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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE CONCERNING ERRATA
TO DIRECT TESTIMONY OF WITNESS MAYES (USPS-T-32)
(ERRATUM)

The United States Postal Service hereby files this notice of errata to the testimony of witness Mayes. These changes conform the narrative portion of her testimony, USPS-T-32, the April 21, 2000, errata filed to correct Exhibits USPS-T-32A, USPS-32B, USPS-32C and USPS-32E.

On page 36, line 7 of USPS-T-32, "6.4 is changed to "6.5".

On page 38, line 19, the word "below" is changed to "above".

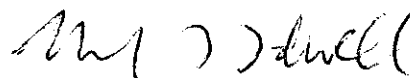
Corrected pages are attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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April 25, 2000

1 However, it is lower than that of Enhanced Carrier Route, suggesting an
2 intermediate economic value of service. The availability of new ancillary
3 services, notably Delivery Confirmation and bulk insurance, to some Regular
4 Standard Mail (A) mailers is hoped to slightly increase the value of the service to
5 these users.

6 The 9.4 percent average rate increase is above the rate of inflation and
7 higher than the system average increase of 6.5 percent, resulting in a noticeable,
8 but reasonable, impact on the users of Regular mail (criterion 4). However, the
9 rate increase experienced by Regular Standard Mail (A) in Docket No. R97-1
10 represented only a 1.2 percent increase in revenue per piece as reported by the
11 Commission.¹⁰ The fact that the Regular increase proposed in this case is
12 above the system-average increase, together with the 132.9 percent cost
13 coverage over volume-variable costs, suggests that competitors are not unfairly
14 targeted by this increase.

15 The Regular subclass is somewhat more suited to demographic targeting of
16 commercial messages and the Enhanced Carrier Route subclass is somewhat
17 more suited to geographic targeting. For this reason, the availability of
18 alternatives (criterion 5) is somewhat less for Regular, but a number of
19 alternatives for demographically targeted advertising exist, including special-
20 interest magazines, cable television, and internet websites.

21 The mail within the Regular subclass all has a substantial degree of mailer
22 preparation (criterion 6), with some of it being both prebarcoded and sorted to 5-

1 measured relative to volume-variable costs. For the test year, the application of
2 this markup results in a rate increase of 5.6 percent.

3 **3. Enhanced Carrier Route**

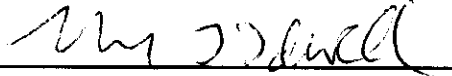
4 The Postal Service is proposing a cost coverage of 208.8 percent over
5 volume variable costs for the Enhanced Carrier Route (ECR) subclass, which
6 results in a 4.9 percent average rate increase. This is somewhat below the
7 system average increase, reflecting a desire to lower the very high cost coverage
8 of this subclass.

9 In common with Regular, the intrinsic value of service (criterion 2) for ECR
10 is relatively low (criterion 2), since it lacks access to the collection system,
11 receives ground transportation, has no free forwarding and its delivery may be
12 deferred. The Postal Service may be able to accommodate mailer requests for
13 delivery within a specific time frame, again requiring mailer preparation,
14 coordination, and planning. The regularity with which some of the high-density
15 and saturation rate category mailings are deposited may facilitate the delivery of
16 the mailpiece within the mailer's desired time frame. The price-elasticity of ECR
17 (-0.808) is higher in absolute value than that of Standard Mail (A) Regular or
18 First-Class letters, indicating a relatively low economic value of service.

19 The average rate increase for ECR is slightly above the rate of inflation,
20 limiting its effect on mailers (criterion 4). Given the very high cost coverage of
21 the ECR subclass, this rate increase does not result in unfair competition for its
22 competitors.

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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