

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**UNITED STATES POSTAL SERVICE  
NOTICE OF FILING REVISIONS TO THE TESTIMONY OF  
WITNESS DANIEL (USPS-T-28) [ERRATUM]**

The United States Postal Service gives notice of the filing of errata to the testimony of witness Daniel. The changes are as follows:

p. 10 line 25 change "these by" to "by these"

p. 10 line 26 change "12.5 cents" to "12.42 cents"

Replace p.11, USPS-T-28 Table 1: Costs by Ounce Increment for First-Class Single Piece" (see errata to USPS LR-I-91)

p. 13 line 16 change "7.337 billion" to "7.297 billion"

p. 13 line 17 change "1.649 billion" to "1.695 billion"

Replace p. 14, USPS-T-28 Table 2: Costs by Ounce Increment for First-Class Presort" (see errata to USPS LR-I-91)

p. 21 delete "ALA869P19 and" from footnote 12

Replace p. 26 Table 5: Delivery Unit Costs (in cents) (see errata to USPS LR-I-95)

Replace p. 29 Table 7: Summary of Mail Processing and Delivery Costs for Standard (A) ECR and NPECR Mail Used for Discounts (see errata to USPS LR-I-95)

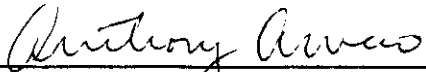
Copies of revised pages to witness Daniel's testimony are attached to this notice.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

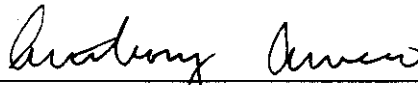
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March 1, 2000

#### 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.

  
\_\_\_\_\_  
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March 1, 2000

1 pounds per cubic feet, or density factors, by shape from Docket No. MC95-1 to  
2 estimate cube. No piggybacks are required.

3 F. "Other" Test Year Costs

4 The difference between total CRA costs and the piggyback costs of the components  
5 discussed above are called "Other" costs. These cost primarily consist of Postmaster  
6 costs (Cost Segment 1) and miscellaneous costs in other cost segments that are not  
7 piggybacked on clerk, carrier or vehicle service driver costs. These "Other" costs are  
8 distributed on the basis of weight.

9 G. Development of Volumes and Pounds by Weight Increments

10 The development of Base Year volumes and weight by subclass, shape and ounce  
11 increment is discussed in USPS LR-I-102. Base Year volumes are compared to TY  
12 forecasted volumes to develop a ratio at the subclass level in each of the weight studies  
13 found in USPS LR-I-91 through LR-I-93. This ratio is then applied to BY volumes and  
14 pounds by weight increment.

