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DOCKET NO. R2000-1

Direct Testimony of

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On Behalf of the

ASSOCIATION OF AMERICAN PUBLISHERS

DATED: May 22, 2000

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AUTOBIOGRAPHICAL SKETCH

My name is Stephen E. Siwek. I am a Principal in the firm of Economists Incorporated, Suite 400, 1200 New Hampshire Ave., NW, Washington D.C. Economists Incorporated specializes in economic analysis of competitive issues that arise in antitrust reviews of corporate acquisitions, litigation and regulated industries. I hold a BA in economics from Boston College and an MBA from George Washington University. My areas of specialization include the economic and financial analysis of telecommunications and other regulated industries, assessment of lost profit damages, and international trade for U.S. industries that depend on copyrights. I have testified on economic and financial issues in more than 60 regulatory proceedings in 22 states. I have particular experience in the economic and technical issues that are relevant to development and use of cost estimates for ratemaking purposes, and I have provided expert testimony on these issues in many state regulatory proceedings and arbitrations. I have been involved in postal ratemaking matters since the 1970s, and I have appeared before the Postal Rate Commission on four prior occasions. I first appeared before this Commission in Docket No. R83-1, where I testified as a witness on behalf of the Antitrust Division of the US Department of Justice. In that case, I assessed the financial viability of the Postal Service's proposed E-COM service. I have also testified before this Commission in Docket Nos. R 84-1, R-87-1 and R 90-1. My resume, which includes a list of proceedings where I have testified as an expert witness, is included herewith as Attachment 1.

1 **I. PURPOSE OF TESTIMONY**

2 Each year, the members of the Association of American Publishers (“AAP”) ship
3 millions of books to American citizens by means of the United States Postal Service (“USPS” or
4 “Postal Service”). AAP members make use of various USPS mail subclasses including Standard
5 A mail, Standard B mail, Parcel Post, Special Standard and Bound Printed Matter (“BPM”). For
6 many AAP members however, BPM represents their most important shipping medium for books.
7 As a result, these members are understandably concerned as to the magnitude of the rate increase
8 that the USPS has proposed for BPM in this case.

9

10 In this proceeding, the USPS has proposed what it calculates to be an “average” rate
11 increase for BPM in the amount of 18.1%.¹ However, the Postal Service also proposes to
12 eliminate the Local rate zone for BPM and to introduce three new destination entry discounts for
13 BPM mail. For mailers who cannot take full advantage of these discounts, the Postal Service’s
14 proposal will result in much higher rate increases. According to Postal Service figures, a 2-pound
15 parcel now shipped at the Local BPM rate that can only achieve the Destination Bulk Mail
16 Center (“DBMC”) “discount” will face a 61.6 percent increase.²

17

18 My testimony in this case will focus on the USPS’ rate proposals for BPM. Specifically,
19 my testimony will address five issues. First, I will explain how in this proceeding, the Postal
20 Service has failed to develop even the most basic information needed to predict the likely effect
21 that its proposed rate increase will have on the BPM subclass. Second, I will show how the
22 USPS’ claimed cost increases for BPM are contradicted by the Postal Service’s own cost
23 witnesses. Third, I will show that the USPS’ proposal to introduce multiple drop ship discounts
24 for BPM depends crucially on a “first-time” survey that is unreliable. Fourth, I will explain how
25 the Postal Service’s proposed drop ship discounts in BPM reflect an inconsistent and
26 discriminatory pattern of cost saving “pass-throughs.” Fifth, I will demonstrate that the
27 institutional cost markup recommended for BPM by the USPS is far too high.

28

29 On the basis of my analysis of the issues described above, I will also propose alternative

¹ USPS Response to AAP/USPS-T32-11(a), Tr.11/4203-04.

² See Attachment to USPS Response to AAP/USPS-T-37-10, Tr.13/5281-82.

1 rates for BPM. I will recommend that the Postal Rate Commission adopt the rates that I propose
2 for BPM in this proceeding.

3 4 **II. THE USPS PROPOSAL**

5 According to USPS witness James Kiefer, the BPM subclass contained only catalogs and
6 similar bound advertising matter until 1973. However, in Docket No. MC73-1, eligibility for the
7 subclass was broadened to include bound printed matter other than catalogs, although books
8 were still excluded.³ Subsequently, as rates for other subclasses increased, book publishers began
9 to include advertising in books in order to make them eligible to be mailed as BPM. In Docket
10 No. R90-1, the Commission responded to this trend and recommended that all books that meet
11 the appropriate weight requirements be eligible to be mailed as Bound Printed Matter. While the
12 subclass still contains telephone directories, manuals and catalogs, BPM is now dominated by
13 mailings of books.⁴

14
15 Traditionally, BPM has been offered on a single piece and on a bulk rate basis. The rate
16 structure consists of a per-piece charge and a charge that varies by weight and by delivery zone.
17 In 1985, Basic Presort and Carrier route Presort options replaced the single bulk rate for BPM.⁵
18 Presorted mail pays a lower per-piece charge than Single Piece BPM, plus a lower zone-based
19 per pound charge based on the aggregate weight of the mail traveling to each zone. To be eligible
20 for these reduced rates, mailings must contain at least 300 pieces that are properly prepared and
21 presorted as appropriate. Currently, BPM mailings of 50 or more machinable parcels of Single
22 Piece or Basic Presort Bound Printed Matter are also eligible to receive a further discount of
23 three cents per piece if they bear a readable barcode showing the delivery address ZIP code.

24
25 In this proceeding, the USPS is proposing an institutional cost coverage of 117.6 percent
26 over “volume-variable” costs for BPM. This proposal results in an average rate increase for BPM

³ USPS Witness Kiefer, USPS-T-37 at 26.

⁴ The importance of books in the BPM subclass will be explained in more detail in a subsequent section of this testimony.

⁵ USPS-T-37 at 27.

1 of 18.1 percent, “the highest rate increase proposed for any subclass in this case.”⁶ Significantly,
2 many BPM mailers will be facing much higher rate increases, particularly those mailers who
3 cannot take advantage of the destination entry discounts that the USPS also proposes to
4 introduce. In addition, as part of its proposal to the Commission, the USPS now seeks to
5 eliminate the Local zone rate for BPM. The Postal Service assumes that BPM mailers who
6 traditionally relied on the lower BPM rates available under the Local zone rate will now be able
7 to use one of the three new destination entry discounts that the USPS seeks to establish.
8 However, for BPM mailers who cannot take full advantage of these discounts, the Postal
9 Service’s proposal will result in substantial rate increases. As noted above, a 2-pound parcel now
10 shipped at the Local BPM rate that could only achieve the Destination Bulk Mail Center
11 (“DBMC”) “discount” will face a 61.6 percent rate increase under the USPS’s proposal.
12

13 According to USPS witness Kiefer, the destination entry discounts proposed by the USPS
14 “will better align rates with the costs of transporting, processing and delivering Bound Printed
15 Matter.”⁷ This claim, however, is devoid of factual support. In order to demonstrate that its
16 proposed rates would better align rates with costs, the USPS should have analyzed rates and
17 costs under the current BPM rate structure and under the proposed destination entry discounts.
18 However, the USPS did nothing to analyze cost recovery under the current Local rate zone for
19 BPM. AAP requested that the USPS “identify and provide all studies or reports that pertain to
20 the recommended elimination of the Local zone for BPM.” The Postal Service’s response was
21 “[N]o studies were conducted.”⁸ The Postal Service also failed to develop any “formal studies,
22 reports, data or other evidence” regarding any alternatives to the elimination of the Local zone
23 that were considered by the USPS.⁹
24

25 Indeed, the proposed destination entry discounts do not even align rates with the costs
26 claimed by the USPS. Attachment 2 reproduces the Postal Service’s Response to AAP/USPS-
27 T37-12. As shown in Attachment 2, the recommended pass-through of per-piece cost savings

⁶ USPS Witness Mayes USPS-T-32 at 43.

⁷ USPS-T-37 at 33.

⁸ USPS Response to AAP/USPS-T37-4, Tr.13/5274.

⁹ USPS Response to AAP/USPS-T37-5, Tr.13/5275.

1 associated with the proposed DBMC discount is only 16 percent. By contrast, the recommended
2 pass-through of per-piece cost savings associated with the proposed Destination Delivery Unit
3 (“DDU”) discount is 45 percent, while the recommended pass-through associated with the
4 Destination Sectional Center Facility (“DSCF”) discount is 47 percent. Thus, as shown in
5 Attachment 2, the recommended pass-throughs for the DDU and DSCF discounts are more than
6 two and one half times the pass-through recommended for the DBMC discount. For this reason,
7 even assuming that the Postal Service has accurately measured the cost savings associated with
8 destination entry, the destination entry discounts proposed by the USPS are plainly not cost-
9 based.

11 III. VOLUME ESTIMATES

12 In this proceeding, the Postal Service is predicting an enormous increase in piece volume
13 for the entire BPM subclass by the end of the 2001 test year. Despite this claim, however, the
14 USPS has failed to develop even the most basic information that might support such a prediction.
15 Since the Postal Service did not analyze the actual determinants of recent volume trends in BPM
16 under current rates, it has literally no ability to predict the future consequences that its proposed
17 rate increase will have on BPM mailers in this case.

18
19 USPS witness George Tolley reports base year (1998) volume for BPM as 488.6 million
20 pieces.¹⁰ By the 2001 test year, Dr. Tolley predicts before rate volume for BPM in the amount of
21 541.976 million pieces, an increase of more than 53 million pieces over base year 1998.¹¹ The
22 magnitude of this forecasted increase is startling particularly given recent volume declines in
23 BPM since 1997. The Postal Service reports that BPM piece volume reached 516.1 million
24 pieces in 1996 and peaked in 1997 at 521.7 million pieces.¹² In 1998, BPM volume fell by more
25 than 33 million pieces to the 1998 base year volume of 488.6 million pieces assumed by the
26 USPS. In this proceeding, however, the Postal Service has no explanation whatsoever for this
27 volume decline in 1998.

¹⁰ USPS Witness Tolley, USPS-T-6 Table 16A at 172.

¹¹ Id.

¹² See Attachment to USPS Response to AAP/USPS-T-37-23, Tr.13/5298.

1

2 In his testimony, Dr. Tolley dates the beginning of the volume fall-off in BPM to the first
3 quarter of 1998.¹³ When asked to provide an explanation for this decline, Dr. Tolley stated “I am
4 unaware of the cause of this decline. I am unaware of any Postal Service witnesses who would be
5 able to provide an explanation.”¹⁴ In addition, USPS witness Thress was asked to describe any
6 attempts by the USPS to explain the 1998 BPM volume decline using alternative model
7 specifications or alternative data. Dr. Thress stated “I made no additional attempts to explain this
8 downturn other than to include the dummy variable that was ultimately included in my
9 testimony.”¹⁵ Since the USPS does not know and did not study why BPM volume fell
10 dramatically in 1998, it cannot reasonably predict what BPM volume would do in the face of the
11 USPS’ proposed 18.1 percent rate increase in 2001.

12

13 It is also clear that USPS witness Tolley erroneously thinks only of catalogs when he
14 considers the actual makeup of the BPM subclass. Dr. Tolley states for example that “[M]uch of
15 the long-term growth in Bound Printed Matter (“BPM”) volume is due to the mail order boom
16 and the expansion of the catalog industry.”¹⁶ Dr. Tolley also presented the unsupported
17 “hypothesis” that small catalogs allegedly introduced by Sears to replace its large catalog after
18 January 1993 were responsible for later increases in BPM volume.¹⁷ Despite this “hypothesis,”
19 Dr Tolley was unable to provide any data on these smaller catalogs in 1996, 1997, 1998 or
20 1999.¹⁸ Importantly, Dr. Tolley’s basic view of BPM as primarily a catalog subclass is not
21 consistent with the data that he himself presents.

22

23 According to the latest available USPS Household Diary Study, 63.7 percent of the
24 Bound Printed Matter subclass now consists of books.¹⁹ The same data show that only 29.4

¹³ USPS-T-6 at 170.

¹⁴ USPS Response to AAP/USPS-T6-4, Tr.9/3592.

¹⁵ USPS Response to AAP/USPS-T7-3, Tr.9/3748.

¹⁶ USPS-T-6 at 167-8.

¹⁷ Id. at 170.

¹⁸ USPS Response to AAP/USPS-T6-3 (b), Tr.9/3591.

¹⁹ USPS Response to AAP/USPS-T6-6(c), Tr.9/3595.

1 percent of BPM is now made up of catalogs.²⁰ As Dr. Tolley's own data demonstrate, the BPM
2 subclass is now used primarily by mailers of books.

3
4 Importantly, unlike catalogs, books are not an advertising medium. Book mailers ship
5 products demanded by consumers. Book mailers do not ship advertising that is demanded by
6 advertisers. Unlike catalogs, books do not compete or potentially compete with newspapers,
7 magazines, radio, television, Yellow Pages or any other direct mail media for a share of the
8 advertising dollar. If the price of advertising (cost per thousand) offered by a competing
9 advertising medium were to fall, advertisers might substitute away from catalogs, and the
10 demand for catalogs shipped via BPM could be affected. By contrast, if the price of advertising
11 offered by a competing advertising medium were to fall, it is extremely unlikely that consumers'
12 demand for books shipped via BPM would be affected in the slightest.

13
14 *The Antitrust Division of the U.S. Department of Justice and the Federal Trade*
15 *Commission define a product market as "a product or group of products such that a hypothetical*
16 *profit-maximizing firm that was the only present and future seller of those products likely would*
17 *impose at least a 'small but significant and non-transitory' increase in price. That is, assuming*
18 *that buyers likely would respond to an increase in price for a tentatively identified product group*
19 *only by shifting away to other products what would happen? If the alternatives were, in the*
20 *aggregate sufficiently attractive at their existing terms of sale, an attempt to raise prices would*
21 *result in a reduction of sales large enough that the price increase would not prove profitable, and*
22 *the tentatively identified product group (market) would prove to be too narrow."*²¹ As this
23 explanation suggests, the "price increase question" is critical to any definition of markets.
24 Profitable substitution results in the inclusion of a product within a relevant market while non-
25 profitable or non-existent substitution will render a product outside the market. Yet in this
26 proceeding, a change in the prevailing price level for catalogs clearly would not affect book sales
27 and vice versa. Because of this fundamental difference, books are clearly not in the same
28 economic market as catalogs. Since these products are not in the same economic market they are

²⁰ USPS Response to AAP/USPS-T6-6 (b), Tr.9/3595.

²¹ US Department of Justice and Federal Trade Commission, Horizontal Merger Guidelines, April 2, 1992, page 10.

1 not affected by the same factors in the same way. However, in this case, the Postal Service has
2 incorrectly studied catalogs and books combined. The USPS has failed utterly to analyze the
3 separate underlying product markets for books and for catalogs that each make use of the BPM
4 subclass.

5
6 There is no doubt that the USPS has failed to analyze the separate underlying products
7 that make use of BPM in its BPM forecast in this case. USPS witness Tolley's BPM forecasting
8 equation makes use of a "market penetration Z-variable" as a predictor of total BPM volume
9 change. When asked in particular what "market" was being analyzed using the market
10 penetration Z-variable, Dr. Tolley responded "[T]he market here represents the market for bound
11 printed matter."²² If BPM prices were to increase, however, catalog mailers would be able to
12 consider different substitution possibilities than could book mailers. Catalog mailers, for
13 example, might be able to shift their demand from catalogs to other advertising media that would
14 avoid or bypass the Postal Service entirely. Book mailers, by contrast, would be unable to take
15 advantage of substitution possibilities in other advertising media because books are not
16 advertising. While catalog mailers and book mailers may both make use of BPM, the nature and
17 extent of their demand for BPM mail is driven by vastly different considerations. Since the
18 Postal Service has failed to study any of these differences, the Postal Service has no theoretical
19 basis upon which to predict future demand for BPM in this case.

20
21 As set forth above, it is clear that the USPS cannot reliably predict test-year demand for
22 BPM mail. As a result, the Postal Service simply does not know the extent of damage that its
23 proposed rate increase will cause for the American book industry. For this reason alone, the
24 Commission should restrain the Postal Service's proposals for BPM in this case. Moreover, as
25 discussed at length in a subsequent section of this testimony, the Postal Service's failure to
26 analyze the separate underlying markets that demand BPM services also means that the USPS
27 cannot correctly or accurately apply the 3622(b) factors to the BPM subclass in this proceeding.

28

²² USPS Response to AAP/USPS-T6-2 (b), Tr.9/3589.

