -- Piece rates**

	MC95-1 (Cents)	R97-1 (Cents)	Percent Change	Proposed (Cents)	Percent Change
DDU	2.1	1.3	-38%	2.1	62%
DSCF	1.1	0.7	-36%	1.2	71%

13
 14 The DDU and DSCF advertising pound rates show a significant increase
 15 because of the above-mentioned allocation, as shown in Table 5. Once again,
 16 this follows a significant decline for these cells in Docket No. R97-1.

17
 18
 19
 20

1 **Table 5 – DDU and DSCF Dropship Pound Rates**

	MC95-1 (Cents)	R97-1 (Cents)	Percent Change	Proposed (Cents)	Percent Change
DDU	16.9	15.5	-8.3%	18.0	16.1%
DSCF	19.0	17.8	-6.3%	21.0	18%

2
3 **C. Piece Rate Development**

4 The development of piece rates is based on cost studies presented by
5 witnesses Yacobucci, Daniel, and Miller. Witness Yacobucci provides the mail
6 processing cost estimates for Periodicals flats. USPS-T-25, Table II-2, p. 8. The
7 mail processing estimates are combined with delivery cost estimates for
8 Standard Mail (A) developed by witness Daniel. USPS-T-28, Table 5, p. 26. The
9 combined costs are used to develop both presort and automation discounts. The
10 Carrier Route High Density and Saturation rates are also developed using
11 witness Daniel's estimates developed for the Standard Mail Regular ECR
12 subclass. *Id.* Table 7, P. 29. Witness Miller's cost estimates for the Standard Mail
13 (A) letters are used to estimate discounts for automated letters based both on
14 shape differential and barcode. USPS-T-24, Table 1, p.18.

15 **1. Presort Tiers**

16 Both the 3-digit and 5-digit presort rates are based on witness Yacobucci's
17 mail processing and witness Daniel's delivery cost studies, using 100 percent
18 passthroughs. USPS-T-25, p. 8, USPS-T-28, p. 26. The 3-digit nonautomation
19 rate increases from 25.3 to 27.4 cents, a 8.3 percent increase, while the 5-digit
20 nonautomation rate goes up from 19.7 to 22.2 cents, a 12.7 percent increase.

1 Unlike the 3- and 5-digit presorts, which are required, Carrier Route
2 presort is an option for the mailers. The current discount for Carrier Route
3 presort as compared to the Basic presort level is 17.2 cents. Cost study results
4 indicate a lower discount of 15.9 cents, assuming a 100 percent passthrough.
5 This would imply an increase in this cell of greater than 20 percent. Instead the
6 Carrier Route rate cell was limited to an increase of approximately 15.4 percent,
7 2 percent more than the overall increase of 13.4 percent for the Outside County
8 subclass (prior to the Nonprofit and Classroom discounts). A passthrough of 112
9 percent results from the 14.1 cent rate for this rate cell. Approximately 40
10 percent of the mail volume of the Outside County subclass is Carrier Route
11 sorted. The 2 percent limit was designed to mitigate the combined impact to the
12 customers affected by both increase for Periodicals in general and Carrier Route
13 pieces in particular.

14 **1. Barcode Discounts**

15 Witness Yacobucci presents cost studies that isolate the incremental
16 benefits of the barcode. His study shows a significant decline in the value of a
17 barcode compared to current discounts offered by the Postal Service. USPS-T-
18 25 p. 8. Given the changing environment of flats processing as described by
19 witness Kingsley (USPS-T-10, pp.10-17), and the fact that Periodicals in this rate
20 case face a high rate increase, a restriction similar to the one discussed for
21 Carrier Route is also observed for automation rates. The Postal Service's desire
22 to mitigate the impact of measured differences in cost avoidances has resulted in
23 some rather unconventional passthroughs for automation rate cells.

1 The Basic Automation rate for flats is proposed to increase from 24.8
2 cents to 28.6 cents by utilizing a pass-through of 109 percent. The 3-digit
3 automation rate is currently 21.4 cents, but is proposed to increase to 24.7 cents.
4 The passthrough in this case is 119 percent. The 5-digit automation rate
5 increases from 16.8 cents to 19.4 cents. In all of the above cases the percent
6 increases are approximately 15.4 percent, 2 percent above the overall increase
7 of 13.4 percent for the combined Outside County Periodicals subclass prior to
8 the bottom line discount for Nonprofit and Classroom mailers.