15  
16 **V. RESULTS OF IMPACT OF WEIGHT ON FIRST-CLASS COSTS**

17 A. First-Class Single-Piece

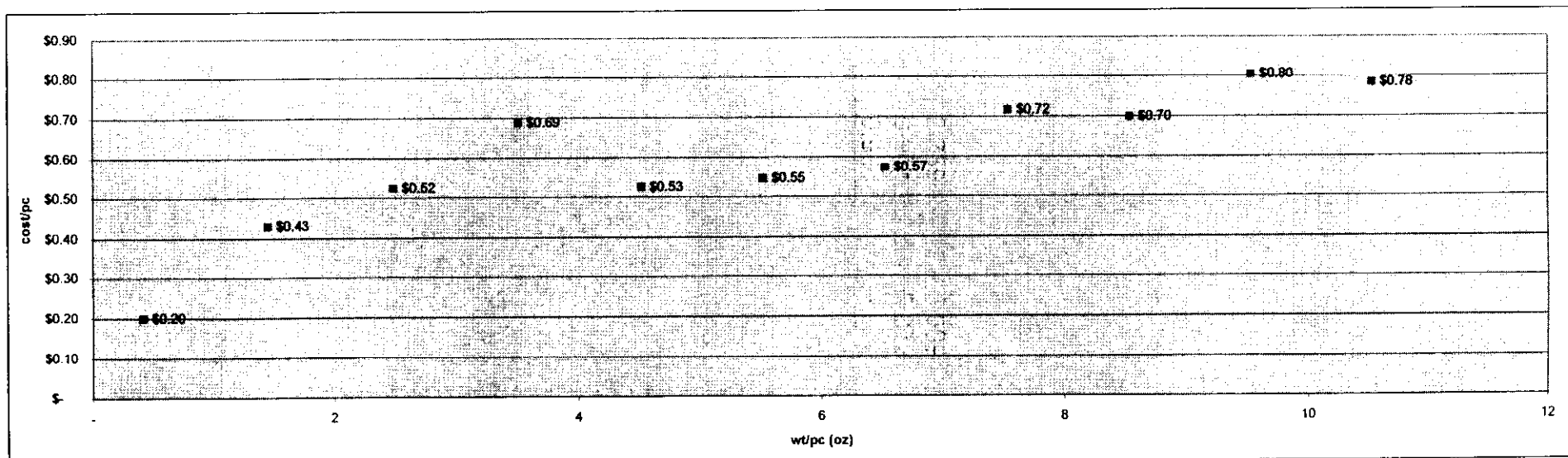
18 Using the inputs described in the previous section, TY unit costs by weight  
19 increment were estimated. A table of TY costs by ounce increment for First-Class Mail  
20 Single-Piece is shown in Table 1. Since there are no shape-based rates or weight-  
21 based worksharing discounts available in First-Class Mail Single-Piece, it is appropriate  
22 to look total unit costs by full-ounce increment, aggregated over all shapes. Most of the  
23 pieces subject to the additional ounce rate weigh less than four ounces (78 percent)  
24 where unit costs increase the most as weight increases. The total costs for pieces in  
25 excess of the first ounce cost are divided by these "postage ounces," i.e., the total  
26 number of additional ounces purchased.<sup>5</sup> This results in an average cost of 12.42  
27 cents for each additional postage ounce. Witness Fronk (USPS-T-33) uses this as a  
28 basis for his additional ounce rate design.

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<sup>5</sup> This is different from the actual number of additional ounces because weight is rounded up to the next ounce in calculating rates.

USPS-T-28 Table 1:  
Costs by Ounce Increment for First-Class Single-Piece  
(from USPS LR-I-91 detailed costs)

