

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 REVISED PAGE TO THE TESTIMONY OF
WITNESS MOELLER (USPS-T-35) [ERRATUM]**

The United States Postal Service gives notice of the filing of revisions to the testimony of witness Moeller (USPS-T-35). The changes are as follows:

Page 21, line 16: change "two 4-ounce pieces" to "a single 8-ounce piece"

Page 21, lines 16-17: change "a single 8-ounce piece" to "two 4-ounce pieces"

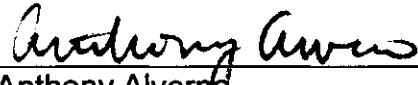
A copy of revised page 21 to witness Moeller's testimony is attached to this notice.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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April 3, 2000

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COMPARISON OF COST COVERAGES FOR PIECE-RATED VS. POUND-RATED ECR								
	Before Rates	Unit Revenue	Unit Cost	Implicit Coverage		After Rates	Unit Revenue	Unit Cost
Using costs with a 3.0 ounce dividing line for costs:								
Piece-rated	0.13312		0.0663	200.8%		0.14295		0.0663
Pound-rated	0.19419		0.0901	215.5%		0.19472		0.0901
Using costs with a 3.5 ounce dividing line for costs:								
Piece-rated	0.13312		0.0676	196.9%		0.14295		0.0676
Pound-rated	0.19419		0.0916	212.0%		0.19472		0.0916

2 Source: USPS-T-35, WP1, page 34, lines 15-16 for revenue. USPS-T-28, Table 3 for
3 costs.

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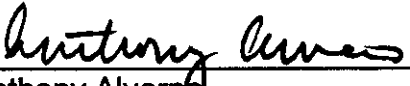
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The before-rates information shows that the implicit coverage for pound-rated pieces exceeds that for piece-rated pieces. While equalizing cost coverage of the two groupings need not be an end in itself for purposes of ratemaking, the information does suggest that a reduction in the pound rate can be made without grossly distorting the relative coverages of the two groupings. The after-rates figures show that the relative cost coverages converge with the proposed pound rate.

Aside from the observations that can be made by using data from the new cost study, there are several other indications that the existing pound rate is too high. First, under the current rates, the per-piece rate for pound-rated mail is only \$0.003 for pound-rated Saturation nonletters. The rate structure, therefore, provides that the rate for this pound-rated mail nearly doubles as weight doubles. For example, the total revenue from a single 8-ounce piece is 99.1 percent of the revenue from two 4-ounce pieces. In both mailings, the revenue is virtually the same, but it seems illogical that the Postal Service would be that indifferent between processing and delivering two 4-ounce

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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