

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

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF FOURTH  
ERRATA TO TESTIMONY OF WITNESS MAYO (USPS-T-39) [ERRATUM]  
(April 27, 2000)

The United States Postal Service hereby provides notice of the filing of a fourth set of errata to the testimony of witness Mayo (USPS-T-39). Most of the errata reflect recent changes in witness Kaneer's post office box counts (filed March 31, 2000) and in witness Davis' costs for insurance (filed April 17, 2000). No proposed fees are changed. A summary of the changes is attached, along with the revised pages.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 27, 2000

**Summary of April 27, 2000 revisions to USPS-T-39 (witness Mayo)**

Page 15 – footnote 5: replace “pages 41-44” with “page 40”

Page 59 – line 20: replace “105” with “139”

Page 63 – line 3: delete “slightly”

Page 63 – line 19: delete “just” and “not”

Page 63 – line 20: replace “any significant” with “a moderate”

Page 63 – line 20: delete “In developing a fee just above”

Page 63 – line 21: delete “the cost, the adverse effect of the large fee increase for unnumbered insurance is”

Page 63 – line 22: delete “kept to a minimum (Criterion 4).”

Page 63 – line 23: insert “(Criterion 4)” after “impact”

Page 64: Replace whole page due to text shift from changes on page 63

Page 99 – line 21: replace “138” with “137”

Page 99 – line 23: replace “11” with “10”

Page 110 – line 9: replace “33” with “Thirty two”

Page 110 – line 10: replace “15” with “Fourteen”

Page 110 – line 11: replace “17” with “Sixteen”

Page 110 – line 12: replace “35” with “37”

Page 111: Replace entire page

Page 112: Replace entire page

1           **C. Bulk Parcel Return Service**

2

3           1. Proposal

4

5           The Postal Service is proposing one classification change and one fee  
6 change for bulk parcel return service (BPRS). The proposed classification  
7 change is to establish an annual advance deposit account fee similar to the  
8 accounting fee for Business Reply Mail (BRM). The proposed fee change is to  
9 reduce the current fee of \$1.75 by six percent to \$1.65. With a test year cost of  
10 \$1.13<sup>5</sup> per piece, the proposed cost coverage is 146 percent. Table 3 below  
11 presents the current and proposed fees and the percentage change.

12

13

14

**Table 3 – Bulk Parcel Return Service**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
Per returned piece	\$1.75	\$1.65	(6%)
Accounting Fee	N/A	\$375.00	N/A

15

16

17           2. Description

18

19           BPRS is a special service that provides a method for returning  
20 undeliverable or refused machinable parcels. This service allows high volume

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<sup>5</sup> Cost from USPS-T-26, page 40, plus contingency.

1           **K. Insurance**

2

3           **1. Proposal**

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5           I am proposing both classification changes and fee changes for  
6 insurance. The first proposed classification change is to offer separate bulk  
7 discounts for unnumbered and numbered insurance. The second proposed  
8 classification change involves extending bulk insurance to Standard Mail (A).

9

10           The fee changes proposed in this testimony include fee increases for  
11 unnumbered and all numbered insurance pieces. The current incremental fee of  
12 95 cents between value levels is proposed to increase to \$1.00. This proposed  
13 incremental fee increase also applies to Express Mail insurance \$100 value  
14 levels above \$500. Percentage increases for the proposed fees over the current  
15 fees range from 6 percent to 17 percent for numbered and 59 percent for  
16 unnumbered. Also being proposed is a larger discount for bulk insurance over  
17 the current discount, and an even larger discount for numbered insured, as part  
18 of the proposed classification change for two bulk discounts. The proposed bulk  
19 discounts are \$0.75 for unnumbered and \$1.00 for numbered. The proposed  
20 implicit cost coverage is 139 percent for unnumbered insurance, and the overall  
21 cost coverage for insurance is 138 percent. Table 11 presents the current and  
22 proposed insurance fees and the subsequent percentage changes.

1           **6. Fee Design**

2

3           The fee for unnumbered insurance was developed by increasing the per-  
4 piece cost and applying a nickel rounding constraint. The fees for numbered  
5 insurance were developed by increasing the first value level by 30 cents and  
6 applying \$1.00 incrementally to each value level over the first \$100 in value. A  
7 ten-cent rounding constraint was used for numbered insurance.