	0 to 1	1 to 2	2 to 3	3 to 4	4 to 5	5 to 6	6 to 7	7 to 8	8 to 9	9 to 10	10 to 11+	Total
volume	45,916,891,588	3,537,561,922	1,411,655,462	760,369,038	495,995,087	335,279,116	239,491,425	180,013,025	142,120,261	113,135,720	81,315,727	53,213,828,371
pounds	1,199,693,891	319,644,452	218,606,963	166,452,703	140,079,051	115,654,251	97,681,167	84,755,922	75,817,970	67,425,946	53,505,549	2,539,317,868
cubic feet (weight/density)	53,844,510	17,344,475	13,526,668	11,015,252	9,736,229	8,211,615	7,121,765	6,320,067	5,835,586	5,236,389	4,251,242	142,443,798
all mp (3.1) tally	5,688,966	1,046,407	506,122	357,547	143,170	94,341	65,956	65,005	42,948	42,304	23,260	8,076,026
window service (3.2) tally	<del>723,068</del>	<del>44,005</del>	<del>19,030</del>	<del>14,968</del>	<del>7,839</del>	<del>4,845</del>	<del>3,062</del>	<del>2,378</del>	<del>2,116</del>	<del>1,776</del>	<del>2,372</del>	<del>825,257</del>
delivery in-office (6.1) tally	1,071,699	115,867	40,767	27,972	12,610	7,091	4,231	4,781	3,189	1,949	1,751	1,291,907
delivery in-office (6.2) 6.1	264,956	28,646	10,079	6,916	3,118	1,753	1,046	1,182	788	482	433	319,398
del. route (7.1) piece	17,591	1,355	541	291	190	128	92	69	54	43	31	20,386
del. access (7.2) piece	85,486	6,586	2,628	1,416	923	624	446	335	265	211	151	99,072
elem. load (7.3)shape&wt	320,417	54,713	25,684	16,051	13,277	10,757	9,594	8,704	8,625	7,856	6,627	482,303
del. support (7.4) sum6&7	325,920	38,914	15,176	9,968	5,886	4,055	3,131	3,028	2,645	2,193	1,866	412,779
vehicle service (8) cube	18,253	5,880	4,585	3,734	3,301	2,784	2,414	2,142	1,978	1,775	1,441	48,288
delivery rural (10)shape&pc	316,579	33,029	15,881	9,274	6,333	4,370	3,182	2,433	1,960	1,570	1,146	395,757
air/water trans. (14) weight	127,790	34,048	23,286	17,730	14,921	12,319	10,405	9,028	8,076	7,182	5,699	270,486
hwy/rail trans. (14)cube	101,851	32,808	25,587	20,836	18,417	15,533	13,471	11,955	11,038	9,905	8,042	269,443
Other weight	232,515	61,951	42,369	32,261	27,149	22,415	18,932	16,427	14,694	13,068	10,370	492,150
Total Cost	9,295,092	1,504,209	731,734	518,961	256,932	181,016	135,962	127,468	98,376	90,313	63,188	<b>13,003,251</b>
Total Unit Cost	\$ 0.202	\$ 0.425	\$ 0.518	\$ 0.683	\$ 0.518	\$ 0.540	\$ 0.568	\$ 0.708	\$ 0.692	\$ 0.798	\$ 0.777	0.244
number of additional ounces purchased		1	2	3	4	5	6	7	8	9	10	
total number of additional ounces purchased		3,537,561,922	2,823,310,924	2,281,107,113	1,983,980,348	1,676,395,580	1,436,948,548	1,260,091,173	1,136,962,091	1,018,221,481	813,157,274	17,967,736,454
cost of pieces in excess of first ounce cost		\$ 788,089,374	\$ 445,968,679	\$ 365,037,549	\$ 156,526,387	\$ 113,144,129	\$ 87,480,728	\$ 91,027,610	\$ 69,606,339	\$ 67,410,566	\$ 46,726,883	\$ 2,231,018,245
												<b>0.1242</b>
Marginal Cost Difference		\$ 0.223	\$ 0.093	\$ 0.164	\$ (0.164)	\$ 0.022	\$ 0.028	\$ 0.140	\$ (0.016)	\$ 0.106	\$ (0.021)	



Revised 3/1/00

1 the unit costs, as shown by witnesses Madison in Docket No. R84-1 and McGrane in  
2 Docket Nos. MC95-1 and R97-1. Since lightweight flats appear to be consistently more  
3 costly to handle than the average weight flat, USPS witness Miller's (USPS-T-24) use of  
4 the cost of an average weight flat as a proxy for a one-ounce flat potentially  
5 underestimates the cost premium associated with nonstandard mail.

6 Weight also does not appear to be as large of a cost determinant for First-Class Mail  
7 Single-Piece parcels as it is for letters. Costs do seem to rise more in the heavier  
8 ounce increments for parcels than they do for flats. The absolute level of unit costs for  
9 parcels may be less reliable than the trend due to the relatively smaller proportion of  
10 parcels, especially in the first weight increment (*i.e.*, pieces weighing one ounce or  
11 less).