1 IV. COST INCREASES

2 The USPS bases the magnitude of its proposed BPM rate increase request in part on
3 claimed increases in the “volume variable” costs associated with the BPM subclass. According to
4 USPS witness Kiefer, unit costs for BPM as a whole have “increased by more than 40%” since
5 the last rate case and that “a large increase in rates is needed to cover this cost increase.”²³
6 (emphasis added). Mr. Kiefer’s assertion is, however, in direct conflict with the testimony of the
7 USPS’ own costing witnesses in this case, most notably Dr. Bozzo and Mr. Degen. The Postal
8 Service’s cost witnesses provide ample reason to doubt that true “volume variable” costs of BPM
9 mail are in fact increasing at the rate suggested by Mr. Kiefer. In particular, many of the mail
10 processing costs that have been “attributed” to BPM by the Postal Service actually reflect cost
11 allocation decisions rather than true volume variability. If the true volume variable costs of BPM
12 mail are lower than the BPM cost levels considered by Mr. Kiefer, then the “need” to cover these
13 cost increases solely from BPM rates is also less critical. With less pressure to cover the true
14 costs of BPM mail, the Commission can more freely address the devastating impact that these
15 proposed rate increases, if adopted, would have on the book mailers of America.

16
17 USPS witness Kiefer presents the DBMC discounts proposed for BPM in this case. He
18 states that the cost savings that underlie these discounts are “based on the assumption that BMC
19 mail processing costs are nearly 100% volume variable.”²⁴ Mr. Kiefer then goes on to state,
20 “[W]hile the Postal Service is using this assumption for calculating attributable costs in this
21 docket, it is uncertain that mail drop-shipped to BMCs will avoid all of these costs, also arguing
22 for a more conservative pass-through strategy.”²⁵ (emphasis added). When questioned about this
23 surprising admission, Mr. Kiefer testified that he had “not investigated the variability issue” and
24 was “unable to express an opinion on it.” He also suggested that the “[P]ostal Service’s views on
25 this issue are presented in witness Bozzo’s testimony (USPS-T-15, at pp. 135-136).²⁶

26
27 If the Postal Service is “using [an] assumption” of 100% volume variability for

²³ USPS Response to AAP/USPS-T37-24(b), Tr.13/5300-01.

²⁴ USPS-T-37 at 39.

²⁵ USPS-T-37 at 39.

²⁶ USPS Response to PostCom/USPS-T-37-3(c), Tr.13/5461.

1 calculating attributable costs in this docket, then the Postal Service is clearly not measuring
2 actual volume variability. This means that even if the Postal Service's unfounded prediction of
3 future BPM volume increases were to become reality, the true volume variable costs associated
4 with that new volume will likely be far lower than the cost levels now forecasted for BPM by the
5 USPS. Moreover, this admission calls into question the basic reliability of even the current BPM
6 costs reported by the Postal Service in this case.

7
8 In Base Year 1998, the USPS reported total volume variable costs for BPM in the amount
9 of \$394.4 million.²⁷ Of this total, clerks and mail handler costs (C/S-3), at \$134.5 million,
10 accounted for approximately one-third of total volume variable costs for BPM.²⁸ The mail
11 handling component of C/S-3 for BPM was reported as \$125.4 million.²⁹ There is no doubt that
12 the claimed mail processing costs in C/S-3 represent a significant fraction of the total volume
13 variable costs for BPM that the USPS seeks to recover by raising BPM rates in this case.

14
15 The Postal Service derived total C/S-3 costs from three separate cost groups. There were
16 the MODS 1&2 group, the non-MODS group and the Bulk Mail Center ("BMC") group.³⁰ For
17 BPM, C/S-3 costs from the BMC group are the most significant costs, accounting for nearly 53%
18 of the total mail processing volume variable costs that the USPS distributed to BPM in BY 1998.
19 According to Postal Service witness Van-Ty-Smith, the BY 98 volume variable mail processing
20 costs that were distributed to BPM from the BMC group totaled \$67.9 million out of total BPM
21 mail processing costs of \$128.5 million.³¹

22
23 There are major problems in the USPS' development of volume-variable C/S-3 costs in
24 this proceeding. These problems are particularly evident in the context of the BMC group but
25 they also exist in the MODS 1 & 2 and non-MODS groups as well. The existence of these
26 costing problems is, however, only part of the story. What is truly unique in this case is that the

²⁷ USPS-T-11, Exhibit USPS-11A at 7.

²⁸ USPS-T-11, Exhibit USPS-11A at 1.

²⁹ USPS-T-11, Exhibit USPS-11A at 19.

³⁰ USPS Witness Van-Ty-Smith, USPS-T-17 Table 1.

³¹ USPS-T-17 Table 3, Row 15, at pages 31, 37, 39.

1 USPS' costing witnesses themselves readily acknowledge that the Postal Service C/S-3 estimates
2 are in error. These Postal Service witnesses have filed direct testimony before this Commission
3 that directly contradicts the Postal Service's own rate claims. These witnesses do not support
4 many of the USPS's cost calculations, and they admit that the Postal Service's estimates
5 overstate the true level of volume variable costs that should have been reported for BPM in this
6 proceeding. Since the USPS' cost witnesses do not believe the Postal Service's C/S-3 costs,
7 claims by the USPS' rate witnesses that BPM rates must be increased to cover costs have little, if
8 any, probative value. The Postal Service cannot both criticize its own cost filings and claim that
9 the very same cost filings justify a need to raise rates.

10

11 For example, USPS witness Carl Degen, a Senior Vice President at Christensen
12 Associates, addresses clerk and mailhandler processing costs on behalf of the USPS in this
13 proceeding. Among other things, Mr. Degen describes the manual sortation of parcels by the
14 Postal Service. He states that, "[i]n total, volume variability of manual parcel sortation should be
15 substantially less than 100 percent, primarily because set-up and take-down time are substantial
16 relative to time actually sorting the parcels."³² (emphasis added). With respect to this conclusion,
17 Mr. Degen was asked, "In view of this statement, please explain why in this case, the Postal
18 Service used a pool volume variability function of .997 for manual parcels at non-MODS offices
19 ..."³³ Reminiscent of the response furnished by Mr. Kiefer to a similar interrogatory, Mr.
20 Degen's response was "[F]or the requested explanation, please see witness Bozzo's testimony,
21 USPS-T-15 at pages 133-135."³⁴

22

23 Thus, in this case, Dr. Bozzo clearly seems to be the witness chosen by the Postal Service
24 to respond to these sorts of questions. For this reason, Dr. Bozzo's testimony concerning volume
25 variability in MODS allied labor, non-MODS and BMC cost pools is particularly instructive. At
26 page 133 of his testimony, Dr. Bozzo states, "[M]y explanation of the Postal Service' decision to
27 use volume-variability factors based on the traditional IOCS activity code classification should

³² USPS Witness Degen, USPS-T-16 at 44.

³³ USPS Response to AAP/USPS-T16-4, Tr.16/6446.

³⁴ USPS Response to AAP/USPS-T16-4, Tr.16/6446.

1 not be construed as an endorsement of the traditional method on its economic merits.³⁵
2 (emphasis added). At page 134 of his testimony, Dr. Bozzo indicated that "...I believe Mr.
3 Degen's description of the structure of mail processing costs is also suggestive of a potential
4 disconnection between the IOCS method of parsing tallies into fixed and variable categories and
5 the real cost drivers for support operations which are workhours and/or workload in the
6 supported operations."³⁶ (emphasis added). In connection with BMC costs, at page 135 of his
7 testimony, Dr. Bozzo stated "Nonetheless, I believe Dr. Bradley's efforts, (in Docket No. R97-1)
8 though flawed in some respects, provide the best available estimates of elasticities for BMC
9 operations. Extrapolating from the effects of the methodological changes on the MODS
10 elasticities, I believe Dr. Bradley's models represent a much more accurate method for
11 estimating the volume variable costs in BMC operations than the IOCS-based method."³⁷
12 (emphasis added). Given these statements, it is abundantly clear that the Postal Service's
13 principal cost witness simply does not believe that the cost estimates that were actually filed by
14 the Postal Service in this case reflect the best available analyses of these costs.

15

16 Dr. Bozzo also confirmed that, in his opinion, the IOCS methods relied on by the Postal
17 Service in this case significantly overstate true volume variable costs at the BMCs. At page 136
18 of his testimony, he stated, "[I] cannot rule out the possibility that the PIRS data issues are
19 serious, but I note that the PIRS workload data would have to be so noisy as to be useless in
20 order for the IOCS-based method not to significantly overstate the BMC volume-variable costs
21 relative to Dr. Bradley's methods."³⁸ (emphasis added). In response to an interrogatory from
22 AAP, Dr. Bozzo also quantified the extent to which the Postal Service has overstated the BMC
23 costs that were allocated to Bound Printed Matter.³⁹ Dr. Bozzo's data are shown in Attachment
24 3, Table 1.

25

26 As shown in Attachment 3, Table 1, the Base Year 1998 BMC costs that have been

³⁵ USPS Witness Bozzo, USPS-T-15 at 133.

³⁶ USPS-T-15 at 134.

³⁷ USPS-T-15 at 135.

³⁸ USPS-T-15 at 136.

³⁹ USPS Response to AAP/USPS-T15-6, Tr.15/6228.

1 allocated in this case to Bound Printed Matter have been overstated by nearly 31 percent. A
2 corrected estimate of the volume-variable BMC costs that should have been distributed to BPM
3 in BY 98 is also shown in Attachment 3, Table 1. This corrected estimate of BMC costs is based
4 on the methods used by Dr. Bradley in Docket No. R97-1. According to Dr. Bozzo, Dr.
5 Bradley's methods were "much more accurate" than the IOCS-based methods relied on by the
6 Postal Service in this proceeding.

7
8 Differences between the Postal Service and its own cost witnesses are not restricted to
9 BMC costs. USPS witness Degen also disagreed with the USPS' cost filing with respect to the
10 volume variabilities that should have applied to allied operations at MODS offices. These allied
11 operations include platform, opening and pouching. Mr. Degen testified that Dr. Bozzo had
12 updated the Postal Service's previous analyses of these variabilities but that "the Postal Service
13 has decided not to incorporate those estimates in the current filing."⁴⁰ In a response redirected
14 from Mr. Degen, Dr. Bozzo supplied the MODS allied labor volume variabilities that should
15 have applied to these cost pools.⁴¹ These alternative variabilities are used to provide volume
16 variable costs for BPM in Attachment 3, Table 2. As shown in Attachment 3, Table 2, on the
17 basis of the alternative MODS allied labor variabilities provided by Dr. Bozzo, the Postal
18 Service' claimed MODS allied labor costs for BPM are overstated by 37.2%.

19
20 While the Postal Service seeks to downplay the significance of certain of its cost
21 showings from Docket No. R97-1, other aspects of its prior cost studies seem to be afforded
22 great weight in this filing. One such area is the USPS's proposed treatment of "overhead"
23 activities in MODS, non-MODS and BMC cost pools. According to USPS witness Van-Ty-
24 Smith, overhead activities in mail processing "comprise IOCS activity codes 6521-6523, i.e.
25 breaks/personal needs, clocking in/out, and empty equipment related work."⁴² Apparently no
26 attempt to quantify the volume variability (if any) of these activities was even attempted by the
27 Postal Service in this case. Rather, the costs associated with these overhead activities were

⁴⁰ USPS-T-16 at 69.

⁴¹ USPS Response to AAP/USPS-T16-7, Tr.15/6223

⁴² However, the handling portion of the IOCS empty equipment activity is not included as 'overhead' here since the tallies are treated as mixed-mail tallies. See USPS-T-17 (Van-Ty-Smith) page 12, fn. 9.

1 “considered volume-variable to the same degree as non-overhead activities.”⁴³ The extent to
2 which these overhead costs were included in the Postal Service’s claimed mail processing costs
3 for BPM is shown in Attachment 3, Table 3. The overhead costs that the USPS included in the
4 total mail processing costs reported for BPM amounted to more than 29 percent of the total
5 MODS, non-MODS and BMC costs claimed for BPM in this case.⁴⁴

6
7 Thus, the Postal Service has made the apparently unsupported assumption that overhead
8 costs such as breaks and clocking in/out should be considered volume variable to the same
9 degree as non-overhead activities. This assumption is sweeping in its breadth. Without
10 conducting analyses, one could equally justify the unsupported assumption that these overhead
11 costs have no relationship to volume whatsoever. The Postal Service’ treatment of overhead
12 costs is not a quantification of volume variability; it is an arbitrary example of cost allocation.
13 The Postal Service has not even attempted to prove that these overhead costs are equally volume
14 variable as non-overhead costs. Accordingly, there is no reason to believe that any of these costs
15 actually vary with actual postal volume. For this reason, it is likely that some significant portion
16 of the overhead costs shown in Attachment 3, Table 3 should not have been assigned to BPM in
17 BY98.

18
19 For all the reasons set forth above, the Commission should not simply assume that the
20 measurable volume variable costs of BPM have increased at the rates suggested by the Postal
21 Service. The nature of the assumptions and cost allocations that were performed by the USPS in
22 this case undermine the basic foundation of any of these claims. Moreover, the problems set
23 forth above relate to the cost showing that was actually filed by the USPS in this case. However,
24 many of the alleged BPM cost increases that were cited by the Postal Service were taken not
25 from the USPS cost filing in this case but from the USPS’ Cost and Revenue Analysis (CRA)
26 Reports which themselves contain additional infirmities.⁴⁵

27
28 USPS witness Degen sought to “compensate” for the use of 100 percent volume

⁴³ USPS-T-17 at 12.

⁴⁴ See USPS Response to AAP/USPS-T17-7(b).

⁴⁵ See USPS Response to AAP/USPS-T32-2, Tr.11/4179-80.

1 variability for the allied cost pools by constructing a new distribution key to be used for not
2 handling tallies in this case.⁴⁶ In response to interrogatories, Mr. Degen provided a comparison of
3 BPM distribution key share under the “compensation” method proposed by the USPS with the
4 distribution key shares that would apply in the USPS CRA for FY 1998.⁴⁷ According to Mr.
5 Degen, “the use of the 100 percent variability assumption with the broad not-handling
6 distribution (that he proposes) is better than the use of 100 percent variability assumption alone.”
7 ⁴⁸ Thus, in order to see the CRA results that Mr. Degen sought to improve upon one can “reverse
8 engineer” the “compensation” distribution key that he developed.

9
10 As shown in Table 4 of Attachment 3, “reverse engineering” the “compensation”
11 distribution key that was developed by USPS witness Degen permits one to observe, at least to
12 some extent, the degree to which the CRA overstates BPM costs. As Table 4 demonstrates, even
13 when compared with the USPS’ own inflated cost filing, the CRA overstates allied labor costs
14 for BPM by 28.7 percent. It is abundantly clear that the cost results shown in the CRA simply
15 cannot be used to assess the extent to which any cost increases have actually occurred in the
16 BPM subclass since the last rate proceeding.

17
18 Importantly, the problems that plague the USPS’ cost filing in BY 1998 do not disappear
19 once the Postal Service extends those “base year” costs to the 2001 test year that is proposed in
20 this case. In order to estimate the test year costs that allegedly will be incurred when the Postal
21 Service’ proposed rate increase goes into affect, the Postal Service makes use of a “roll-forward
22 model” to translate base year costs into test year values. In this proceeding, the USPS’ roll-
23 forward model was described in the testimony of USPS witness Kashani. Unfortunately, there is
24 little reason to believe that the Postal Service’s “roll-forward” model is any more reliable than
25 the base year costs. The roll-forward model is a cumbersome software program, the expansion of
26 which would require “rewriting the underlying COBOL program” and “would be a costly and
27 complicated undertaking.”⁴⁹ More to the point, however, the Postal Service apparently chooses to

⁴⁶ USPS-T-16 at 69.

⁴⁷ USPS Response to AAP/USPS-T16-8, Tr.15/6449-6450.

⁴⁸ USPS Response to AAP/USPS-T16-9, Tr.15/6451-6452.

⁴⁹ USPS Response to AAP/USPS-T14-1, Tr.2/603-605.

1 rely on this model without conducting any tests of its underlying reliability. AAP asked USPS
2 witness Kashani whether the Postal Service has “compared or evaluated in any way the cost
3 levels predicted (by the roll-forward model) in Docket R97-1 with actual cost levels that ensued
4 taking into account such factors as variances in volume or cost level.”⁵⁰ Mr. Kashani’s answer
5 was “No.”⁵¹ The Postal Service’s failure even to attempt any sort of after-the-fact evaluation of its
6 roll forward model completely undermines any serious claim that Postal Service’s proposed test
7 year costs will actually be incurred at the levels predicted by the USPS.

8
9 In this proceeding, the USPS asserts total test year before rate (“TYBR”) volume variable
10 costs for Bound Printed Matter in the amount of \$481,389,000.⁵² Of this amount, 33.9% or
11 \$163,113,000, reflects the USPS’ claimed volume variable costs for Clerks and Mailhandler
12 Segment 3 (C/S-3).⁵³ As we have seen, there are multiple reasons to doubt that all of these costs
13 actually reflect the volume variable costs of BPM mail. In Attachment 3, Table 3, we observed
14 that 29.1% of the USPS’ claimed BY 98 C/S-3 costs actually reflected “overhead,” by the Postal
15 Service’s own admission. Assume that the Postal Service’s unsupported characterization of
16 overhead as a volume variable cost was the only problem with the USPS’ C/S-3 costs. If so, the
17 USPS’ TYBR costs for BPM in this case would have been overstated by \$47.5 million.⁵⁴ With
18 \$47.5 million less BPM costs in TYBR in 2001, the USPS’ coverage for Bound Printed Matter at
19 current rates would be 110.5 percent.⁵⁵ Thus, if the Commission were to accept even this single
20 correction, there would be no need for any rate increase in BPM in this case.