8

9           **7. Pricing Criteria**

10

11           The value of service to insurance customers is very high as these  
12 customers can receive reimbursement for lost, stolen or damaged articles  
13 (Criterion 2). At the same time, the value of service should be considered in light  
14 of frequently lower priced private alternatives (Criterion 5). Especially adding to  
15 the high value of service is the large indemnity limit for insurance.

16

17           As a whole, insurance covers its own costs and makes a contribution to  
18 other costs with a resultant moderate cost coverage (Criterion 3). The fee for  
19 unnumbered insurance was designed to cover the cost of the service and make a  
20 moderate contribution to other costs. For numbered insurance customers the fee  
21 increases are modest and should not have a negative impact (Criterion 4). When  
22 considering the fee increases for both unnumbered and numbered insurance  
23 customers it is important to bear in mind that the discounts for bulk insurance in

1 both categories are proposed to increase significantly. Therefore, for bulk  
2 insurance mailers, the fee increases, even for unnumbered, are more bearable.

3

4 There are many alternatives to insurance such as insurance offered by  
5 Postal Service competitors and private insurance companies (Criterion 5). The  
6 proposed \$1.00 fee increment per \$100 value level promotes simplicity and  
7 identifiable fee relationships (Criterion 7). Considering all of the criteria  
8 discussed above, the proposed insurance fees are fair and equitable (Criterion  
9 1).

10

## 11 8. Classification Criteria

12

13 The first proposed classification change to insurance is a proposal to  
14 offer two separate discounts for bulk insurance – one for unnumbered and one  
15 for numbered. Since there are two distinctly different cost avoidances for  
16 unnumbered and numbered bulk insurance<sup>32</sup>, it is fair and equitable to have two  
17 separate discounts (Criterion 1). Insurance provides a high value of service, and  
18 more specifically, discounts for large insurance mailers provide a high value  
19 (Criterion 2). The proposed classification change affecting bulk insurance relates  
20 to the insurance classification that provides a high degree of reliability (Criterion  
21 3). It should be very desirable from the point of view of the bulk insurance

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<sup>32</sup> USPS-T-30, page 14.

1           **R. Post Office Boxes, Caller Service and Reserve Call Numbers**

2

3           **1. Proposal**

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5           I am proposing several classification changes and numerous fee  
6 changes for post office boxes. Also being proposed are new fees for caller  
7 service and reserve numbers.

8

9           The first proposed post office box classification change is to name the  
10 new post office box fee groups proposed by witness Kaneer (USPS-T-40). The  
11 second proposed classification change is to establish a new classification for a  
12 fee to provide more than two keys for a box, or to replace a key due to loss,  
13 damage or breakage.<sup>48</sup> The third proposed classification change is to establish a  
14 new classification for a fee for a customer initiated post office box lock change. A  
15 final proposed classification change is to eliminate the DMCS section concerning  
16 transfer of street-addressed mail to a post office box.

17

18           I am also proposing new post office box fees that represent both  
19 increases and decreases when compared to the equivalent current fees. The  
20 total proposed cost coverage for post office boxes (including caller service and  
21 reserve number) is 137 percent. The range of the post office box fee changes in  
22 the individual fee cells is -25 percent to 73 percent. The total proposed  
23 percentage increase (including caller service and reserve number) is 10 percent.

1 to other costs (Criterion 3). This is desirable considering the low cost coverages  
2 from post office boxes in the past. The overall cost coverage is proposed to be  
3 kept fairly low because the fees need to pick up costs from below-cost fee cells  
4 (mainly in Groups D and E).

5  
6 The effect of the proposed fees on the various post office box customers  
7 was carefully considered (Criterion 4). The situations where the highest possible  
8 percentage increases are seen (those over 43 percent) represent a little over  
9 one-half of one percent of all boxes. Thirty two percent of all boxes are proposed  
10 to increase 31 to 43 percent. Fourteen percent of all boxes are proposed to  
11 increase 21 to 30 percent. Sixteen percent of all boxes are proposed to increase  
12 1 to 20 percent. Finally, 37 percent of all boxes (including Group E boxes at no  
13 fee) are proposed to decrease or have no change. Table 20-A on the next page  
14 details the effects of the proposed post office box fee changes. While some of  
15 these increases are not small, they do not represent a substantial outlay for most  
16 users. As such, they should not have a substantial impact on most users.  
17 Moreover, the alternative of free carrier delivery is an option.