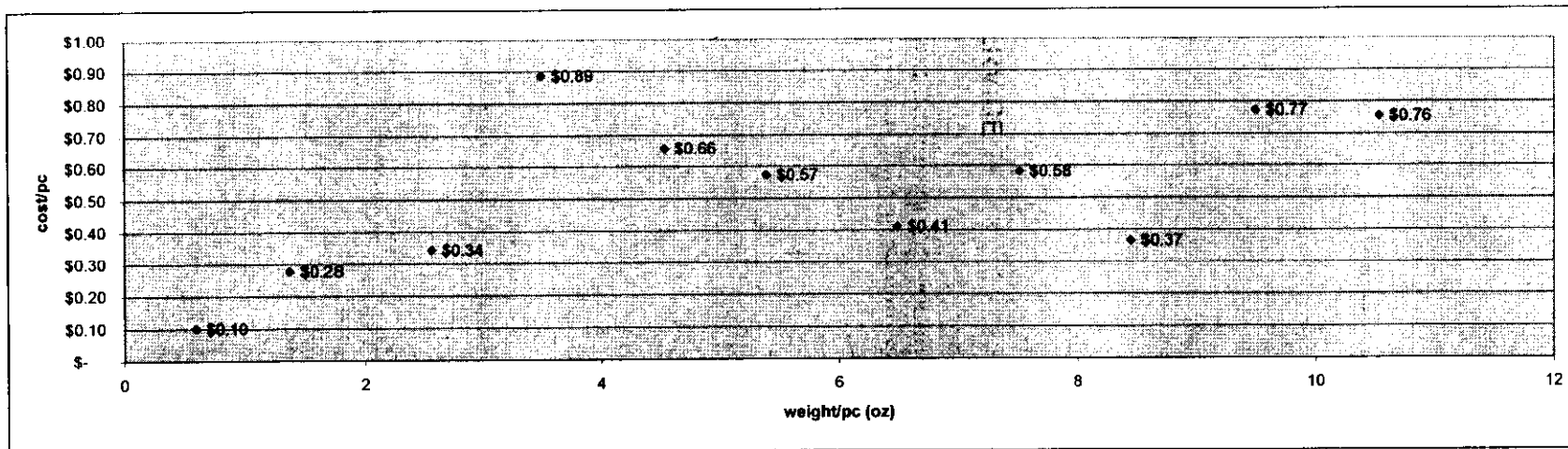
#### 12 B. First-Class Mail Presort

13 A table of the total unit costs by ounce increment for First-Class Mail Presort is  
14 presented in Table 2. Using the approach for analyzing the data for rate design  
15 purposes described above for Single-Piece results in an average cost of 14.8 cents for  
16 each additional postage ounce. While there are 7.297 billion pieces weighing more  
17 than one ounce in First-Class Mail Single-Piece in the TY, there are only 1.695 billion  
18 pieces weighing more than one ounce in First-Class Mail Presort in the TY. The First-  
19 Class Mail Presort data therefore do not appear as stable as First-Class Mail Single-  
20 Piece data in the heavier ounce increments.

**USPS-T-28 Table 2:  
Costs by Ounce Increment for First-Class Presort**

(from USPS LR-I-91 detailed costs)

	0 to 1	1 to 2	2 to 3	3 to 4	4 to 5	5 to 6	6 to 7	7 to 8	8 to 9	9 to 10	10 to 11+	Total
volume	45,353,264,962	1,220,177,444	307,673,114	66,728,148	23,946,518	26,556,324	13,734,326	10,998,981	11,849,964	8,187,210	4,781,134	<b>47,047,898,126</b>
pounds	1,691,261,971	106,471,078	49,546,231	14,581,026	6,781,546	8,945,373	5,569,168	5,162,141	6,251,904	4,856,496	3,146,614	<b>1,902,573,548</b>
cubic feet (weight/density)	69,713,100	4,710,706	2,451,372	754,969	369,634	492,733	310,052	289,602	348,488	272,909	176,031	<b>79,889,596</b>
all mp (3.1) tally	2,100,683	191,020	63,609	45,344	10,313	9,605	2,354	2,923	1,270	3,810	1,709	<b>2,432,636</b>
window service (3.2) tally	38,043	1,841	204	111	377	23	13	10	11	9	126	<b>40,769</b>
delivery in-office (6.1) tally	606,998	45,769	8,792	4,082	1,223	1,012	519	754	201	188	238	<b>669,778</b>
delivery in-office (6.2) 6.1	150,368	11,338	2,178	1,011	303	251	129	187	50	47	59	<b>165,920</b>
del. route (7.1) piece	20,734	558	141	31	11	12	6	5	5	4	2	<b>21,508</b>
del. access (7.2) piece	43,574	1,172	296	64	23	26	13	11	11	8	5	<b>45,202</b>
elem. load (7.3)shape&wt	510,736	29,347	9,042	2,061	752	849	520	519	553	515	321	<b>655,214</b>
del. support (7.4) sum6&7	245,346	15,950	3,792	1,295	417	394	220	268	160	148	118	<b>268,107</b>
vehicle service (8) cube	28,479	1,924	1,001	308	151	201	127	118	142	111	72	<b>32,636</b>
delivery rural (10)shape&pc	345,572	9,770	2,696	605	227	253	132	107	114	80	46	<b>359,604</b>
air/water trans. (14) weight	245,435	15,451	7,190	2,116	984	1,298	808	749	907	705	457	<b>276,100</b>
hwy/rail trans. (14)cube	106,389	7,189	3,741	1,152	564	752	473	442	532	416	269	<b>121,919</b>
Other weight	102,179	6,433	2,993	881	410	540	336	312	378	293	190	<b>114,945</b>
Total Cost	4,544,534	337,762	105,675	59,061	15,755	15,217	5,651	6,404	4,334	6,335	3,611	<b>5,104,339</b>
Total Unit Cost	\$ 0.100	\$ 0.277	\$ 0.343	\$ 0.885	\$ 0.658	\$ 0.573	\$ 0.411	\$ 0.582	\$ 0.366	\$ 0.774	\$ 0.755	0.108
number of additional ounces purchased		1	2	3	4	5	6	7	8	9	10	
total number of additional ounces purchased		1,220,177,444	615,346,227	200,184,444	95,786,073	132,781,622	82,405,959	76,992,869	94,799,715	73,684,886	47,811,339	2,639,970,578
cost of pieces in excess of first ounce cost		\$ 215,490,785	\$ 74,845,535	\$ 52,374,255	\$ 13,355,554	\$ 12,555,801	\$ 4,274,593	\$ 5,301,741	\$ 3,146,977	\$ 5,514,417	\$ 3,132,162	\$ 389,997,819
Marginal Cost Difference		\$ 0.177	\$ 0.067	\$ 0.542	\$ (0.227)	\$ (0.085)	\$ (0.162)	\$ 0.171	\$ (0.216)	\$ 0.408	\$ (0.018)	0.1477