21 V. THE BPM MAIL CHARACTERISTICS SURVEY

22
23 The USPS proposes to introduce dramatic changes in the BPM rate structure. It seeks to

⁵⁰ USPS response to AAP/USPS-T14-2, Tr. 2/606.

⁵¹ USPS Response to AAP/USPS-T-14-2, Tr. 2.606.

⁵² USPS-T-37, WP-BPM-1.

⁵³ Exhibit USPS-14H at 1.

⁵⁴ 29.1 percent of \$163,113,000.

⁵⁵ \$493.4 million less \$47.5 million yields TYBR costs for BPM of \$445.9 million. In WP-BPM-29, TYBR revenue is shown by USPS witness Kiefer as \$492.6 million. \$492.6 divided by \$445.9 equals 110.5 percent.

1 eliminate the Local rate zone in the BPM subclass and to introduce three new levels of
2 destination entry discounts for BPM mailers. However, at this time, the impact that these
3 proposals will have on the BPM subclass is simply unknown since the actual mail preparation
4 and entry requirements that will govern the use of these discounts are themselves not known.
5 The Postal Service relies on a “first time” survey of BPM volume in order to estimate the BPM
6 pieces that will and will not be able to make use of particular destination entry discounts.
7 However, the study did not and cannot measure BPM volumes that conformed to the mail entry
8 requirements that will govern these discounts since those requirements are not final and will not
9 be final until after the conclusion of this rate case. In AAP/USPS-T27-15, USPS witness Crum
10 was asked to confirm that “at the time the BPM Mail Characteristics Study provided in LR-I-109
11 was conducted, the Postal Service had not determined or finalized the mail makeup and entry
12 requirements that BPM mail will be required to meet in order to receive the DSCF and DDU
13 discounts proposed by USPS witness Kiefer (USPS-T-37).” Mr. Crum’s response was
14 “Confirmed.”⁵⁶

15
16 Mr. Crum was also asked to reveal when the Postal Service would finalize the mail
17 makeup and entry requirements that BPM mail will be required to meet in order to receive the
18 DSCF and DDU discounts proposed by witness Kiefer. In response, redirected from Mr. Crum,
19 the United States Postal Service stated that “[T]he Postal Service anticipates filing a Federal
20 Register notice that contains the requirements in approximately mid-July. Mailer comments to
21 the proposed requirements will be taken into consideration when developing the final
22 requirements. It is anticipated that the final requirements will be published in the Federal
23 Register shortly (approximately 5 days) after the Governors issue their decision regarding the
24 Postal Rate Commission’s Docket No. 2000-1 Opinion and Recommended Decision.”⁵⁷
25 (emphasis added). In other words, the entry requirements that will govern these discounts will
26 not be finalized until after the conclusion of this rate case. Better proof that these destination
27 entry proposals are premature could scarcely be imagined.

28
29 The Postal Service began its preparations to develop destination entry discounts in early

⁵⁶ USPS Response to AAP/USPS-T27-15, Tr.8/3328.

⁵⁷ USPS Response to AAP/USPS-T27-16, Tr.8/3329.

1 1999.⁵⁸ USPS witness Crum indicated that, “[W]hen I was planning my analysis, I determined
2 that there was no entry profile data available for Bound Printed Matter and that it would be
3 required to complete my costing work. After some internal discussion, it was decided that a field
4 study might be required to get this and other data and we contracted with Christensen Associates
5 to assist with the sample selection, design, and data collection portion of the analysis.”⁵⁹ This
6 field study, later known as the Bound Printed Matter Characteristics Study, was subsequently
7 sponsored by USPS witness Charles Crum as Library Reference 109 (“LR-I-109”). Mr. Crum
8 confirmed that this analysis was the first such study ever performed for BPM and that no similar
9 BPM study had ever been conducted in a prior rate case.⁶⁰

10
11 Mr. Crum claims to have had a “high level of involvement” with the BPM Study.⁶¹
12 Nevertheless, Mr. Crum did not draft LR-I-109.⁶² He also indicated that he spent no more than
13 one hour reviewing the raw survey results that went into the BPM survey calculations.⁶³ Finally,
14 Mr. Crum indicated that he was not “comfortable” discussing the standard error calculations that
15 are included in the study and that there was no other witness in this docket who could explain
16 those estimates in any detail.⁶⁴

17
18 Christensen Associates and the Postal Service conducted the BPM Mail Characteristics
19 survey in FY 1999 over the period June 21 through July 21, 1999.⁶⁵ The results of the survey
20 were then “inflated” to national BPM piece totals for FY 1998. While USPS witness Crum was
21 “informed” that FY 1999 sample results had been applied to FY 98 totals, he failed to provide a
22 responsive answer to an AAP interrogatory that asked him to “explain fully how the Postal

⁵⁸ Tr.8/3444, lines 8-10.

⁵⁹ USPS Response to AAP/USPS-T27-1 (a – b), Tr.8/3312-13.

⁶⁰ Tr.8/3445, lines 5-8.

⁶¹ Tr.8/3443, lines 2-4.

⁶² Tr.8/3443, lines 22-24.

⁶³ Tr.8/3470, lines 5-12.

⁶⁴ Tr.8/3471, lines 5-16.

⁶⁵ Tr.8/3444, lines 11-13.

1 Service deducted FY 99 volumes associated with mailer's permit numbers from the FY 1998
2 office totals."⁶⁶ At any rate, the BPM Mail Characteristics Survey is fraught with a set of
3 statistical oddities and infirmities that call into question many of its basic results. Based on a
4 brief review of BPM survey conducted with the assistance of my associate, Dr. Jorge Portillo, I
5 believe that the sampling technique used by Christensen Associates results in biased mean
6 estimates and unreliable standard errors. The sampling errors that are contained in LR-I-109
7 include the following:

8 Strata weights are measured with error.

9 The sample in LR-I-109 makes use of four sample strata. The weights used to average the
10 means of these strata are based on the proportion that each stratum represents in the total annual
11 volume of pieces. Nevertheless, the annual volume assigned to strata four is not the actual
12 volume but rather an estimate based on strata four's total annual revenue and strata three's ratio
13 of revenue per piece. As a result, strata four's volume, and hence the total population volume, is
14 measured with error. Instead of the true stratum proportions, the report used estimated weights
15 that bias the estimate of the population mean.

16 Inflation factors are measured with error.

17 The BPM report inflates the sampled pieces to national totals by multiplying the sample
18 means by the proportion of office volumes and strata volumes with respect to national totals.
19 This operation is quite innocuous when the sample means are unbiased estimators of the
20 population means by office and strata, and when the inflation factors represent the actual
21 proportions in the population from which the sample is drawn. Nevertheless, the report applies
22 1998 inflation factors to the 1999 sample means without adjusting by the difference with respect
23 to the true 1999 inflation factors. In other words, the inflated means are the product of the 1999
24 sample mean times the 1998 inflation factor times the difference between the 1998 and 1999
25 inflation factors. This last term introduces a systematic bias that is not explicitly treated in the
26 report.

27 The bootstrap standard errors are unsound.

28 The conditions under which bootstrapping techniques can be applied to estimate standard
29 errors fail to apply in the procedure followed in the report. Bootstrapping is a re-sampling
30 technique that takes repeated draws from the actual sample results to obtain a computational,

⁶⁶ USPS Response to AAP/USPS-T27-31, Tr.8/3348.

1 rather than analytical, measure of dispersion. A critical condition for the reliability of these
2 results is that the re-sampling should follow the same sampling procedure used to draw the
3 original sample.⁶⁷ The ex-post merging of strata two and three implies that observations from
4 these two strata are re-sampled with a probability different from that applied in the original
5 survey, and the result is a biased variance estimate. Importantly, even if strata two and three were
6 kept separated while re-sampling, the bootstrap estimation procedure used in LR-I-109 would
7 still not be appropriate. The reason is that the sample of strata three, with only one observation, is
8 too small to allow any variability of the bootstrap sample.⁶⁸

9
10 Finally, it should be recalled that the survey in LR-I-109 is a “first-time” effort by the
11 Postal Service to study the characteristics of BPM mail. Because it is a first time effort, the
12 USPS has no track record against which to assess the survey results. For this reason alone, any
13 possible sampling error must be taken seriously. In this instance, the Postal Service does not
14 have the luxury of testing whether the results produced in this proceeding are consistent with
15 BPM studies that the USPS performed in prior cases.

16
17 In addition to the statistical anomalies described above, another serious problem in the
18 BPM Mail Characteristics Survey results from the manner in which data from the survey were
19 adjusted by Christensen Associates. In the Postal Service’s filing, volume data from the BPM
20 Mail Characteristics Survey were inflated and increased to national totals. These total FY 1998
21 BPM data were then reported in two “versions” of Mr. Crum’s Attachment H. The “mail
22 processing” version of Attachment H was shown as Table 1. The “transportation” version of
23 Attachment H was shown as Table 2. The adjustment issue arises in the “mail processing”
24 version of Attachment H. It should be noted that both Mr. Crum and Mr. Kiefer rely only on the
25 mail processing version of Attachment H to support the cost and rate calculations that they
26 propose in this case.⁶⁹

27
28 In the Mail Processing version of Attachment H, entry locations for mail from the BPM

⁶⁷ See A. Davison and D. Hinkley, Bootstrap Methods and their Application, 1997, pp. 92-100.

⁶⁸ See M. Chernick, Bootstrap Methods: a Practitioner’s Guide, 1999, Chapter 9.

⁶⁹ See Crum Attachment I, Table 2 and Tr. 5326 at lines 18-23.

1 Mail Characteristics survey are not simply tabulated and reported. Entry locations used in these
2 calculations actually reflect the Postal Service' assumptions as to where this mail should be
3 handled within the Postal system. The Postal Service assumed that "containers sorted to a more
4 aggregate level than the office where they are entered are first processed at the facility
5 representing their sortation level."⁷⁰ (emphasis added). For example, assume that a mailer
6 physically delivered BPM mail to an SCF but the mail was ultimately destined for another BMC
7 area. In this instance, the entry Zip Code for that mail would not be reported in Attachment H as
8 that of the actual SCF where the mail was physically delivered. In the mail processing version of
9 Attachment H, it would be assumed that the entry level Zip Code for this mail was the Zip Code
10 of the parent BMC of the SCF rather than the Zip Code of the SCF at which the mail was
11 actually deposited.⁷¹

12
13 If one is to rely on assumptions in adjusting survey responses, it is important that these
14 assumptions be communicated accurately to the tabulators of the survey, in this case Christensen
15 Associates. Unfortunately, a serious "miscommunication" problem between USPS witness Crum
16 and Christensen Associates come to light three months after the Postal Service's original filing in
17 this case. Table 1 of Mr. Crum's Attachment H reflects survey responses for four types of mailer
18 entry: BMEU entry, BMEU verified drop shipment, plant verified drop shipment and plant load
19 mail. According to Mr. Crum, the "confusion" was that Christensen had interpreted Mr. Crum's
20 assumption to apply to all four entry types rather than only to plant load mail which was what
21 Mr. Crum apparently intended.⁷² This "miscommunication" problem resulted in a set of
22 revisions to Mr. Crum's exhibits that were filed on April 14, 2000.⁷³ In connection with BPM
23 pieces supposedly entered at the Destination BMC, the Postal Service's April 14 revisions
24 resulted in a decrease in total Destination BMC pieces in excess of 14 million pieces.⁷⁴ Under
25 cross-examination, Mr. Crum agreed that the volume changes in Attachment H that resulted from

⁷⁰ USPS Response to AAP/USPS-T27-35, Tr.8/3350.

⁷¹ USPS Response to AAP/USPS-T27-35, Tr.8/3350.

⁷² Tr.8/3453, lines 9-13.

⁷³ Tr.8/3449, lines 14-24.

⁷⁴ Tr.8/3462, lines 12-25.

1 these revisions were “significant.”⁷⁵

2
3 The corrections to account for the Postal Service’ “confusion” in the BPM Mail
4 Characteristics Study should also have been reflected in the BPM rates proposed by USPS
5 witness Kiefer. After all, Mr. Kiefer admittedly relied on the destination entry data from LR-I-
6 109 that were reported in Attachment H, Table 1. As a result, the Postal Service’s April 14, 2000
7 revisions clearly should have resulted in corresponding changes in Mr. Kiefer’s destination entry
8 rate proposals for BPM. However, under cross-examination, Mr. Kiefer claimed that these
9 changes “might have a minor effect on some preliminary rates, but not a material effect on the
10 bottom line rates.”⁷⁶ He also claimed that, “[A]s I recollect, there would be a reduction in the
11 amount of mail going to DBMC of about somewhere on the order of 900,000 pieces...”⁷⁷

12
13 Mr. Kiefer’s claims were surprising since Mr. Crum had already conceded that some
14 14,000,000 fewer pieces would now qualify for the Destination BMC discount and that this
15 change was “significant.” Accordingly, during his cross-examination, Mr. Kiefer was asked to
16 provide the “input spreadsheet” that he used to reach his conclusions. This input spreadsheet was
17 provided as LR-I-325 on May 4, 2000, some four months after the USPS’s original rate filing.

18
19 Inspection of LR-I-325 reveals what Mr. Kiefer actually did. WP-BPM-9 in LR-I-325
20 shows that Mr. Kiefer now estimates 212,970,245 DBMC pieces in FY 1998. This value is
21 15,378,455 fewer DBMC pieces than the corresponding value of 228,348,700 DBMC pieces that
22 appears in Mr. Kiefer’s original WP-BPM-9. However, in order to avoid introducing any last
23 minute changes in the Postal Service’s filing, Mr. Kiefer also changed his BPM rate adjustments
24 so as to offset the effect of the BPM volume revisions.⁷⁸ Mr. Kiefer then concluded that the net
25 effect of both changes has no material effect on the Postal Service’s BPM rate proposal in this
26 case. In other words, the new data have no effect because Mr. Kiefer has unilaterally made new

⁷⁵ Tr.8/3462, lines 23-25, Tr.8/3463, lines 1-4.

⁷⁶ Tr.13/5327, lines 14-16.

⁷⁷ Tr.13/5327, lines 21-23.

⁷⁸ For example in WP-BPM-15, Column D, Mr. Kiefer now shows a Per-Piece Adjustment for non-drop shipped mail in the amount of -\$0.145 per piece. The corresponding value in Mr. Kiefer’s original BPM workpaper was -\$0.157 per piece.

1 adjustments in his workpapers that mathematically offset these volume effects. The arbitrariness
2 of this procedure cannot be overemphasized. In principle, Mr. Kiefer could, in the privacy of his
3 office, mathematically offset the effect of nearly any volume change in order to reach the
4 preordained conclusion that the net effect of this change, once adjusted, was not significant.

5
6 Finally, it should be noted that the BPM Mail Characteristics Study completely omitted
7 any analysis of Single Piece Bound Printed Matter. According to the Postal Service, the study
8 measured only Basic Presorted BPM and Carrier Route Presorted BPM.⁷⁹ In its response to the
9 same AAP interrogatory concerning Single Piece BPM, the Postal Service also stated that
10 “[A]ccording to the 1998 Billing Determinants, Single-Piece comprised less than 6 percent of
11 total Bound Printed Matter by volume.”⁸⁰ Presumably, the Postal Service meant to imply that, at
12 less than 6% of total BPM, Single Piece BPM could safely be ignored in the USPS’ rate design
13 efforts in this case. Nevertheless, in this proceeding, the Postal Service is also proposing to
14 increase Single Piece BPM rates by as much as 19 percent.⁸¹ Absent any proposals on destination
15 entry discounts for Single Piece BPM pieces, Single Piece mailers cannot even attempt to offset
16 any of the Postal Service’s proposed rate increase by taking advantage of such discounts.
17 Moreover, the Postal Service is itself a Single Piece BPM “mailer” when it ships book returns
18 back to book mailers and charges those mailers for these returns at the BPM rate.⁸² Even at 6
19 percent of total volume, Single Piece BPM is heavily used by certain book shippers and is
20 indisputably part of the BPM subclass. The Postal Service’s unilateral decision to ignore Single
21 Piece BPM in its BPM Mail Characteristics Study clearly demonstrates why the USPS’ proposal
22 to increase Single Piece BPM rates by as much as 19 percent in this proceeding should be
23 rejected outright.

24

⁷⁹ USPS Response to AAP/USPS-T27-20, Tr.8/3334.

⁸⁰ USPS Response to AAP/USPS-T27-20, Tr.8/3334.

⁸¹ See USPS-T-37, WP-BPM-22.

⁸² The USPS had no data or estimates as to the amount of Single Piece revenue that it earns from book returns. See USPS Response to AAP/USPS-T37-21, Tr.13/5296.