9 **V. WITHIN COUNTY PERIODICALS**

10 The Within County subclass consists of preferred rate Periodicals mail
11 addressed for delivery within the county or parish where published and entered,
12 from either the office of original entry or additional entry. A Within County
13 publication must also meet one of the following conditions: either the total paid
14 circulation of the issue must be less than 10,000 copies, or the number of paid
15 copies of the issue distributed within the county of publication must be at least
16 one more than one-half of the total paid circulation of the issue. DMCS § 423.21.

17 The rates for Within County, like Outside County, Periodicals are
18 designed to cover volume variable costs and provide a contribution. The
19 development of Within County rates is based essentially on the same inputs as
20 Outside County rates. The presort and barcode discounts are based on the
21 Nonprofit Periodicals mail processing cost savings developed by witness
22 Yacobucci. USPS-T-25, Table II-3, p.8. Standard Mail Nonprofit data are utilized
23 from cost studies developed by witnesses Daniel and Miller for delivery, letters,

1 and finer level of Carrier Route presorts. USPS-T-28, p. 29, USPS-T-24, Table 1
 2 p. 18. The workpapers for Within County provide a framework to replicate the
 3 development of these rates. The passthroughs for Within County are by
 4 necessity much smaller than other classes, because the cost study is for
 5 Nonprofit mail. Mitigation of a relatively large increase for Periodicals also
 6 affected the choice of passthroughs for Within County rate design.

7 The following table provides the proposed rates for Within County
 8 Periodicals:

9 **Table 6**
PERIODICAL RATES - WITHIN COUNTY

	Proposed Rate
Pounds	
Delivery Unit	\$ 0.118
SCF	\$ 0.145
Pieces	
BASIC NON-AUTOMATION	\$ 0.099
BASIC AUTOMATION LETTER	\$ 0.049
BASIC AUTOMATION FLAT	\$ 0.072
3-DIGIT NON-AUTOMATION	\$ 0.092
3-DIGIT AUTOMATION LETTER	\$ 0.048
3-DIGIT AUTOMATION FLAT	\$ 0.069
5-DIGIT NON-AUTOMATION	\$ 0.084
5-DIGIT AUTOMATION LETTER	\$ 0.045
5-DIGIT AUTOMATION FLAT	\$ 0.064
CARRIER ROUTE BASIC	\$ 0.048
CARRIER ROUTE HIGH DENSITY	\$ 0.032
CARRIER ROUTE SATURATION	\$ 0.027
WKSHARING DISCNT DELIVERY OFFICE ENTRY	\$ (0.005)

10

1 **VI. CLASSIFICATION CRITERIA**

2 Section 3623(c) of title 39 U.S.C. requires the Commission to make its
3 decision on establishing a new classification in accordance with the following
4 factors:

- 5 1. the establishment and maintenance of a fair and equitable
6 classification system for all mail;
7
- 8 2. the relative value to the people of the kinds of mail matter entered into
9 the postal system and the desirability and justification for special
10 classifications and services of mail;
11
- 12 3. the importance of providing classifications with extremely high degrees
13 of reliability and speed of delivery;
14
- 15 4. the importance of providing classifications which do not require an
16 extremely high degree of reliability and speed of delivery;
17
- 18 5. the desirability of special classifications from the point of view of both
19 the user and of the Postal Service; and
20
- 21 6. such other factors as the Commission may deem appropriate;
22

23 The classification change leading to the formation of a new Outside
24 County subclass meets the fairness and equity criterion. Nonprofit and
25 Classroom rate categories pay the same rates as their Regular counterpart
26 based on the degree of preparation and transportation provided by the mailers
27 and receive a discount in recognition of their preferred status.

28 The desirability and justification of this type of classification change
29 became evident with the discovery of a rate anomaly after Docket No. R97-1,
30 and the expectation that such rate anomalies would persist absent the combined
31 subclass. The combined subclass also permits more stable cost data to be used.
32 Thus, the proposed subclass is desirable from the point of view of both

1 Periodicals mailers and the Postal Service, fulfilling the requirements of criteria 2
2 and 5.

3 The Postal Service does not make a distinction between Regular,
4 Nonprofit and Classroom Periodicals in terms of the degree of reliability and
5 speed of delivery. A combined subclass thus brings us closer to meeting the
6 spirit of both criteria 3 and 4.