1 testimony are distributed on the basis of costs developed for cost segment 6.1,  
2 consistent with the BY methodology employed by witness Meehan.

3 2. DPS

4 Because Delivery Point Sequenced (DPSed) letters and cards do not need to be  
5 cased, the presence of DPS mail affects city carrier in-office labor costs. The amount  
6 of DPS varies by rate category for letters and cards and is estimated by witness Miller  
7 (USPS-T-25) in his Attachments I-4, II-2, III-2. This section explains how city carrier in-  
8 office costs for letter rate categories are developed.

9 A similar LIOCATT report<sup>12</sup> from FY93, the Base Year in Docket No. R94-1, and the  
10 last year before the rollout of DPS, reports the cost of city carriers handling letters and  
11 cards in the office. The unit cost of city carriers handling "non-DPSed" letters and cards  
12 in the office can be inflated to the unit cost of handling letters and cards in the TY by  
13 using a wage rate adjustment as seen on page 9 of USPS LR-I-95. The cost of  
14 handling DPS letters and cards can be estimated by solving for the UNKNOWN in the  
15 following equation found on pages 5 through 7 of USPS LR-I-95:

16 
$$\text{TY LIOCATT SHAPE} = \% \text{DPS} * \text{UNKNOWN} + (1 - \% \text{DPS}) * (\text{NON-DPS COST})$$

17 Where the variables

- 18 • TY LIOCATT SHAPE is the TY cost of letters or cards by subclass
- 19 • %DPS is the average TY percent DPS of letters or cards by subclass  
20 calculated by witness Miller
- 21 • UNKNOWN is the unit cost of DPS letters or cards
- 22 • 1-%DPS is the average TY percent of letters or cards by subclass not DPSed
- 23 • NON-DPS COST is the TY unit cost of non-DPSed letters and cards calculated  
24 on page 9 of USPS LR-I-95

25 The city carrier in-office cost per rate category is then calculated by weighting the  
26 cost of handling DPS mail and non-DPS mail by the relative percent of DPS in each  
27 rate category on pages 5 through 7 of USPS LR-I-95.

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<sup>12</sup> See LIOCATT System Summary Schedule K&L Report ALA860P14 summarized on page 9 of USPS LR-I-95.