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2

Table 20-A – Effect of Proposed Post Office Box Fee Increase

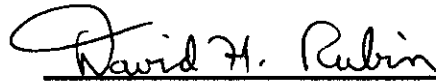
		TYBR VOLUME	PERCENTAGE OF GROUP VOLUME	INCREASE OR DECREASE	PERCENTAGE OF TOTAL VOLUME
GROUP A TO GROUP B2	SIZE 1	24,239	22.52%	0%	0.13%
	SIZE 2	667	0.62%	-2%	0.00%
	SIZE 3	659	0.61%	6%	0.00%
	SIZE 4	82	0.08%	13%	0.00%
	SIZE 5	17	0.02%	15%	0.00%
GROUP A TO GROUP C3	SIZE 1	50,532	2.03%	-8%	0.28%
	SIZE 2	1,391	0.06%	-13%	0.01%
	SIZE 3	1,374	0.06%	-6%	0.01%
	SIZE 4	170	0.01%	-1%	0.00%
	SIZE 5	36	0.00%	-4%	0.00%
GROUP B TO GROUP B2	SIZE 1	63,276	58.79%	11%	0.35%
	SIZE 2	12,454	11.57%	10%	0.07%
	SIZE 3	5,455	5.07%	21%	0.03%
	SIZE 4	700	0.65%	25%	0.00%
	SIZE 5	85	0.08%	38%	0.00%
GROUP B TO GROUP C3	SIZE 1	29,140	1.17%	2%	0.16%
	SIZE 2	5,736	0.23%	-2%	0.03%
	SIZE 3	2,512	0.10%	7%	0.01%
	SIZE 4	322	0.01%	10%	0.00%
	SIZE 5	39	0.00%	15%	0.00%
GROUP B TO GROUP C4	SIZE 1	53,683	2.28%	-17%	0.30%
	SIZE 2	10,566	0.45%	-21%	0.06%
	SIZE 3	4,628	0.20%	-14%	0.03%
	SIZE 4	594	0.03%	-8%	0.00%
	SIZE 5	72	0.00%	-2%	0.00%
GROUP C TO GROUP C3	SIZE 1	1,485,812	59.79%	25%	8.26%
	SIZE 2	641,785	25.83%	25%	3.57%
	SIZE 3	208,939	8.41%	32%	1.16%
	SIZE 4	46,804	1.88%	55%	0.26%
	SIZE 5	10,423	0.42%	54%	0.06%

Table 20-A  
(continued)

		TYBR VOLUME	PERCENTAGE OF GROUP VOLUME	INCREASE OR DECREASE	PERCENTAGE OF TOTAL VOLUME
GROUP C TO GROUP C4	SIZE 1	1,416,416	60.23%	2%	7.87%
	SIZE 2	611,810	26.02%	2%	3.40%
	SIZE 3	199,180	8.47%	5%	1.11%
	SIZE 4	44,618	1.90%	29%	0.25%
	SIZE 5	9,936	0.42%	31%	0.06%
GROUP C TO GROUP C5	SIZE 1	3,055,537	62.07%	-14%	16.98%
	SIZE 2	1,319,815	26.81%	-14%	7.33%
	SIZE 3	429,677	8.73%	-12%	2.39%
	SIZE 4	96,251	1.96%	-10%	0.53%
	SIZE 5	21,435	0.44%	-7%	0.12%
GROUP D TO GROUP D6	SIZE 1	3,930,130	79.84%	43%	21.84%
	SIZE 2	1,684,899	34.23%	33%	9.36%
	SIZE 3	448,609	9.11%	14%	2.49%
	SIZE 4	34,510	0.70%	52%	0.19%
	SIZE 5	2,125	0.04%	73%	0.01%
GROUP D TO GROUP D7	SIZE 1	246,653	5.01%	21%	1.37%
	SIZE 2	105,743	2.15%	8%	0.59%
	SIZE 3	28,155	0.57%	2%	0.16%
	SIZE 4	2,166	0.04%	21%	0.01%
	SIZE 5	133	0.00%	25%	0.00%
GROUP E REMAINING		1,644,953			9.14%

## 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 cursive script that reads "David H. Rubin". The signature is written in black ink and is positioned above a horizontal line.

David H. Rubin

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April 27, 2000