1 **VI. DESTINATION ENTRY DISCOUNTS**

2 As noted earlier in this testimony, the Postal Service proposes to eliminate the Local rate
3 zone in the BPM subclass and to introduce three new destination entry discounts for BPM mail.
4 The new discounts would apply to BPM entered at the Destination Bulk Mail Center (“DBMC”),
5 the Destination Sectional Center Facility (“DSCF”) and the Destination Delivery Unit (“DDU”).
6 None of these destination entry discounts now exist in BPM.

7
8 In support of these proposals, USPS witness Kiefer testified, among other things, that the
9 Postal Service would like to introduce an annual \$100 destination entry permit fee (later changed
10 to \$125) in order “to make drop-shipped BPM consistent with drop-shipped Parcel Post.”⁸³ While
11 this proposal might indeed make destination entry permit fees in BPM comparable to those in
12 Parcel Post, the Postal Service’s overall program for multiple BPM discounts reflects a hasty and
13 ill-conceived implementation schedule that is flatly inconsistent with the way in which drop ship
14 discounts were first introduced in Parcel Post.

15
16 As Mr. Kiefer himself recognized during his cross-examination, DBMC discounts were
17 first adopted for Parcel Post in Docket R 90-1.⁸⁴ By contrast, DSCF and DDU discounts were
18 not adopted for Parcel Post until more than six years later in Docket No. R 97-1.⁸⁵ In this
19 proceeding, I recommend that the Commission follow the pattern that it previously established in
20 Parcel Post. As regards the BPM rate structure, the Commission should adopt only DBMC
21 discounts now. The Commission should not adopt additional discounts for DSCF and DDU
22 entry pending further analyses by the Postal Service and more commentary from the mailers.⁸⁶
23 There are any number of compelling reasons why the Commission should not accept all of the
24 Postal Service’s BPM rate design proposals in this case.

25
26 First of all, as noted earlier in this testimony, the entry requirements that will control the

⁸³ USPS-T-37 at 34, fn 14.

⁸⁴ Tr.13/5332, lines 8-12.

⁸⁵ Tr.13/5332, lines 13-15.

⁸⁶ Under this plan, mailers entering BPM at destination SCFs and DUs would still receive the DBMC discount.

1 extent to which BPM mailers can actually take advantage of any of these drop ship discounts will
2 not be finalized and published until after the conclusion of this rate case. The absence of these
3 requirements argues strongly for caution in the adoption of any destination entry discounts for
4 BPM in this case. DBMC discounts were a cautious first step in Parcel Post and the same pattern
5 is appropriate here. It also bears repeating that the USPS' first time survey of BPM destination
6 entry volume patterns is statistically flawed and that it reflects "confusion" as to how the Postal
7 Service's directions to adjust the survey results were interpreted by the USPS' outside
8 consultants. For all of these reasons, the Commission should restrain the Postal Service's
9 proposed transformation of the BPM rate structure and permit only the implementation of
10 DBMC discounts now.

11

12 It is also important for the Commission to recognize that the destination entry discounts
13 that have been proposed by the Postal Service reflect a disparate and discriminatory pattern of
14 cost saving pass-throughs. The Postal Service's recommended treatment of the cost savings that
15 result from destination entry is blatantly unfair to DBMC mailers. The USPS' proposed
16 discounts greatly favor DSCF and DDU mailers at the expense of DBMC mailers. The one-sided
17 nature of the USPS' recommended cost savings pass-through was documented earlier in this
18 testimony in Attachment 2. As shown in that exhibit, the BPM rate structure recommended by
19 Mr. Kiefer would pass-through only 16 percent of the cost savings generated by DBMC mailers.
20 By contrast, the USPS would award pass-throughs of 47 percent and 45 percent respectively to
21 DSCF and DDU mailers in BPM. The unreasonable treatment of DBMC mailers that results
22 from the Postal Service's BPM proposals should be flatly rejected by the Commission.

23

24 It should also be recalled that even without DSCF and DDU discounts, DSCF and DDU
25 mailers would still benefit from the adoption of a DBMC discount. These mailers would still
26 receive credit for entering BPM mail beyond the origin BMC. They simply would not benefit as
27 much as they would under the Postal Service's one-sided proposal. Nevertheless, because all
28 destination entry mailers bypass the origin BMC, it is possible to develop BPM rates that both
29 reduce the disparate nature of the pass-throughs recommended by the USPS and that retain
30 benefits for all destination entry mailers including DSCF and DDU mailers in BPM. Such a set
31 of BPM rates is illustrated in Attachment 4.

32

1 Table 1 of Attachment 4 shows the cost savings pass-throughs that would result from the
2 adoption of a single destination entry discount in BPM of \$0.129 per piece. This discount would
3 apply to DBMC, DSC and DDU pieces equally. As shown in the top panel of Table 1, this
4 proposal would result in a pass-through of 33.9 percent for DBMC mail. Importantly however, it
5 would also permit pass-throughs of 24.4 percent and 19.7 percent respectively for DSCF and
6 DDU pieces in BPM. Thus, unlike the ill-founded proposal of the USPS, this plan would
7 dramatically reduce the disparate and discriminatory pattern of cost savings pass-throughs that
8 are implicit in the BPM rates proposed by Mr. Kiefer. Moreover, these hypothetical rates retain
9 the 100 percent pass-through of carrier route presort savings that was also recommended by the
10 USPS. As shown in the lower section of Table 1, if one were to add the suggested destination
11 entry pass-throughs from the top panel of Table 1 with an assumed 100 percent pass-through for
12 carrier route presortation, the combined pass-throughs for all three destination entry levels are
13 even closer together.⁸⁷

14
15 A hypothetical rate structure for BPM that includes a single per-piece discount for
16 DBMC, DSCF and DDU mail is shown at Attachment 4, Table 2. The rates in Table 2 are not the
17 rates recommended by AAP in this case. The rates in Table 2 reflect the USPS's proposed target
18 cost coverage of 117.6% which is discussed in a subsequent section of this report. However, the
19 rates in Table 2 do illustrate how a single destination entry discount in BPM might work. I
20 recommend that such a single discount be adopted now with an opportunity for further discounts
21 to be addressed subsequently.

22
23 It is important for the Commission to realize that, in this case, the USPS has consistently
24 failed to study or even consider rate design alternatives in BPM that may have made the
25 transition to a new BPM rate structure both less harmful to mailers and more efficient for the
26 USPS. For example, the Postal Service has proposed to eliminate the Local Rate zone for BPM
27 without any studies or reports that pertained to this recommendation.⁸⁸ At one point, the USPS
28 did apparently consider briefly the possibility of offering both a Local rate that was considerably

⁸⁷ Indeed, if DDU and DSCF mailers are more likely than DBMC mailers to presort to the carrier route level, the pass-through disparity between these types of mail would virtually disappear.

⁸⁸ USPS Response to AAP/USPS-T37-4.

1 higher than the current Local rate in conjunction with a lower DDU rate but “no formal studies,
2 reports, data or other evidence describing this or other alternatives exist.”⁸⁹ The USPS’ failure to
3 consider any alternatives to its rate proposals provides yet one more reason to defer full
4 implementation of the USPS’ BPM proposals now.

5
6 If the Commission chooses to consider other BPM rate design alternatives in a future
7 proceeding, one possibility is an “Enhanced DBMC” discount. Under an Enhanced DBMC
8 discount, mailers would be afforded an additional rate incentive to ship BPM which is made up
9 to the Destination BMC level beyond the DBMC. Although not made up beyond the DBMC
10 level, those pieces would be transported more deeply into the postal network than pure DBMC
11 mail with resulting additional cost savings to the USPS. I have been informed by members of the
12 AAP that such an Enhanced DBMC proposal would be worthy of consideration in any future
13 proceeding dealing with destination entry discounts for BPM.

14 15 **VII. COST COVERAGE**

16 In determining the overall rate level that the Postal Service seeks to establish for a mail
17 subclass in a Postal rate proceeding, the USPS traditionally calculates the cost coverage that
18 should apply to that subclass. Cost coverage is expressed as a percentage of volume variable
19 costs. Thus, a cost coverage of 100 percent would equal the total volume variable costs for that
20 subclass. By contrast, a cost coverage of 150 percent would allow an additional contribution of
21 50 percent of the volume variable costs from that subclass to apply toward the recovery of the
22 USPS’ non-volume variable or “institutional” costs. Traditionally, the establishment of cost
23 coverage for a subclass is a judgmental process. In order to arrive at its recommended cost
24 coverage for a subclass, the Postal Service generally considers the nine ratemaking criteria that
25 are listed in Section 3622(b) of the Postal Reorganization Act. In this proceeding, the nine
26 Section 3622(b) criteria are listed and described in the testimony of USPS witness Virginia
27 Mayes.⁹⁰

⁸⁹ USPS Response to AAP/USPS-T37-5.

⁹⁰ USPS-T-32 at 2-3.

1 In this case, the Postal Service is proposing a cost coverage of 117.6 percent over volume
2 variable costs for Bound Printed Matter. This coverage results in an average rate increase for
3 BPM of 18.1 percent, the highest rate increase proposed for any subclass in this case.⁹¹ (emphasis
4 added). The magnitude of the Postal Service's proposed rate increase for BPM is particularly
5 significant since one of the nine ratemaking criteria, (criterion 4), deals specifically with rate
6 increases. Under criterion 4, the USPS is supposed to consider "the effect of rate increases upon
7 the general public, business mail users, and enterprises in the private sector of the economy
8 engaged in the delivery of mail other than letters."⁹² In her Direct Testimony, Postal Service
9 witness Mayes clearly does not dispute the obvious conclusion that an average rate increase of
10 18.1 percent will "affect" BPM mailers. She states that "[t]he 18 percent rate increase for Bound
11 Printed Matter, much higher than the system average, will obviously affect users of Bound
12 Printed Matter (criterion 4)."⁹³ (emphasis added). Of course, the fact that an 18.1 percent average
13 rate increase will "obviously" affect users of Bound Printed Matter has not motivated the USPS
14 to reduce its BPM rate increase proposal to a more manageable level.

15

16 Value of service is another of the nine ratemaking criteria that was allegedly considered
17 by USPS witness Mayes is setting the Postal Service's proposed cost coverage for BPM in this
18 case. In her testimony, Ms. Mayes describes the concept of own price elasticity of demand and
19 explains how it has been used as an indicator of the economic value of a subclass' service in
20 postal ratemaking.⁹⁴ The own price elasticity of demand is measured as the percentage decline in
21 mail volume that results from a one percent increase in price. The lower (in absolute value) the
22 own-price elasticity, the higher the value of service. Under Criterion 2, the USPS is supposed to
23 consider the value of the mail to both sender and recipient in establishing cost coverage for a
24 postal subclass.

25

26 The own price elasticity reported by Ms. Mayes for the BPM subclass was -0.392 .⁹⁵ This

⁹¹ USPS-T-32 at 43.

⁹² USPS-T-32 at 2.

⁹³ USPS-T-32 at 44.

⁹⁴ USPS-T-32 at 5.

⁹⁵ USPS-T-32 at 43.

1 value was lower (in absolute value) than the own price elasticities shown for any and all of the
2 following postal subclasses: First Class Cards – Stamped, First Class Cards – Private, Priority
3 Mail, Express Mail, Standard A Regular Mail, Standard A ECR Mail and Parcel Post.⁹⁶ The own
4 price elasticities for Standard Mail A Regular and Standard Mail A ECR were more than 45.4
5 and 106.1 percent higher respectively than the own price elasticity for BPM.⁹⁷ The own price
6 elasticity reported for Parcel Post was more than three times the own price elasticity reported for
7 BPM.⁹⁸ Since the BPM subclass has a much lower own price elasticity coefficient than any of
8 these subclasses, BPM should have been considered a much more highly valued service than any
9 of these subclasses under criterion 2.⁹⁹ Nevertheless, in utter disregard of criterion 2, the rate
10 increase proposed for BPM in this case is higher than the rate increase proposed for any of these
11 subclasses.

12

13 In addition to ignoring both criterion 4 and criterion 2 in deriving her recommended cost
14 coverage for BPM, USPS witness Mayes has also chosen to disregard even her own advice with
15 respect to criterion 8, the so-called “ECSI” standard for postal ratemaking. Criterion 8 requires
16 the Postal Service to consider the “educational, cultural, scientific and informational value” of
17 the mail to the recipient when determining rate levels for each type of mail.¹⁰⁰ Witness Mayes has
18 testified that “[o]ver a period of years, a substantial number of books have been mailed as Bound
19 Printed Matter. The Commission accordingly has given the subclass some ECSI consideration in
20 setting rate levels....”¹⁰¹ Witness Mayes thus recognizes that the substantial presence of books in
21 the BPM subclass is what gives rise to ECSI consideration for this subclass.¹⁰² Ms. Mayes also
22 seems to be aware that the USPS Household Diary study is the most recent source of data on the
23 makeup of the BPM subclass.¹⁰³ As noted earlier in this testimony, that Household Diary Study

⁹⁶ USPS Response to AAP/USPS-T32-1, Tr.11/4178.

⁹⁷ USPS Response to AAP/USPS-T32-7, Tr.11/4185.

⁹⁸ USPS Response to AAP/USPS-T32-6, Tr.11/4184.

⁹⁹ USPS Response to AAP/USPS-T32-1, Tr.11/4178.

¹⁰⁰ USPS-T-32 at 11.

¹⁰¹ USPS-T-32 at 45.

¹⁰² See also USPS Response to AAP/USPS-T32-4, Tr.11/4181-82.

¹⁰³ Tr.11/4466, lines 14-22.

1 indicates that 63.7 percent of the BPM subclass now consists of books. Finally, Ms. Mayes has
2 testified that “the higher the percentage of mail matter with ECSI, the greater the application
3 should be of criterion 8.”¹⁰⁴

4
5 Ms. Mayes was asked by the AAP to “explain the extent to which the number of books
6 sent as BPM is considered in determining the extent of ECSI consideration given to BPM.”¹⁰⁵
7 Her response in full was as follows: “I would expect that if the share of books overwhelmingly
8 dominated the subclass, ECSI value consideration would become more important in rate design.
9 However, I think that examination of the Commission’s treatment of such subclasses as First-
10 Class Letters or Periodicals where the mail consists of both material which would warrant ECSI
11 value consideration (personal correspondence or editorial content, for example) as well as
12 advertising or other matter which would not warrant ECSI value consideration could be
13 instructive.”¹⁰⁶ (emphasis added). Thus, it was Ms. Mayes’ own advice to examine the
14 Commission’s treatment of First Class Letters and Periodicals in order to assess how ECSI value
15 should be considered.

16
17 The consequences of following Ms. Mayes’ recommendation are particularly
18 enlightening. According to Ms. Mayes, “for periodicals, in general, ECSI value consideration is
19 paramount.”¹⁰⁷ (emphasis added) Ms. Mayes also agreed that in BPM, books, which have only
20 editorial content, represent at least 50 percent of the BPM subclass, and she did not dispute that
21 Periodicals contain at least 50 percent advertising.¹⁰⁸ Thus, following Ms. Mayes’ own
22 suggestion to consider the ECSI treatment of Periodicals, there is clear comparability between
23 BPM and Periodicals. Indeed, it is likely that the ECSI content in BPM exceeds the ECSI content
24 in Periodicals by a significant margin. Yet, the Postal Service has proposed cost coverage for
25 Outside County Periodicals at just above 101 percent.¹⁰⁹ By contrast, the Postal Service’

¹⁰⁴ Tr.11/4468, lines 20-24.

¹⁰⁵ USPS Response to AAP/USPS-T32-10 (b), Tr.11/4189.

¹⁰⁶ USPS Response to AAP/USPS-T32-10 (b) – (c), Tr.11/4189.

¹⁰⁷ Tr.11/4637, lines 11-12.

¹⁰⁸ Tr.11/4662, lines 24-5, Tr.11/4663, lines 1-9.

1 proposed cost coverage for BPM is 117.6 percent. It is quite obvious that the markup proposed
2 by the Postal Service for BPM is far too high.

3
4 In this case, I recommend that the Commission adopt cost coverage for BPM at 105
5 percent. This value would serve to correct the Postal Service's self-contradictory proposals and
6 help to mitigate the massive BPM rate increase that the USPS recommends in this case. At 105
7 percent, cost coverage for BPM would still remain higher than the USPS' proposal for
8 Periodicals.

10 **VIII. RECOMMENDED RATES**

11 For all of the reasons noted above, it is critical that the Commission adjust the Postal
12 Service's BPM rate proposals. Both the rate structure and rate levels for BPM should not be
13 accepted as proposed. The entry and mail preparation requirements that will govern the USPS'
14 destination entry proposals will not be completed until after the close of this rate case. In
15 addition, the rate structure proposals rest heavily on a "first-time" survey that is fraught with
16 statistical problems and has been plagued by "miscommunication" between the USPS and
17 Christensen and Associates. Finally, the USPS' pass-throughs of destination entry cost savings
18 are blatantly unfair. The Postal Service should follow the procedural sequence that was used to
19 implement destination entry discounts in Parcel Post. The Commission should recommend
20 DBMC discounts now and defer additional discounts for DSCF and DDU entry (or other
21 alternatives such as "Enhanced" DBMC discounts) until a subsequent proceeding.¹¹⁰

22
23 The Postal Service's proposed cost coverage for BPM is similarly flawed. The Bound
24 Printed Matter subclass has become largely a book subclass and requires full consideration of the
25 ECSI ratemaking standard under the Act. The USPS's proposed target coverage of 117.6 percent
26 is much too high.

