

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

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OFFICE OF THE CLERK
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF ERRATA TO TESTIMONY OF WITNESS KIEFER

The United States Postal Service hereby gives notice that it is filing the attached errata to the testimony of witness Kiefer, USPS-T-37. The two corrections are referred to in the responses to the interrogatories of the Association of American Publishers filed today.

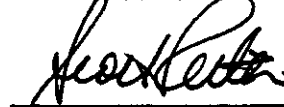
The first correction is on page 33, footnote 13, where ", DSCF or DBMC" is added after "DDU." The second is on page 34, footnote 14, where "\$100" is changed to "\$125." Revised pages are attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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March 14, 2000

1 **D. Proposed Changes to DMCS**

2 *Elimination of the Local zone.*

3 The Postal Service proposes that the Commission recommend elimination
4 of a separate Local zone rate for Bound Printed Matter. In the past, Local rates
5 were developed under the assumption that Local mail would be deposited at the
6 destination post office and would therefore avoid transportation and certain
7 processing costs. Experience has shown that Bound Printed Matter entered as
8 Local mail has often been deposited at offices other than the actual destination
9 delivery unit, thus imposing costs on the Postal Service for processing and
10 transportation that were not incorporated into the Local rate.

11 In place of the Local rate I am proposing a Destination Delivery Unit
12 (DDU) discount for Bound Printed Matter, described below.¹³ By restricting the
13 availability of these discounts to DDU-entered mail, the Postal Service will
14 ensure that the rates paid by mail claiming the discounts will more closely reflect
15 the costs to process and deliver it.

16

17 *Establishment of Drop-Shipping Discounts.*

18 In this docket the Postal Service is proposing three new discounts for
19 properly prepared presorted mail that is entered at the destination BMC (DBMC),
20 destination SCF (DSCF), and DDU. This proposal is designed to recognize that
21 the Postal Service enjoys cost and processing savings when mailers enter their
22 mail close to its delivery destination. The new discounts will better align rates
23 with the costs of transporting, processing and delivering Bound Printed Matter.
24 Currently, mailers of Bound Printed Matter who drop-ship their mail receive no

¹³ With elimination of the Local zone, all mail formerly paying the Local rate would fall into the Zones 1&2 rate category, unless prepared and entered as DDU, DSCF or DBMC mail.

1 price incentive to encourage them to continue the practice. The proposed
2 discounts should send appropriate price signals that encourage these cost-
3 saving practices.¹⁴

4

5 *Elimination of the One-Pound Weight Restriction.*

6 To accommodate BPM mailers who wish to mail pieces that weigh less
7 than one pound, the Postal Service is proposing that the one-pound lower weight
8 limit be eliminated for Bound Printed Matter. This elimination will only affect the
9 acceptance of such mail: for rate purposes, each piece of mail weighing under
10 one pound will be treated as if it weighed one pound exactly. Witness Plunkett is
11 proposing a similar elimination of the one-pound restriction for Parcel Post.

12

13 **E. Rate Design**

14 **1. Methodology**

15 My basic rate design continues the per piece and per pound zoned rate
16 structure that has been used for Bound Printed Matter in recent rate cases. My
17 methodology begins with allocating total volume variable costs between weight-
18 related and non-weight-related costs, and between single piece costs and
19 presort mail costs. To develop the preliminary per pound component of the rate,
20 I first obtained a projection of zoned transportation costs per pound from Witness
21 Crum (USPS-T-27), and used these estimates to apportion total costs into
22 transportation costs and non-transportation costs. I then apportioned the non-
23 transportation costs between single piece and presort costs, employing the 2 to 1
24 ratio for single piece to presort per-unit handling costs used by the Postal

¹⁴ To make drop-shipped BPM consistent with drop-shipped Parcel Post, the Postal Service also proposes that mailers using these rates pay an annual \$125 destination entry permit fee.

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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a solid horizontal line.

Scott L. Reiter

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