Table 5:  
Delivery Unit Costs (in cents)  
(from USPS LR-1-95)

<b>First-Class Single Piece</b>	
Single-Piece Letters	5.362
Single-Piece Flats	7.427
Single-Piece Parcels	20.025
<i>Single-Piece Nonletters</i>	8.580

<b>First-Class Presort</b>			
NonAuto Presort Letters	5.479		
Auto Basic Letters	4.319	5-D Auto @ DBCS Sites	2.966
Auto 3-Digit Letters	4.196	5-D Auto @ nonDBCS Sites	6.160
Auto 5-Digit Letters	3.997	Presort Letters (Avg)	4.360
Auto CR Letters	6.059		
Presort Flats	9.414		
Presort Parcels	39.751		
<i>Presort Nonletters</i>	10.048		

<b>First-Class Cards</b>			
Single Piece Cards	6.026		
NonAuto Presort Cards	3.860		
Auto Basic Cards	3.245		
Auto 3-Digit Cards	3.179	5-D Auto @ DBCS Sites	2.526
Auto 5-Digit Cards	3.073	5-D Auto @ nonDBCS Sites	4.222
Auto CR Cards	4.168	Presort Cards (Avg)	3.368

<b>Std. A Regular</b>	
Regular Basic Letters	5.111
Regular 3/5 Letters	5.078
Automation Basic Letters	4.681
Automation 3-Digit Letters	4.640
Automation 5-Digit Letters	4.571
Regular Flat Subtotal	7.599
Regular Parcel Subtotal	20.575
<i>Regular Nonletter Subtotal</i>	8.359

<b>Std. A Nonprofit</b>	
Nonprofit Basic Letters	4.072
Nonprofit 3/5 Letters	4.399
Automation Basic Letters	3.397
Automation 3-Digit Letters	3.349
Automation 5-Digit Letters	3.270
Nonprofit Flat	6.641
Nonprofit Parcel	21.217
<i>Nonprofit NonLetters Subtotal</i>	7.004

<b>Std. A ECR</b>			
ECR Basic Auto Letters	4.452		
ECR Basic Letters	5.464	ECR Basic Nonletters	6.589
ECR High Density Letters	4.933	ECR High Density Nonletters	5.072
ECR Saturation Letters	4.034	ECR Saturation Nonletters	4.356

<b>Std. A NECR</b>			
NECR Basic Auto Letters	3.096		
NECR Basic Letters	3.800	NECR Basic Nonletters	4.613
NECR High Density Letters	3.431	NECR High Density Nonletters	3.551
NECR Saturation Letters	2.806	NECR Saturation Nonletters	3.050



Table 7:

Summary of Mail Processing and Delivery Costs for Standard (A) ECR and NPECR Mail Used for Discounts

<b>Standard (A) Regular ECR Unit Cost Estimates (for discounts)</b>			
	MP + D Costs	Mail Processing Costs	Delivery Costs
<b>Letters</b>	(rounded)	(rounded)	(rounded)
<b>Enhanced Carrier Route</b>			
<i>Auto Basic</i>	6.331	1.879	4.452
<i>Basic</i>	7.535	2.071	5.464
<i>High Density</i>	5.695	0.762	4.933
<i>Saturation</i>	4.796	0.762	4.034
<b>Nonletters</b>			
<b>Enhanced Carrier Route</b>			
<i>Basic</i>	9.328	2.739	6.589
<i>High Density</i>	5.976	0.904	5.072
<i>Saturation</i>	5.260	0.904	4.356

<b>Standard (A) Nonprofit ECR Unit Cost Estimates (for discounts)</b>			
	MP + D Costs	Mail Processing Costs	Delivery Costs
<b>Letters</b>	(rounded)	(rounded)	(rounded)
<b>Nonprofit Enhanced Carrier Route</b>			
<i>Auto Basic</i>	5.021	1.925	3.096
<i>Basic</i>	8.534	4.734	3.800
<i>High Density</i>	3.640	0.209	3.431
<i>Saturation</i>	3.015	0.209	2.806
<b>Nonletters</b>			
<b>Nonprofit Enhanced Carrier Route</b>			
<i>Basic</i>	9.705	5.092	4.613
<i>High Density</i>	4.330	0.779	3.551
<i>Saturation</i>	3.829	0.779	3.050