¹⁰⁹ USPS-T-32 at 32. Cost coverage for Periodicals is proposed at 101.45 percent calculated prior to the administration of discounts to preferred rate categories within the subclass. The after-discount cost coverage proposed for Periodical is 101.37 percent.

¹¹⁰ BPM mail that would have qualified for DSCF and DDU discounts under the USPS' proposals would still receive the proposed DBMC discount under this plan.

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The BPM rate design that was described earlier in this testimony at Attachment 4 had retained the USPS' proposed cost coverage target of 117.6 percent. However, the cost coverage recommended for BPM by the USPS is clearly inappropriate and should be reduced substantially. A preliminary rate proposal for BPM at a cost coverage target of 105% is shown in Attachment 4. This proposal combines the recommended destination entry discounts that were shown in Attachment 4 with a more appropriate target cost coverage for BPM. Attachment 5 simply reflects the mathematical effect of assigning a lower cost coverage to the BPM subclass and maintaining the rate design that was developed in Attachment 4.

The rates proposed in Attachment 5 rationalize the cost savings pass-throughs for destination entry BPM mail, and they reduce the impact of the proposed rate increase on BPM mailers who cannot take advantage of such discounts. The rates in Attachment 5 also spread the benefit of the lower cost coverage that is appropriate for BPM to all BPM mailers.

Notwithstanding all of these considerations, however, it still may be appropriate to adjust the recommended BPM rates so as to reduce the impact that the proposed rate design would have on certain mailers in this case. The final BPM rates that I propose do in fact include such an adjustment, and are shown in Attachment 6. As with the preliminary rates in Attachment 5, my final proposed BPM rates appropriately include a reduction in BPM subclass cost coverage to 105 percent. The final rates also include pass-throughs for destination entry cost savings that are far more equitable than those recommended by the Postal Service.

The workpapers that support the rates proposed in Attachment 6 are provided in Attachment 7. These workpapers make use of the spreadsheet workpapers used for BPM by Mr. Kiefer. However, specific assumptions in Attachment 6 have been altered to derive the BPM rates proposed here. I recommend that the Commission adopt the rate structure and rate level for Bound Printed Matter that are proposed in Attachment 6.

ATTACHMENT 1

CURRICULUM VITÆ

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Education	B.A. (Economics) Boston College, 1973 M.B.A. George Washington University, 1975
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Previous Employment	Senior Consultant, Snively, King & Associates Inc. (1975-1983)
Consulting Specialties	Development and provision of expert witness testimony in connection with economic, financial and accounting issues for regulated industries including communications, energy and postal concerns. Economic and financial consulting and expert witness testimony in antitrust, contract and bankruptcy litigation. Particular emphasis on the estimation of lost profit damages. Economic analysis of international trade issues relating to media and copyright industries.

Books

International Trade in Computer Software, Stephen E. Siwek and Harold W. Furchtgott-Roth, Quorum Books, Westport, Connecticut, London, 1993, ISBN: 0-89930-711-6.

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"Competing with Pirates: Economic Implications for the Entertainment Strategist," (with Harold Furchtgott-Roth) *The Ernst & Young Entertainment Business Journal*, Volume 3, 1992, P. 18.

**Papers and
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(continued)**

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Copyright Industries in the U.S. Economy: 1977-1990, by Stephen E. Siwek and Harold W. Furchtgott-Roth, for the International Intellectual Property Alliance, September 1992.

The U.S. Software Industry: Economic Contribution in the U.S. and World Markets, by Stephen E. Siwek and Harold W. Furchtgott-Roth, for the Business Software Alliance, March 1993.

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**Continuing
Legal
Education
Programs**

Panelist, *Basic Antitrust Law*, D.C. Bar/George Washington University National Law Center

Panelist, *Monopolization Issues Affecting Computer Software*, D.C. Bar, Antitrust, Trade Regulation and Consumer Affairs Section, June 21, 1994.

Other

Panelist, *The Economics of Counterfeiting: A Supply and Demand Look into this Multi Billion Dollar Problem*, International Anti-Counterfeiting Coalition, Annual Conference, May 21, 1999.

Moderator, *Economic Loss Panel*, International Anticounterfeiting Coalition, Fall Meetings, Washington, D.C. November 14, 1994.

COURT TESTIMONY AND APPEARANCES

Jurisdiction	Case	Subject
U.S. District Court for Eastern District of Virginia Alexandria Division	Eden Hannon & Co. v. Sumitomo Trust & Banking Co. (USA) Civil Action No. 89-0312A	Analysis of Financial Models, Cash Flow Analysis
Circuit Court for Pinellas County, Florida	Home Shopping Network Inc. v. GTE, GTE FLA., Inc. and GTE Communications Corp. CT. Civ. 87-014199-7	Relevance of Planning & Budgeting Reports to the Analysis of Damages
U.S. District Court for Western District of Oklahoma	Banner Industries, Inc. v. Pepsico, Inc. CIV-85-449-R	Financial Plans Financial Viability (Deposition Testimony Only)
Circuit Court for Baltimore City	Pulse One Communications Inc. v. Bell Atlantic Mobile Systems Inc. Case No. 90108057/CC112199	Damages (Deposition Testimony Only)

COURT TESTIMONY AND APPEARANCES (continued)

Jurisdiction	Case	Subject
Supreme Court of the State of New York County of New York	Scandinavian Gourmet Provisions, d/b/a Fredricksen & Johannesen v. Jurgela, aka Al Jurgela, aka Constantine Jurgela, aka C.R. Jurgela, Valco Equities Ltd. Charles Earle, Valco Development Corp., Chase Manhattan Bank, Clinton Barrow, Franklin Investors, and Harold L. Goerlich Index No. 22891/90	Damages
Chancery Court of Davidson County, Tennessee	MCI Telecommunications Corp. v. Dudley W. Taylor etc. et. al. No. 88-1227-III	Tax Treatment of Telephone Access Charges
Superior Court of the District of Columbia Civil Division	Robert H. Kressin, General Partner, Cellular Phone Stores Limited Partnership v. Bell Atlantic Mobile Systems, Inc. Civil Action No. 02258-91	Damages, Cellular Telephone Industry
Court of Common Pleas First Judicial District of Pennsylvania	Shared Communications Service of 1800 - 80 JFK Boulevard Inc. v. Bell Atlantic Properties, Inc. et. al. September Term 1900, No. 775	Damages, Telecommunications Industry
Superior Court of New Jersey, Law Division, Essex County	Bell Atlantic Network Services, Inc. v. P. M. Video Corp., Docket No. L-6602-91	Damages (Deposition Testimony Only)
U.S. District for the District of Columbia	FreBon International Corp. v. Bell Atlantic Corp. et al. Civil Action No. 94-324	Damages (Deposition Testimony Only)

COURT TESTIMONY AND APPEARANCES (continued)

Jurisdiction	Case	Subject
U.S. District Court for the Eastern District of New York	Universal Contact Communications Inc. v. PageMart Inc.	Damages (Deposition Testimony Only)
U.S. District Court for District of Maryland	Integrated Consulting Services, Inc. v. LDDS	Damages (Deposition Testimony Only)
U.S. District Court Eastern District of Virginia Alexandria Division	Mexinox, S.A. et al. v. Acerinox	Antitrust Damages (Deposition Testimony Only)
U.S. District Court Eastern District of North Carolina	Broad Band Technologies, Inc. v. General Instrument Corp.	Patent Damages (Deposition Testimony Only)
International Chamber of Commerce International Court of Arbitration	WorldSpan L.P. v. Abacus Distribution Systems Pte Ltd. And Others Case No. 9833/FMS	Damages and License Valuation
US District Court for Western District of Washington at Seattle Case No. C97-10732	Arbitration between Electric Lightwave, Inc., Plaintiff v. USWest Inc., Defendant	Damages

REGULATORY COMMISSION TESTIMONY AND APPEARANCES

Commission	Docket No.	Subject
Arizona	U-3021-96-448 et al.	Cost of Local Service
Utah	94-999-01	Investigation in to colocation and expanded interconnection
Connecticut	96-02-22	Cost of Local Service

**REGULATORY COMMISSION TESTIMONY AND APPEARANCES
(continued)**

Commission	Docket No.	Subject
Wyoming	70000-TR-96-323	US WEST Phase II Price Regulation Plan
Pennsylvania	1-00960066	Financial Analysis
Pennsylvania	A-310203 F0002 et al.	Cost of Local Service
West Virginia	96-1516-T-PC et al.	Cost of Local Service
Minnesota	P-442, 5321 et al.	Generic Investigation of US WESTs Communications Costs
Iowa	RPU-96-9	Generic Investigation of US WESTs Communications Costs
Illinois	80-0511	Rate Base, Expenses, Forecasting
Maryland	7222	Power Plant Certificate Issues
District of Columbia *	777	Telephone Advertising and Parent Company Transactions
Illinois	82-0082	Gas Rate Design
Pennsylvania	M-810294	Energy Costs and Rate Design
Pennsylvania	R-822169	Nuclear Plant Economics
New Jersey	8011-827	Water and Sewerage Forecast
District of Columbia	798	Telephone Price Elasticity, Centralized Costs, Working Capital
California	83-06-65	Telephone Access Charges
Illinois	83-0142	Telephone Access Charges

*Prefiled but not sworn. Case Settled April, 1982.

REGULATORY COMMISSION TESTIMONY AND APPEARANCES
(continued)

Commission	Docket No.	Subject
U.S. International Trade Commission	731-TA-457	Handtools from People's Republic of China
U.S. Postal Rate Commission	R 83-1	Financial Viability for Electronic Mail Service
U.S. Postal Rate Commission	R 84-1	Class Revenue Requirement, Demand Projections
U. S. Postal Rate Commission	R 87-1	Pricing of Third Class Mail
U.S. Postal Rate Commission	R 90-1	Pricing of Third Class Mail
Maryland	6807, Phase I	Utility Forecasting
New Jersey	762-194	Utility Forecasting
District of Columbia	685	Utility Forecasting
District of Columbia	827	Econometric Demand Modeling for Coin Telephone Service
Maryland	7149	Utility Forecasting & Promotional Activities
Maryland	7300	Utility Forecasting
Maryland	7348	Utility Forecasting
Maryland	7427	Utility Forecasting
District of Columbia	737	Utility Forecasting
Maryland	7305	Telephone Advertising
Maryland	7163	Service Terminations
Maryland	7070	Utility Promotional Activities
District of Columbia	729	Telephone Advertising & Parent Company Transactions

REGULATORY COMMISSION TESTIMONY AND APPEARANCES
(continued)

Commission	Docket No.	Subject
Maryland	6807, Phase II	Utility Emergency Procedures
Maryland	7467	Telephone Advertising, Parent Company Transactions
Maryland	7466	Gas Utility Advertising
New Hampshire	79-18	Industrial Conservation
Maryland	7236	Utility Promotional Activities
District of Columbia	834	Electric Utility Load Management Evaluation
California	85-01-034	Telephone Rate Design, Cost of Service
Massachusetts	86-213	Paging Company; Financial Viability, Pricing Analysis
District of Columbia	869	Fuel Price and Electric Demand Forecasts
Louisiana	U-17949 B	Customer Owned Coin Operated Telephones
New Jersey	TO92030358	Yellow Pages/Directory Services
Delaware	41	Development of Rules for the Implementation of Price Cap Regulation
Utah	94-999-01	Cost of Local Service
Connecticut	97-04-10	Cost of Local Service
New Mexico	97-35-TC	Cost of Local Service
Maine	97-505	Cost of Local Service

**REGULATORY COMMISSION TESTIMONY AND APPEARANCES
(continued)**

Commission	Docket No.	Subject
Vermont	5713	Cost of Local Service
New York	94-C-0095	Access Charges/ Financial Analysis
New Jersey	TX95120631	Access Charges/ Financial Analysis
New Hampshire	DE97-171	Cost of Local Service
Colorado	97F-175T	Access Charges/Financial Analysis
Utah	97-049-08	Access Charges/Financial Analysis
Rhode Island	2681	Cost of Local Service
Arkansas	99-015-U	Arbitration of Interconnection Rates

WRITTEN TESTIMONY ONLY

Jurisdiction	Case	Subject
U.S. District Court for Southern District of New York	In Re "Apollo" Air Passenger Computer Reservation System (CRS) MDL DKT. No. 760 M-21- 49-MP	Liquidated Damages, Actual Damages
Supreme Court of the Republic of Palau	Orion Telecommunications, Ltd. v. Palau National Communications Corporations, Civil Action No. 835-88.	Lost Profit Damages

WRITTEN TESTIMONY ONLY (continued)

Jurisdiction	Case	Subject
U.S. District Court for the District of Columbia	A&S Council Oil Company, Inc., et al. v. Patricia Saiki, et al. Civil, Action No. 87-1969-OG	Damages
U.S. District Court for Eastern District of Texas	R & D Business Systems, et.al. v. Xerox Corp. Civil Action No. 2: 92-CV-042	Valuation of Non- Monetary Provisions of Stipulation of Settlement
U.S. District Court Eastern District of Michigan, Southern Division	Little Caesar Enterprises, Inc. v. Gary G. Smith, et al. Civic No. 93-CV-73354-DT	Class Certification (Joint Declaration with Philip Nelson)
FCC	Various	Cellular Radio Pricing: Critique of Competing Applications for Cellular in Seattle, Miami, Denver and Detroit
FCC Pricing	83-1145	Directory Data Base and Access
U.S. District Court for the District of Columbia	American Association of Cruise Passengers v. Host Marriott Corp. et al.	Damages
U.S. District Court for Eastern District of Texas	Jason R. Searcy et al. v. Philips Electronics North America Corp. et al. Consolidated Civil Action No. 1:95-CV 363,364.	Damages
U.S. District Court for Eastern District of Texas Beaumont Division	USA ex. rel. Lloyd Bortner v. Phillips Electronics	Penalties under False Claims Act

SELECTED OTHER MATTERS

Jurisdiction	Case	Subject
United States of America v. United Kingdom of Great Britain and Northern Ireland	U.S. - U.K. Arbitration Concerning Heathrow Airport User Changes	Participant in Negotiations Leading to Settlement of Arbitration and Related Litigation

ATTACHMENT 2

BOUND PRINTED MATTER

**USPS Recommended
Pass-Through of Cost Savings**

Discount	Savings	Per-Piece Discount	Pass- Through	Savings	Per-Pound Discount	Pass- Through
DBMC						
Zones 1&2	0.38	0.062	16%	0.047	0.004	9%
Zone 3	0.38	0.062	16%	0.018	0.006	33%
Zone 4	0.38	0.062	16%	0.003	0.006	200%
Zone 5	0.38	0.062	16%	-0.1	0.008	-8%
DSCF	0.529	0.246	47%	0.064	0.029	45%
DDU	0.656	0.297	45%	0.088	0.031	35%
Carrier Route	0.077	0.077	100%	0	0	
Barcode	0.029	0.03	103%	0	0	

Source: Attachment to Response to AAP/USPS-T37-12 (Revised)

ATTACHMENT 3

CORRECTED BMC VARIABILITIES*

Volume Variable Costs for Bound Printed Matter by 1998

Cost Pool	USPS Proposed Pool Total By 1998	USPS Proposed BPM Distribution By 1998	Pool Total at DOCKET No. R97-1 Variability By 1998	BPM Total at Docket No. R97-1 Variability By 1998
PLA	\$196,718	\$19,998	\$110,836	\$11,272
OTHR	\$248,565	\$23,623	\$152,363	\$14,480
PSM	\$92,698	\$16,526	\$84,541	\$15,072
SSM	\$34,213	\$2,217	\$33,905	\$2,197
SPB	\$64,180	\$2,412	\$47,236	\$1,775
NMO	\$33,824	\$3,090	\$22,730	\$2,077
Total	\$670,198	\$67,866	\$451,610	\$46,873
	Proposed BMC Costs for BPM			\$67,866
	Adjusted BMC Costs for BPM			\$46,878
	Overstatement - Costs			\$20,988
	Overstatement - Percent			30.9%

*Corrected to Reflect Application of USPS witness Bradley's Docket No. R97-1
 Volume Variability Factors.

Source:
 USPS Response to AAP/USPS--T15-6 and USPS-T-17 (Var-Ty-Smith), Tab 193.

