

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

RECEIVED
JAN 28 5 10 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

ERRATA TO TESTIMONY OF WITNESS CRUM
(January 28, 2000)

The United States Postal Service hereby files errata to the testimony and exhibits of witness Crum (USPS-T-27). In his testimony, witness Crum inadvertently relied upon a draft version of USPS-LR-103, which was subsequently changed prior to filing. In the revisions filed today, witness Crum conforms his testimony and exhibits to the filed version of LR-103. The changes are minor, and do not substantively affect the opinions and conclusions of witness Crum.

The revisions are as follows:

<u>Page</u>	<u>Change</u>
14, line 23	Change "\$.380" to "\$.384"
17, line 6	Change "\$.380" to "\$.384"
Attachment I, Table 1	Various minor changes as indicated
Attachment I, Table 3:	
Line B.	Change "\$44,636" to "\$44,774"
Line C.	Change "\$23,222" to "\$23,650"
Line G	Change "\$48,129" to "\$48,634"
Line I	Change "\$.380" to "\$.384"

- 2 -

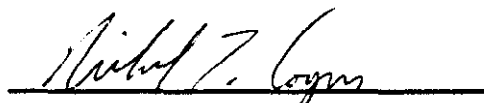
Revised pages reflecting these changes are attached hereto.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

A handwritten signature in cursive script, appearing to read "Richard T. Cooper", is written over a horizontal line.

Richard T. Cooper

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2993; Fax -5402
January 28, 2000

1 by discouraging more expensive behavior and providing the proper incentives
2 consistent with current Postal Service operations. Dropship discounts have proven to
3 be popular and appropriate in Periodicals, Standard Mail (A), and Standard Mail (B)
4 Parcel Post. My testimony will supply witness Kiefer the estimated zoned
5 transportation costs for all Bound Printed Matter including destination BMC (DBMC),
6 destination SCF (DSCF), and destination delivery unit (DDU) entered pieces as well as
7 non-destination entered pieces. I am also providing witness Kiefer the per piece mail
8 processing savings for DBMC entered pieces versus non-destination entered pieces as
9 well as the DSCF and DDU entered mail processing savings relative to DBMC entered
10 mail.

11 **B. Mail Processing**

12 When Bound Printed Matter is dropshipped to destinating facilities, it avoids the
13 mail processing costs associated with loading, unloading, and crossdocking at origin
14 facilities. Mail that is entered at the destination BMC avoids all mail processing at
15 origin non-BMC facilities and handling at the origin BMC. A simple description of the
16 Standard Mail (B) processing network is included with the entry profile in Attachment H.
17 The entry profile in Attachment H references the Bound Printed Matter Mail
18 Characteristics Study (LR-I-109). In the language of the Postal Service's cost systems,
19 "outgoing" costs describe the costs at origin facilities. Attachment I presents the
20 outgoing mail processing costs at non-BMC and BMC facilities and the total estimated
21 costs per piece that DBMC BPM pieces will avoid. Being consistent with the Postal
22 Service's volume variability assumptions in this case, I estimate that DBMC entered
23 Bound Printed Matter will save \$.384 relative to non-DBMC entered pieces at Test Year

1 proven successful in other subclasses. A summary of the transportation costs is
2 presented in Table 6 of Attachment K and the Test Year 2001 mail processing cost
3 savings estimates are summarized in the chart below.

4
5 Figure 3 - Bound Printed Matter Mail Processing Cost Savings (\$/piece)

6 DBMC (relative to non-dropship) = \$.384

7 DSCF (relative to DBMC) = \$.150

8 DDU (relative to DBMC) = \$.276

9
10 **VI. PERIODICALS DESTINATION ENTRY COST SAVINGS**

11 **A. Background**

12 In Docket No. R84-1, the Postal Service proposed a discount for second-class
13 (now Periodicals) mail that is deposited at the destination SCF based on a cost
14 analysis by witness Byrne. This analysis was revised in Docket No. R87-1 and was
15 expanded to include a destination delivery unit entry discount in Docket No. R90-1
16 based on the testimony of witness Acheson. Witness Byrne presented an updated
17 version of the analysis in Docket No. MC95-1 and witness Smith presented the analysis
18 in Docket No. R97-1.

19
20 **B. Analysis & Presentation**

21 The purpose of this analysis is to estimate the mail handling cost savings the
22 Postal Service realizes when mailers deliver their Regular or Nonprofit Periodicals to a
23 destination SCF or delivery unit, as opposed to entering the Periodicals at origin

Revised 1/28/2000

Attachment I, Table 3

A.	Proportion of outgoing BMC costs avoided by DBMC	55.80% (Table 2)
B.	BMC Outgoing costs	\$44,774 (Table 1)
C.	Non-BMC Outgoing costs	\$23,650 (Table 1)
D.	FY 1998 BPM volume (000)	488,413 (FY 1998 RPW)
E.	Proportion of volume deposited upstream of the DBMC	29.17% (Attachment H, Table 1)
F.	TY/BY wage rate adjustment factor	1.124 USPS-LR-I-146
G.	Total Base Year costs avoided by DBMC entered BPM = A * B + C	\$48,634
H.	Total Base Year volume of pieces deposited upstream of DBMC = D * E	142,470
I.	Total estimated Test Year DBMC cost savings	\$0.384

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Richard T. Cooper

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
January 28, 2000