ALTERNATIVE MODS VARIABILITIES

**Mail Processing Volume Variable Costs
for Bound Printed Matter By 1998**

Cost Pool	USPS Proposed Pool Volume-Variable Cost (1)	USPS Proposed BPM Volume-Variable Cost (2)	Alternating Pool Volume Volume- Variable Cost (1)	Alternating BPM Volume Volume- Variable Cost (1)
1PLATFRM	\$943,115	\$6,105	\$571,554	\$3,700
1OPREF	\$683,028	\$4,144	\$456,775	\$2,771
1OPBULK	\$305,417	\$2,496	\$173,782	\$1,420
1POUCHING	\$446,331	\$1,747	\$307,968	\$1,205
Total	\$2,377,891	\$14,492	\$1,510,079	\$9,096
				\$5,396
				37.2%

Source:

- (1)USPS Response to AAP/USPS-T16-7
- (2)USPS Response to AAP/USPS-T17-7(b)

REMOVAL OF OVERHEAD COMPONENT

**Mail Processing Volume Variable Costs
for Bound Printed Matter By 1998**

Cost Groups	USPS Claimed BPM Volume Variable Costs	BPM "Overhead" Volume Variable Costs	BPM Volume Variable Costs Excluding Overhead
MODS	\$41,331	\$12,499	\$28,832
Non-MODS	\$19,321	\$3,861	\$15,460
BMC	\$67,866	\$20,989	\$46,877
Total	\$128,518	\$37,349	\$91,169
	Overstatement - Costs		\$37,349
	Overstatement - Percent		29.1%

Source:
USPS Response to AAP/USPS-T17-7(b)

CRA OVERSTATEMENT

**Mail Processing Volume Variable Costs
for Bound Printed Matter FY 1998**

Cost Pool	Percent by 1998 BPM Distribution (1)	Dollar by 1998 BPM Distribution (2)	Percent FY 1998 CRA BPM (1)	Dollar FY 1998 BPM
1Bulk Pr	0.32%	\$37	0.13%	\$15
1SackS-m	1.00%	\$513	1.76%	\$903
1OpBulk	0.85%	\$2,496	1.25%	\$3,671
1OpPref	0.61%	\$4,144	0.76%	\$5,163
1Platform	0.65%	\$6,105	1.01%	\$9,486
1Pouching	0.41%	\$1,747	0.37%	\$1,577
1SackS_h	0.86%	\$1,451	1.49%	\$2,514
1SCAN	0.28%	\$130	0.00%	\$0
		\$16,623		\$23,329
				\$6,706
				28.7%
				CRA Overstatement - Costs
				CRA Overstatement - Percent

Source:

- (1) USPS Response to AAP/USPS-T16-8
- (2) USPS Response to AAP/USPS-T17-7(b).

ATTACHMENT 4

BOUND PRINTED MATTER

Adjusted Pass-Through of Cost Savings

Discount	Savings	Pass-Through	Per-Piece Discount
DBMC			
Zone 1 + 2	0.38	33.9%	0.129
Zone 3	0.38	33.9%	0.129
Zone 4	0.38	33.9%	0.129
Zone 5	0.38	33.9%	0.129
DSCF	0.529	24.4%	0.129
DDU	0.656	19.7%	0.129
Carrier Route	0.077	100.0%	0.077
Bar Code	0.03	100.0%	0.03

Combined Destination and Carrier Route Presort

Discount	Savings	Pass-Through	Per-Piece Discount
DBMC†			
Zone 1 + 2	0.457	45.1%	0.206
Zone 3	0.457	45.1%	0.206
Zone 4	0.457	45.1%	0.206
Zone 5	0.457	45.1%	0.206
DSCF†	0.606	34.0%	0.206
DDU†	0.733	28.1%	0.206

† Includes Carrier Route Discount

BOUND PRINTED MATTER

Rate Schedule
with Adjusted Pass-Through of Cost Savings
and Target Cost Coverage=117.6%

	Per Piece Rate	Per Pound Rate						
		Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
Single Piece	1.58	0.08	0.11	0.16	0.23	0.3	0.39	0.46
Basic Presort								
Origin Entry	0.905	0.064	0.092	0.138	0.209	0.286	0.376	0.45
DBMC	0.776	0.06	0.086	0.132	0.201	-	-	-
DSCF	0.776	0.035	-	-	-	-	-	-
DDU	0.776	0.033	-	-	-	-	-	-
Carrier Route Presort								
Origin Entry	0.828	0.064	0.092	0.138	0.209	0.286	0.376	0.45
DBMC	0.699	0.06	0.086	0.132	0.201	-	-	-
DSCF	0.699	0.035	-	-	-	-	-	-
DDU	0.699	0.033	-	-	-	-	-	-
Barcode Discount	0.03							

ATTACHMENT 5

BOUND PRINTED MATTER

**Preliminary Rate Schedule
with Adjusted Pass-Through of Cost Savings
and Target Cost Coverage=105%**

	Per Piece Rate	Per Pound Rate						
		Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
Single Piece	\$1.42	\$0.07	\$0.09	\$0.14	\$0.20	\$0.27	\$0.35	\$0.41
Basic Presort								
Origin Entry	\$0.825	\$0.056	\$0.077	\$0.119	\$0.186	\$0.258	\$0.343	\$0.408
DBMC	\$0.697	\$0.052	\$0.071	\$0.113	\$0.178	-	-	-
DSCF	\$0.697	\$0.027	-	-	-	-	-	-
DDU	\$0.697	\$0.025	-	-	-	-	-	-
Carrier Route Presort								
Origin Entry	\$0.748	\$0.056	\$0.077	\$0.119	\$0.186	\$0.258	\$0.343	\$0.408
DBMC	\$0.620	\$0.052	\$0.071	\$0.113	\$0.178	-	-	-
DSCF	\$0.620	\$0.027	-	-	-	-	-	-
DDU	\$0.620	\$0.025	-	-	-	-	-	-
Barcode Discount	\$0.03							

ATTACHMENT 6

BOUND PRINTED MATTER
Final Proposed Rate Schedule
with Adjusted Pass-Through of Cost Savings
and Target Cost Coverage=105%

	Per Piece Rate	Per Pound Rate						
		Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
Single Piece	\$1.42	\$0.07	\$0.09	\$0.14	\$0.20	\$0.27	\$0.35	\$0.41
Basic Presort								
Origin Entry	\$0.865	\$0.060	\$0.085	\$0.129	\$0.197	\$0.272	\$0.359	\$0.429
DBMC	\$0.670	\$0.051	\$0.070	\$0.112	\$0.177	-	-	-
DSCF	\$0.670	\$0.026	-	-	-	-	-	-
DDU	\$0.670	\$0.024	-	-	-	-	-	-
Carrier Route Presort								
Origin Entry	\$0.788	\$0.060	\$0.085	\$0.129	\$0.197	\$0.272	\$0.359	\$0.429
DBMC	\$0.593	\$0.051	\$0.070	\$0.112	\$0.177	-	-	-
DSCF	\$0.593	\$0.026	-	-	-	-	-	-
DDU	\$0.593	\$0.024	-	-	-	-	-	-
Barcode Discount	\$0.03							

ATTACHMENT 7

**BOUND PRINTED MATTER
FINAL PROPOSED RATES
WORKPAPERS**

Table of Contents

Workbook Tab Designation	Workpaper	Workpaper Title
Inputs	WP-BPM-1	Major Input Assumptions for Proposed Rate Schedule Determination
1998 Presort Billing Det.	WP-BPM-2	FY 1998 Billing Determinants--Presort Bound Printed Matter
1998 Single Piece Billing Det.	WP-BPM-3	FY 1998 Billing Determinants--Single Piece Bound Printed Matter
1998 Single Piece Pounds	WP-BPM-4	Calculation of Single Piece Total Pounds by Zone
1998 Single Piece Revenue	WP-BPM-5	FY 1998 Calculated Revenue--Single Piece Bound Printed Matter
Distribution Factors	WP-BPM-6	Calculation of Pounds Distribution Factors
	WP-BPM-7	Calculation of Pieces Distribution Factors
TYBR Pieces & Pounds	WP-BPM-8	Calculation of TYBR Pieces and Pounds
TY Cost Distribution	WP-BPM-9	Calculation of Test Year Drop-Shipment Non-Transportation Cost Savings
	WP-BPM-10	Distribution of Test Year Transportation Costs
	WP-BPM-11	Distribution of Test Year Non-Transportation Costs
Revenue Leakages	WP-BPM-12	TYBR Revenue Leakages
TYBR Revenue	WP-BPM-13	Calculation of TYBR Revenue
Pound and Piece Charges	WP-BPM-14	Calculation of Per Pound and Per Piece Charges
Rate Adjustments	WP-BPM-15	Adjustment of Preliminary Rates
Adjusted Rate Schedules	WP-BPM-16	Adjusted Rate Schedules
Rate Tables	WP-BPM-17	Proposed Single Piece Rates
	WP-BPM-18	Computed Proposed Basic Presort Rates
	WP-BPM-19	Computed Proposed Basic Presort Destination Entry Rates
	WP-BPM-20	Computed Proposed Carrier Route Presort Rates
	WP-BPM-21	Computed Proposed Carrier Route Presort Destination Entry Rates
	WP-BPM-22	Proposed Single Piece Rate Percent Changes
Rate Comparisons	WP-BPM-23	Computed Proposed Basic Presort Rate Percent Changes
	WP-BPM-24	Computed Proposed Basic Presort Destination Entry Rate Percent Changes
	WP-BPM-25	Computed Proposed Carrier Route Presort Rate Percent Changes
	WP-BPM-26	Computed Proposed Carrier Route Presort Destination Entry Rate Percent Changes
TYAR Pieces & Pounds	WP-BPM-27	Calculation of TYAR Pieces and Pounds
TYAR Revenue Summary	WP-BPM-28	Calculation of TYAR Revenue
BPM Financials	WP-BPM-29	Bound Printed Matter Financial Summary

Major Input Assumptions for
Proposed Rate Schedule Determination

Type of Assumption	Input Assumptions	Notes	Value
	Target Cost Coverage (Including Contingency)	[1]	117.88%
	Cost Coverage Markup Factor (In Addition to Contingency)	[2]	104.82%
	Contingency Factor	[3]	2.50%
	RPW Revenue Adjustment Factors		
	Single Piece	[4]	1.03193146
	Presort	[5]	0.98871330
	TYBR Total Volume Forecast	[6]	541,975,772
	Barcoded Volume Shares		
	Single Piece	[7]	7.25%
	Basic Presort	[8]	35.68%
	Dropshipment Volume Shares	[9]	
	DBMC		
	Zones 1&2	[a]	36.33%
	Zone 3	[b]	6.50%
	Zone 4	[c]	1.88%
	Zone 5	[d]	0.94%
	DBMC-ASF Share	[e]	0.87%
	DSCF	[f]	15.60%
	DDU	[g]	7.20%
	TYAR Total Volume Forecast	[10]	524,742,871
	TYBR Total Adjusted Volume Variable Costs	[11]	\$481,389,000
	Transportation Costs	[12]	
	Origin Entry Mail Unit Transportation Costs (\$/Pound)		
	Zones 1&2	[a]	\$0.0830
	Zone 3	[b]	\$0.1090
	Zone 4	[c]	\$0.1290
	Zone 5	[d]	\$0.1620
	Zone 6	[e]	\$0.1950
	Zone 7	[f]	\$0.2330
	Zone 8	[g]	\$0.3080
	Destination Entry Mail		
	DBMC Unit Transportation Costs (\$/Pound)		
	Zones 1&2	[h]	\$0.0460
	Zone 3	[i]	\$0.0810
	Zone 4	[k]	\$0.1260
	Zone 5	[m]	\$0.2620
	DSCF Unit Transportation Costs (\$/Pound)	[n]	\$0.9290
	DDU Unit Transportation Costs (\$/Pound)	[o]	\$0.0850
	Non-Transportation Costs and Cost Savings	[13]	
	Non-Transportation Weight Related Costs (\$/Pound)		
	DBMC Per Piece Savings Relative to		
	Origin-Entered Mail	[b]	\$0.190
	DSCF Per Piece Savings Relative to DBMC	[c]	
	DDU Per Piece Savings Relative to DSCF	[d]	
	Other Cost Savings	[14]	
	Carrier Route Presort Savings Per Piece	[a]	\$0.077
	Barcoding Cost Savings Per Piece	[b]	\$0.020
	TYAR Volume Variable Costs	[15]	\$467,516,000

Major Input Assumptions for

Type of Assumption		Value
TYBR Fees	[16]	\$647,000
TYAR Fees	[17]	\$698,000
Current Rates per Pound		
Single Piece	[18]	
Local		\$0.039
Zones 1&2		\$0.064
Zone 3		\$0.087
Zone 4		\$0.120
Zone 5		\$0.184
Zone 6		\$0.248
Zone 7		\$0.321
Zone 8		\$0.385
Presort	[19]	
Local		\$0.028
Zones 1&2		\$0.051
Zone 3		\$0.073
Zone 4		\$0.112
Zone 5		\$0.171
Zone 6		\$0.233
Zone 7		\$0.307
Zone 8		\$0.371
Current Rates Per Piece		
Single Piece	[20]	
Local	[a]	\$1.00
All Other Zones	[b]	\$1.44
Presort	[21]	
Local	[a]	\$0.54
All Other Zones	[b]	\$0.72
Current Discounts		
Carrier Route Per Piece	[22]	\$0.077
Barcoding Per Piece	[23]	\$0.03

From USPS-T-32 (Testimony of Virginia Mayes).
 Factor used with contingency to mark up costs to achieve target cost coverage.
 From USPS-T-9 (Testimony of William Tayman).
 From FY1996 Billing Determinants for single piece mail.
 From FY1996 Billing Determinants for presort mail.
 From USPS-T-7 (Testimony of Thomas Thress).
 Barcode shares calculated from RPW data.
 Barcode shares calculated from RPW data.
 Calculated from entry profile volume data in Library Reference LR-I-100.
 From USPS-T-7 (Testimony of Thomas Thress).
 From USPS-T-14, Workpaper H, Table E (Testimony of Cameron Kashani).
 From USPS-T-27, Attachment K, Table 6 (Testimony of Charles Crum).
 [a]: Factor accounting for portion of Non-transportation costs that are weight-related.
 [b]: From USPS-T-27, Attachment I, Table 3 (Testimony of Charles Crum).
 [c], [d]: Calc. from source data from workpapers of Charles Crum, See USPS-T-27, Att. J, Tables 1,2.
 [a]: From USPS-T-27, Section IV (Testimony of Charles Crum).
 [b]: From USPS-T-26, Attachment B, page 1, row 2 (Testimony of Jennifer Eggleston).
 From USPS-T-14, Workpaper J, Table E (Testimony of Cameron Kashani).
 From USPS-T-32, Exhibit 32A (Testimony of Virginia Mayes).
 From USPS-T-32, Exhibit 32B (Testimony of Virginia Mayes).
 DMCS, Rate Schedule 322.3A.
 DMCS, Rate Schedule 322.3B.
 DMCS, Rate Schedule 322.3A.
 DMCS, Rate Schedule 322.3A.
 DMCS, Rate Schedule 322.3B.
 DMCS, Rate Schedule 322.3B.
 DMCS, Rate Schedules 322.3A, Footnote 2, and 322.3B, Footnote 3.

RPW Data

	Pieces	Pounds	Revenue (Excluding Fees)
	459,792,628	1,132,646,866	\$378,782,964

Billing Determinants

Zone	Pieces			Total Pounds	Revenue (Excluding Fees)
	Basic Presort	Carrier Route Presort	Total Presort		
Local	14,889,148	50,222,810	65,111,957	167,106,149	\$35,188,742
1&2	189,677,334	41,025,603	230,702,937	591,658,996	\$184,348,780
3	56,499,330	4,499,682	60,999,012	152,902,857	\$52,048,708
4	38,910,173	2,391,952	41,302,126	97,851,056	\$38,448,050
5	28,256,572	1,377,831	29,634,403	61,136,830	\$29,950,077
6	11,218,643	524,071	11,742,714	22,398,370	\$12,868,143
7	8,518,538	420,544	8,939,082	17,380,915	\$11,045,376
8	11,041,377	319,019	11,360,397	22,211,693	\$15,373,097
Total	359,011,117	100,781,511	459,792,628	1,132,646,866	\$379,270,972

Adjustment Factor to convert calculated revenue to RPW revenue: 0.9987132989

2013-2014 Departmental Budget - Proposed Budgeted Matter

RPW Data

Pieces	Pounds	Revenue (Excluding Fees)	
28,619,945	65,736,805	\$49,044,181	

Billing Determinants

Weight (Pounds)	Pieces								
	[A] Local	[B] Zones 1&2	[C] Zone 3	[D] Zone 4	[E] Zone 5	[F] Zone 6	[G] Zone 7	[H] Zone 8	[J] Total
1.0 - 1.5	628,095	3,926,715	796,817	1,342,967	1,113,339	563,727	367,840	592,239	9,331,738
1.5 - 2.0	183,300	2,577,342	645,190	1,125,167	765,452	350,964	208,982	296,271	6,152,667
2.0 - 2.5	173,171	2,807,319	279,672	416,628	635,952	232,364	140,874	179,402	4,865,382
2.5 - 3.0	47,673	1,160,074	168,710	298,149	306,089	275,233	123,917	128,662	2,508,507
3.0 - 3.5	55,164	731,257	206,754	207,600	313,954	114,307	99,908	99,754	1,828,697
3.5 - 4.0	19,425	612,983	79,356	168,278	189,992	76,319	32,116	87,156	1,265,625
4.0 - 4.5	19,454	302,990	76,090	95,356	140,791	36,372	29,242	41,910	742,204
4.5 - 5.0	7,577	201,924	47,309	73,480	91,097	31,312	29,221	30,700	512,620
5.0 - 6.0	39,205	174,028	44,937	65,576	122,163	45,479	53,522	32,032	576,942
6.0 - 7.0	5,996	113,378	27,005	42,026	50,628	34,668	11,222	25,127	310,049
7.0 - 8.0	6,897	87,240	24,580	19,098	36,928	13,657	12,536	18,650	219,586
8.0 - 9.0	5,911	35,269	32,771	41,318	30,513	13,213	6,783	21,374	187,151
9.0 - 10.0	9,764	38,495	2,876	10,787	25,031	6,031	13,058	12,735	118,776
Total	1,201,629	12,769,015	2,432,068	3,906,429	3,821,929	1,793,645	1,129,219	1,566,011	28,619,945

RPW Data ⁽¹⁾

Pieces	Pounds	Revenue (Excluding Fees)
28,619,945	65,736,805	\$49,044,181

Calculated Total Pounds ⁽²⁾

Weight (Pounds) [A]	Local [B]	Zones 1&2 [C]	Zone 3 [D]	Zone 4 [E]	Zone 5 [F]	Zone 6 [G]	Zone 7 [H]	Zone 8 [J]	Total [K]
1.0 - 1.5	942,142	5,890,072	1,195,225	2,014,450	1,670,009	845,590	551,759	888,358	13,997,606
1.5 - 2.0	366,599	5,154,684	1,290,381	2,250,334	1,530,903	701,928	417,963	592,541	12,305,334
2.0 - 2.5	432,927	7,018,297	699,180	1,041,570	1,589,881	580,909	352,186	448,506	12,163,455
2.5 - 3.0	143,018	3,480,223	506,131	894,447	918,267	825,698	371,750	385,987	7,525,520
3.0 - 3.5	193,072	2,559,399	723,639	726,599	1,098,838	400,075	349,678	349,140	6,400,440
3.5 - 4.0	77,699	2,451,932	317,424	673,112	759,968	305,275	128,464	348,625	5,062,499
4.0 - 4.5	87,544	1,363,457	342,405	429,103	633,558	163,674	131,587	188,593	3,339,920
4.5 - 5.0	37,886	1,009,621	236,547	367,398	455,485	156,561	146,104	153,498	2,563,100
5.0 - 6.0	235,227	1,044,171	269,623	393,454	732,979	272,873	321,134	192,193	3,461,655
6.0 - 7.0	41,969	793,646	189,033	294,184	354,393	242,679	78,554	175,888	2,170,346
7.0 - 8.0	55,173	697,922	196,643	152,780	295,426	109,256	100,290	149,199	1,756,689
8.0 - 9.0	53,200	317,417	294,937	371,860	274,619	118,918	61,043	192,366	1,684,360
9.0 - 10.0	97,637	384,952	28,762	107,870	250,309	60,305	130,577	127,348	1,187,760
Total ⁽³⁾	2,764,093	32,165,793	6,289,930	9,717,162	10,564,636	4,783,741	3,141,089	4,192,242	73,618,685
Adjusted Total ⁽⁴⁾	2,468,159	28,722,008	5,616,507	8,676,808	9,433,548	4,271,577	2,804,793	3,743,405	65,736,805

Adjustment Factor to convert calculated pounds to RPW pounds: ⁽⁵⁾ 0.892936416

Notes

- (1) Source: Revenue, Pieces and Pounds are from 1998 Single Piece Billing Determinants (WP-BPM-3), row [a].
- (2) Calculation: Number of pieces times the upper weight in each weight range. Examples:
 [Bb] = (High end of weight range in column [A], row [b]) * (1998 Single Piece Billing Determinants (WP-BPM-3), cell [Ab]),
 [Bc] = (High end of weight range in column [A], row [c]) * (1998 Single Piece Billing Determinants (WP-BPM-3), cell [Ac]),
 etc.,
 [Cb] = (High end of weight range in column [A], row [b]) * (1998 Single Piece Billing Determinants (WP-BPM-3), cell [Bb]),
 etc.,
 [Kp] = (High end of weight range in column [A]) * (1998 Single Piece Billing Determinants (WP-BPM-3), cell [Jp]).
- (3) Calculation: Sum of rows [b] to [p] in columns [B] to [K].
- (4) Calculation: Totals in row [q] multiplied by RPW Pound Adjustment Factor in row [a].
- (5) Calculation: (RPW Pounds in row [a]) / (Calculated Total Pounds in cell [Kq]).

1998 Calculated Revenue - Single Piece Billing - Private Mail

1998 Rate Data ⁽¹⁾

Rate	Local [A]	Zones 1&2 [B]	Zone 3 [C]	Zone 4 [D]	Zone 5 [E]	Zone 6 [F]	Zone 7 [G]	Zone 8 [H]	
Per Piece	\$1.060	\$1.410	\$1.410	\$1.410	\$1.410	\$1.410	\$1.410	\$1.410	\$1.410
Per Pound	\$0.031	\$0.054	\$0.075	\$0.110	\$0.164	\$0.220	\$0.288	\$0.346	

Calculated Revenue ⁽²⁾

Weight (Pounds)	Local [A]	Zones 1&2 [B]	Zone 3 [C]	Zone 4 [D]	Zone 5 [E]	Zone 6 [F]	Zone 7 [G]	Zone 8 [H]	Total ⁽³⁾ [J]
1.0 - 1.5	\$691,860	\$5,820,679	\$1,203,556	\$2,091,448	\$1,814,367	\$960,967	\$660,548	\$1,109,520	\$14,352,946
1.5 - 2.0	\$204,445	\$3,882,604	\$996,136	\$1,807,520	\$1,303,475	\$632,750	\$402,150	\$600,811	\$9,829,890
2.0 - 2.5	\$195,545	\$4,296,732	\$441,161	\$689,752	\$1,129,518	\$441,750	\$289,203	\$391,526	\$7,875,186
2.5 - 3.0	\$54,492	\$1,803,516	\$271,777	\$508,245	\$566,058	\$550,283	\$270,324	\$300,667	\$4,325,362
3.0 - 3.5	\$63,818	\$1,154,483	\$339,986	\$364,085	\$603,590	\$239,766	\$230,795	\$248,522	\$3,245,045
3.5 - 4.0	\$22,741	\$982,535	\$133,150	\$303,387	\$379,180	\$167,580	\$78,320	\$230,600	\$2,297,492
4.0 - 4.5	\$23,045	\$492,960	\$130,218	\$176,600	\$291,294	\$83,437	\$75,070	\$117,359	\$1,389,984
4.5 - 5.0	\$9,080	\$333,396	\$82,548	\$139,693	\$195,149	\$74,906	\$78,774	\$90,711	\$1,004,257
5.0 - 6.0	\$48,068	\$295,728	\$81,418	\$131,108	\$279,589	\$117,730	\$158,051	\$104,545	\$1,216,237
6.0 - 7.0	\$7,517	\$198,132	\$50,736	\$88,153	\$123,283	\$96,556	\$36,024	\$89,771	\$690,171
7.0 - 8.0	\$8,838	\$156,662	\$47,828	\$41,934	\$95,332	\$40,719	\$43,467	\$72,392	\$507,171
8.0 - 9.0	\$7,738	\$65,034	\$65,959	\$94,783	\$83,239	\$41,991	\$25,262	\$89,570	\$473,577
9.0 - 10.0	\$13,052	\$72,840	\$5,982	\$25,805	\$71,949	\$20,350	\$51,991	\$57,301	\$319,270
Total ⁽⁴⁾	\$1,350,240	\$19,555,300	\$3,850,454	\$6,462,514	\$6,936,022	\$3,468,786	\$2,399,979	\$3,503,294	\$47,526,588

Adjustment Factor to convert calculated revenue to RPW revenue: ⁽⁵⁾ 1.031931456

Notes

- (1) Source: DMCS, Rate Schedule 322.3A.
- (2) Calculation: Columns [A]-[H], rows [c]-[q]: Number of pieces (from Single Piece Billing Determinants (WP-BPM-3)) times the per piece rate (row [a]), plus the number of pounds (from the Single Piece Pounds workpaper (WP-BPM-4)), adjusted by the Pounds Adjustment Factor (Single Piece Pounds workpaper (WP-BPM-4), cell [Ks]), times the per pound rate (row [b]). Examples:
 $[Ac] = (\text{Single Piece Billing Determinants (WP-BPM-3), [Ab]} * [Aa] + (\text{Single Piece Pounds (WP-BPM-4), [Bb]} * (\text{Single Piece Pounds (WP-BPM-4), [Ks]} * [Ab],$
 ...etc.
- (3) Calculation: Sum of columns [A] to [H] in rows [c] to [q].
- (4) Calculation: Sum of rows [c] to [q] in columns [A] to [J].
- (5) Calculation: (RPW Revenue: 1998 Single Piece Billing Determinants (WP-BPM-3)) / (Calculated Total Revenue in cell [Jr]).

Zone	Pounds ^[1]			Pounds Distribution Factors ^[2]		
	Single Piece [A]	Presort [B]	Total Pounds [C]	Single Piece [D]	Presort [E]	Total [F]
Local	2,468,159	167,106,149	169,574,309	0.0375	0.1475	0.1415
1&2	28,722,008	591,658,996	620,381,004	0.4369	0.5224	0.5177
3	5,616,507	152,902,857	158,519,365	0.0854	0.1350	0.1323
4	8,676,808	97,851,056	106,527,864	0.1320	0.0864	0.0889
5	9,433,548	61,136,830	70,570,378	0.1435	0.0540	0.0589
6	4,271,577	22,398,370	26,669,946	0.0650	0.0198	0.0223
7	2,804,793	17,380,915	20,185,707	0.0427	0.0153	0.0168
8	3,743,405	22,211,693	25,955,098	0.0569	0.0196	0.0217
Total	65,736,805	1,132,646,866	1,198,383,671	1.0000	1.0000	1.0000

Notes

- [1] Source: Column [A]: 1998 Single Piece Pounds workpaper (WP-BPM-4), row (r), transposed.
 Column [B]: 1998 Presort Billing Determinants (WP-BPM-2), Total Pounds column.
 Calculation: Column [C] = column [A] + column [B].
- [2] Calculation: Rows [a] to [h]: column [D] = column [A] / cell [A];
 Cell [D] = sum of [Da] to [Dh].
 Rows [a] to [h]: column [E] = column [B] / cell [B];
 Cell [E] = sum of [Ea] to [Eh].
 Rows [a] to [h]: column [F] = column [C] / cell [C];
 Cell [F] = sum of [Fa] to [Fh].

Calculation of Pieces Distribution Factors

Zone	Pieces ⁽¹⁾			Single Pieces Distribution Factors ⁽²⁾	Basic Presort Pieces Distribution Factors ⁽³⁾	Carrier Route Presort Pieces Distribution Factors ⁽⁴⁾	Total Presort Pieces Distribution Factors ⁽⁵⁾
	Single Piece [A]	Basic Presort [B]	Carrier Route Presort [C]				
Local	1,201,629	14,889,148	50,222,810	0.0420	0.0415	0.4983	0.1416
1&2	12,769,015	189,677,334	41,025,603	0.4462	0.5283	0.4071	0.5018
3	2,432,068	56,499,330	4,499,682	0.0850	0.1574	0.0446	0.1327
4	3,906,429	38,910,173	2,391,952	0.1365	0.1084	0.0237	0.0898
5	3,821,929	28,256,572	1,377,831	0.1335	0.0787	0.0137	0.0645
6	1,793,645	11,218,643	524,071	0.0627	0.0312	0.0052	0.0255
7	1,129,219	8,518,538	420,544	0.0395	0.0237	0.0042	0.0194
8	1,566,011	11,041,377	319,019	0.0547	0.0308	0.0032	0.0247
Total	28,619,945	359,011,117	100,781,511	1.0000	1.0000	1.0000	1.0000
Shares of Total Pieces	0.0586	0.7351	0.2063				

Notes

- [1] Source: Column [A] (rows [a] to [j]): 1998 Single Piece Billing Determinants (WP-BPM-3), row [q], transposed.
 Columns [B] and [C] (rows [a] to [j]): 1998 Presort Billing Determinants (WP-BPM-2).
 Calculation: [Ak] = [Aj] / Sum of [Aj] to [Cj];
 [Bk] = [Bj] / Sum of [Aj] to [Cj];
 [Ck] = [Cj] / Sum of [Aj] to [Cj].
- [2] Calculation: Rows [a] to [j]: column [D] = column [A] / cell [Aj].
- [3] Calculation: Rows [a] to [j]: column [E] = column [B] / cell [Bj].
- [4] Calculation: Rows [a] to [j]: column [F] = column [C] / cell [Cj].
- [5] Calculation: Rows [a] to [j]: column [G] = (column [B] + column [C]) / (cell [Bj] + cell [Cj]).

Estimation of FYBK Pieces and Pounds

Zone	Pieces ^[1]					Pounds ^[2]		
	Total [A]	Single Piece [B]	Presort			Total [F]	Single Piece [G]	Presort [H]
			Total [C]	Basic [D]	Carrier Route [E]			
All Zones	541,975,772	31,758,635	510,217,137	398,383,125	111,834,011	1,329,807,935	72,946,025	1,256,861,910
Local	73,586,061	1,333,409	72,252,651	16,522,010	55,730,642	188,171,173	2,738,837	185,432,336
1&2	270,173,019	14,169,367	256,003,652	210,478,856	45,524,796	688,416,909	31,871,891	656,545,018
3	70,387,435	2,698,788	67,688,648	62,695,495	4,993,152	175,903,856	6,232,458	169,671,398
4	50,166,483	4,334,839	45,831,645	43,177,372	2,654,273	118,210,555	9,628,376	108,582,180
5	37,125,419	4,241,072	32,884,347	31,355,412	1,528,935	78,309,685	10,468,106	67,841,580
6	15,020,864	1,990,350	13,030,514	12,448,969	581,545	29,594,784	4,740,032	24,854,753
7	11,172,471	1,253,058	9,919,413	9,452,749	466,664	22,399,432	3,112,389	19,287,044
8	14,344,020	1,737,753	12,606,268	12,252,262	354,005	28,801,540	4,153,937	24,647,603

Notes

- [1] Source: [Aa]: Inputs Workpaper (WP-BPM-1), Input [6].
 Calculation: Total forecast volume is apportioned to Single Piece, Basic Presort, and Carrier Route Presort categories based on shares of total pieces from the Pieces Distribution Factors workpaper, row [k]:
 [Ba] = [Aa] * (Pieces Distribution Factors workpaper (WP-BPM-7), cell [AK]);
 [Da] = [Aa] * (Pieces Distribution Factors workpaper (WP-BPM-7), cell [BK]);
 [Ea] = [Aa] * (Pieces Distribution Factors workpaper (WP-BPM-7), cell [CK]);
 Calculation: Column total pieces are apportioned to zones based on the Pieces Distribution Factors workpaper (WP-BPM-7), (columns [D] to [F]).
 Rows [b] to [j]: column [B] = cell [Ba] * (Pieces Distribution Factors workpaper (WP-BPM-7), column [D]);
 column [D] = cell [Da] * (Pieces Distribution Factors workpaper (WP-BPM-7), column [E]);
 column [E] = cell [Ea] * (Pieces Distribution Factors workpaper (WP-BPM-7), column [F]);
 column [C] = sum of columns [D] to [E];
 column [A] = sum of columns [B], [D], [E].
- [2] Calculation: Total forecast pounds for single piece and presort are calculated from total forecast pieces using the Base Year ratios of total single piece pounds to total single piece pieces and total presort pounds to total presort pieces (from Pieces and Pounds Distribution Factors workpapers).
 [Ga] = (Pounds Distribution Factors workpaper (WP-BPM-6), cell [AJ]) / (Pieces Distribution Factors workpaper (WP-BPM-7), cell [A]) * [Ba];
 [Ha] = (Pounds Distribution Factors workpaper (WP-BPM-6), cell [BJ]) / (Pieces Distribution Factors workpaper (WP-BPM-7), cells [B] + [C]) * [Ca].
 Calculation: Column total pounds are apportioned to zones based on the Pounds Distribution Factors workpaper (WP-BPM-6), (columns [D] and [E]).
 Rows [b] to [j]: column [G] = cell [Ga] * (Pounds Distribution Factors workpaper (WP-BPM-6), column [D]);
 column [H] = cell [Ha] * (Pounds Distribution Factors workpaper (WP-BPM-6), column [E]);
 column [F] = column [G] + column [H].

	Cost Savings Per Piece ¹¹			Drop Shipped Pieces ¹²			Total Non-Transportation Drop-Shipment Cost Savings ¹³		
	DBMC [A]	DSCP [B]	DDU [C]	DBMC [D]	DSCP [E]	DDU [F]	DBMC [G]	DSCP [H]	DDU [I]
Total Weight and Non-Weight Related Costs	\$0.190	\$0.190	\$0.190	228,348,700	79,593,873	36,735,634	\$43,386,253	\$15,122,836	\$6,979,770

Notes

- [1] Source: Input worksheet (WP-BPM-1); Cost section; Input [I]; DSCP and DDU cost savings from the Input Worksheet are aggregated to total savings relative to origin entered mail.
- [2] Calculation: Forecast number of drop-shipped pieces is calculated from the current present volume times the drop-ship share from the Inputs worksheet; Formula section.
 Cell [D4] = (TY88 Pieces and Pounds worksheet (WP-BPM-8); cell [C4]) * Sum(Dropus worksheet (WP-8M-C-1); Input [B4])
 Cell [E4] = (TY88 Pieces and Pounds worksheet (WP-BPM-8); cell [C4]) * (Dropus worksheet (WP-8M-C-1); Input [B4])
 Cell [F4] = (TY88 Pieces and Pounds worksheet (WP-BPM-8); cell [C4]) * (Dropus worksheet (WP-8M-C-1); Input [B4])
- [3] Calculation: Cell [G] = cell [D] + cell [E] + cell [F]
 Cell [H] = cell [D] + cell [E]
 Cell [I] = cell [F] + cell [G]

Distribution of Total Costs

	Pounds					Single Piece Transportation Costs ⁽¹⁾	Presort Transportation Costs				
	Single Piece ⁽¹⁾	Non-Drop Shipped ⁽²⁾	Presort				Total ⁽¹⁾	Non-Drop Shipped ⁽³⁾	DBMC ⁽⁴⁾	DSCF ⁽⁵⁾	DDU ⁽¹¹⁾
			DBMC ⁽⁴⁾	DSCF ⁽⁵⁾	DDU ⁽¹¹⁾						
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[J]	[K]	[L]
Zone Distribution of Costs											
Zones 1 & 2	34,610,728	68,120,668	475,471,522	204,158,269	94,226,894	\$3,218,798	\$34,598,636	\$6,335,222	\$21,871,690	\$5,920,590	\$471,134
Zone 3	6,232,458	86,539,465	83,131,933			\$879,338	\$18,997,808	\$9,432,802	\$7,565,006	---	---
Zone 4	9,628,376	85,866,739	22,715,440			\$1,242,060	\$13,938,955	\$11,078,809	\$2,862,145	---	---
Zone 5	10,468,106	67,373,174	468,405			\$1,695,833	\$11,037,176	\$10,914,454	\$122,722	---	---
Zone 6	4,740,032	24,854,753				\$824,306	\$4,846,677	\$4,846,677	---	---	---
Zone 7	3,112,389	19,287,044				\$725,187	\$4,493,881	\$4,493,881	---	---	---
Zone 8	4,153,937	24,647,603				\$1,279,413	\$7,591,462	\$7,591,462	---	---	---
Totals	72,946,025	376,689,447	581,787,301	204,158,269	94,226,894	\$9,784,934	\$93,504,595	\$54,691,307	\$32,421,564	\$5,920,590	\$471,134

Notes

- (1) Source: Rows [a] to [g]: TYBR Pieces and Pounds Worksheet (WP-BPM-8), column [C]; cell [Aa] is the sum of Local plus Zones 1&2.
Calculation: [Ah] = Sum of [Aa] to [Ag].
- (2) Calculation: [Ba] = (TYBR Pieces and Pounds Worksheet (WP-BPM-8), cells [Hb] + [Hc] - [Ca] - [Da] - [Ea]);
[Bb] = (TYBR Pieces and Pounds Worksheet (WP-BPM-8), cell [Hd]) - [Cb];
[Bc] = (TYBR Pieces and Pounds Worksheet (WP-BPM-8), cell [He]) - [Cc];
[Bd] = (TYBR Pieces and Pounds Worksheet (WP-BPM-8), cell [Hf]) - [Cd].
Source: Rows [e] to [g]: column [B] = TYBR Pieces and Pounds Worksheet (WP-BPM-8), column [H], rows [g] to [i];
Calculation: [Bh] = Sum of rows [Ba] to [Bg].
- (3) Calculation: [Ca] = (Inputs Worksheet (WP-BPM-1), Input [8a]) * (WP-BPM-8, cell [Ca]) * (WP-BPM-8, cells [Hb] + [Hc]) / (WP-BPM-8, cells [Cb] + [Cc]);
[Cb] = (Inputs Worksheet (WP-BPM-1), Input [8b]) * (WP-BPM-8, cell [Ca]) * (WP-BPM-8, cell [Hd]) / (WP-BPM-8, cell [Cd]);
[Cc] = (Inputs Worksheet (WP-BPM-1), Input [8c]) * (WP-BPM-8, cell [Ca]) * (WP-BPM-8, cell [He]) / (WP-BPM-8, cell [Ce]);
[Cd] = (Inputs Worksheet (WP-BPM-1), Input [8d]) * (WP-BPM-8, cell [Ca]) * (WP-BPM-8, cell [Hf]) / (WP-BPM-8, cell [Cf]);
[Ch] = Sum of rows [Ca] to [Cd].
- (4) Calculation: [Da] = (Inputs Worksheet (WP-BPM-1), Input [9f]) * (WP-BPM-8, cell [Ca]) * (WP-BPM-8, cells [Hb] + [Hc]) / (WP-BPM-8, cells [Cb] + [Cc]);
[Dh] = [Da].
- (5) Calculation: [Ea] = (Inputs Worksheet (WP-BPM-1), Input [8g]) * (WP-BPM-8, cell [Ca]) * (WP-BPM-8, cells [Hb] + [Hc]) / (WP-BPM-8, cells [Cb] + [Cc]);
[Eh] = [Ea].
- (6) Calculation: Rows [a] to [g]: [F] = [A] * (Inputs Worksheet, (WP-BPM-1), Inputs [12a] to [12g]);
[Fh] = Sum of rows [Fa] to [Fg].
- (7) Calculation: Rows [a] to [g]: [G] = Sum of columns [H], [J], [K], [L].
[Gh] = Sum of rows [Ga] to [Gg].
- (8) Calculation: Rows [a] to [g]: [H] = [B] * (Inputs Worksheet, (WP-BPM-1), Inputs [12a] to [12g]);
[Hh] = Sum of rows [Ha] to [Hg].
- (9) Calculation: Rows [a] to [g]: [J] = [C] * (Inputs Worksheet, (WP-BPM-1), Inputs [12h] to [12m]);
[Jh] = Sum of rows [Ja] to [Jg].
- (10) Calculation: [Ka] = [Da] * (Inputs Worksheet, (WP-BPM-1), Input [12n]);
[Kh] = [Ka].
- (11) Calculation: [La] = [Ea] * (Inputs Worksheet, (WP-BPM-1), Input [12o]);
[Lh] = [La].

	Total ⁽¹⁾ [A]	Total Weight-Related Costs ⁽²⁾ [B]	Single Piece Weight-Related Costs ⁽³⁾ [C]	Presort Weight-Related Costs			Total Non-Weight-Related Costs ⁽⁴⁾ [G]	Single Piece Non-Weight-Related Costs ⁽⁵⁾ [H]	Presort Non-Weight-Related Costs		
				Total ⁽⁶⁾ [D]	Drop-Shipped ⁽⁶⁾ [E]	Non-Drop-Shipped ⁽⁶⁾ [F]			Total ⁽⁷⁾ [J]	Drop-Shipped ⁽⁸⁾ [K]	Non-Drop-Shipped ⁽⁸⁾ [L]
Volume Variable Costs	\$378,119,470	\$26,598,159	\$2,766,107	\$23,830,051	\$10,688,035	\$7,142,017	\$351,523,312	\$38,916,615	\$312,606,696	\$189,934,349	\$122,672,347
Zone Distribution of Costs											
Zones 1&2	---	\$17,531,762	\$1,312,436	\$15,963,857	\$14,672,292	\$1,291,565	---	---	---	---	---
Zone 3	---	\$3,518,077	\$236,334	\$3,216,963	\$1,576,178	\$1,640,785	---	---	---	---	---
Zone 4	---	\$2,384,211	\$365,107	\$2,058,714	\$430,884	\$1,628,030	---	---	---	---	---
Zone 5	---	\$1,566,194	\$396,950	\$1,286,274	\$8,881	\$1,277,393	---	---	---	---	---
Zone 6	---	\$591,896	\$179,742	\$471,245	\$0	\$471,245	---	---	---	---	---
Zone 7	---	\$447,989	\$118,022	\$365,682	\$0	\$365,682	---	---	---	---	---
Zone 8	---	\$576,031	\$157,517	\$467,318	\$0	\$467,318	---	---	---	---	---

Notes

- (1) Calculation: [A] = Inputs Worksheet (WP-BPM-1), Input (11) - (TY Transportation Costs Worksheet (WP-BPM-10), [F] - [G])
- (2) Calculation: [B] = (Inputs Worksheet (WP-BPM-1), Input (12a)) * (TYER Piece and Pounds Worksheet (WP-BPM-8) cell [Fa]);
[B] = [Ba] * (Pounds Distribution Factors Worksheet (WP-BPM-6), cells [Fa] + [Fb]);
Rows [c] to [h]: [B] = [Ba] * (Pounds Distribution Factors Worksheet (WP-BPM-6), [F]);
- (3) Calculation: Total Non-Transportation Weight-Related Costs are apportioned between single piece (cell [Ca]) and presort (cell [Da]), based on total pounds,
with single piece costs per pound weighted at twice the presort cost per pound:
[Ca] = [Ba] * (2 * WP-BPM-6, cell [A]) / (WP-BPM-6, 2nd cell [A]) + WP-BPM-6 cell [B]);
[Da] = [Ba] - [Ca];
[Cb] = [Ca] * (WP-BPM-6, cells [Da] + [Db]);
[Db] = [Da] * (WP-BPM-6, cells [Ca] + [Cb]);
Rows [c] to [h]: [C] = [Ca] * (WP-BPM-6, [D], rows [c] to [h]);
Rows [c] to [h]: [D] = [Da] * (WP-BPM-6, [E], rows [c] to [h]);
- (4) Calculation: [Ea] = [Da] * (WP-BPM-10, sum of [C] to [H]) / (WP-BPM-10, sum of [B] to [H]);
[Eb] = [Ea] * (WP-BPM-10, sum of [Ca] to [Ea]) / (WP-BPM-10, sum of [C] to [E]);
[Ec] = [Ea] * (WP-BPM-10, [Cb]) / (WP-BPM-10, sum of [C] to [E]);
[Ed] = [Ea] * (WP-BPM-10, [C]) / (WP-BPM-10, sum of [C] to [E]);
[Ee] = [Ea] * (WP-BPM-10, [Ca]) / (WP-BPM-10, sum of [C] to [E]);
- (5) Calculation: [F] = [D] - [E];
- (6) Calculation: [G] = [A] - [B];
- (7) Calculation: Total Non-Transportation Non-Weight-Related Costs are apportioned between single piece (cell [Ha]) and presort (cell [Ja]), based on total pieces,
with single piece costs per piece weighted at twice the presort cost per piece:
[H] = [G] * (2 * WP-BPM-7, cell [A]) / (WP-BPM-7, 2nd cell [A]) + WP-BPM-7 cell [B] + WP-BPM-7 cell [C];
[J] = [G] * (WP-BPM-7, cell [B]) + WP-BPM-7, cell [C] / (WP-BPM-7, 2nd cell [A]) + WP-BPM-7 cell [B] + WP-BPM-7 cell [C];
- (8) Calculation: [K] = ([J] + WP-BPM-9, sum of [C], [H], [L]) * (Inputs Worksheet (WP-BPM-1), Sum of Inputs [Ba], [Bb], [Bc], [Bd], [Be], [Bf]) * (WP-BPM-9, sum of [C], [H], [L]);
- (9) Calculation: [L] = [J] - [K];

Revenue Leakage At 100% Pass-Through	Per Piece Component			Per Pound Component			Total Lost Revenue ⁽⁷⁾
	Pieces ⁽¹⁾ [A]	Per Piece Rate ⁽²⁾ [B]	Lost Revenue ⁽³⁾ [C]	Pounds ⁽⁴⁾ [D]	Per Pound Rate ⁽⁵⁾ [E]	Lost Revenue ⁽⁶⁾ [F]	
Carrier Route Discount	111,834,011	\$0.077	\$8,611,219	---	---	---	\$8,611,219
Barcode Discount				---	---	---	
Single Piece	2,301,680	\$0.030	\$69,050	---	---	---	\$69,050
Basic Presort	109,308,858	\$0.030	\$3,279,266	---	---	---	\$3,279,266
DBMC Discount							
Zones 1&2	185,369,029	\$0.190	\$35,220,115	475,471,522	\$0.047	\$22,347,162	\$57,567,277
Zone 3	33,164,624	\$0.190	\$6,301,279	83,131,933	\$0.018	\$1,496,375	\$7,797,653
Zone 4	9,588,000	\$0.190	\$1,821,720	22,715,440	\$0.003	\$68,146	\$1,889,866
Zone 5	227,047	\$0.190	\$43,139	468,405	-\$0.100	-\$46,841	-\$3,702
DSCF Discount	79,593,873	\$0.190	\$15,122,836	204,158,269	\$0.064	\$13,066,129	\$28,188,965
DDU Discount	36,735,634	\$0.190	\$6,979,770	94,226,894	\$0.088	\$8,291,967	\$15,271,737
All Discounts							
Single Piece Total			\$69,050	---		\$0	\$69,050
Presort Total			\$77,379,344	880,172,464		\$45,222,938	\$122,602,282

Notes

- [1] Source: [Aa]: TYBR Pieces and Pounds workpaper (WP-BPM-8), cell [Ea];
 Calculation: [Ab] = (TYBR Pieces and Pounds workpaper (WP-BPM-8), cell [Ba]) * (Inputs Workpaper (WP-BPM-1), Input [7]);
 [Ac]: calculated from the number of basic presort pieces, less drop-shipped basic presort pieces not eligible for barcode discounts.
 [Ac] = ((WP-BPM-8, cell [Da]) - (WP-BPM-8, cells [Da] / [Ca]) * (Sum of [Ad] to [Ag]) * ((Inputs Workpaper (WP-BPM-1), Input [9e]) + [Ah] + [Aj])) * (Inputs Workpaper (WP-BPM-1), Input [8]));
 Rows [d] to [j]: column [A] = (TYBR Pieces and Pounds workpaper (WP-BPM-8), cell [Ca]) * (Inputs Workpaper (WP-BPM-1), Inputs [9a] to [9d], [9f], [9g]).
- [2] Source: [Ba]: Inputs Workpaper (WP-BPM-1), Input [14a];
 [Bb], [Bc]: Inputs Workpaper (WP-BPM-1), Input [14b], rounded to whole cents;
 [Bd] to [Bg]: Inputs Workpaper (WP-BPM-1), Input [13b];
 Calculation: [Bh] = [Bd] + (Inputs Workpaper (WP-BPM-1), Input [13c]);
 Calculation: [Bj] = [Bh] + (Inputs Workpaper (WP-BPM-1), Input [13d]).
- [3] Calculation: Rows [a] to [j]: [C] = [A] * [B];
 [Ck] = [Cb];
 [Cm] = Sum of [Ca], [Cc], and [Cd] to [Cj].
- [4] Source: Rows [d] to [g]: (WP-BPM-10, column [C], rows [a] to [d]);
 [Dh]: (WP-BPM-10, [Da]);
 [Dj]: (WP-BPM-10, [Ea]);
 [Dm]: Sum of [Dd] to [Dj].
- [5] Calculation: Average cost of non-drop-shipped presort pieces less the average cost of drop-shipped presort pieces:
 [Ed] = (WP-BPM-10, [Ha] + WP-BPM-11, [Fb]) / ((WP-BPM-8, [Hb]) + (WP-BPM-8, [Hc]) - [Dd] - [Dh] - [Dj]) - (WP-BPM-10, [Ja] + WP-BPM-11, [Eb]) * (WP-BPM-10, [Ca]) / sum of (WP-BPM-10, [Ca] to [Ea]) / [Dd];
 [Ee] = (WP-BPM-10, [Hb] + WP-BPM-11, [Fc]) / ((WP-BPM-8, [Hd]) - [De]) - (WP-BPM-10, [Jb] + WP-BPM-11, [Ec]) / [De];
 [Ef] = (WP-BPM-10, [Hc] + WP-BPM-11, [Fd]) / ((WP-BPM-8, [He]) - [Df]) - (WP-BPM-10, [Jc] + WP-BPM-11, [Ed]) / [Df];
 [Eg] = (WP-BPM-10, [Hd] + WP-BPM-11, [Fe]) / ((WP-BPM-8, [Hf]) - [Dg]) - (WP-BPM-10, [Jd] + WP-BPM-11, [Ee]) / [Dg];
 [Eh] = (WP-BPM-10, [Ha] + WP-BPM-11, [Fb]) / ((WP-BPM-8, [Hb]) + (WP-BPM-8, [Hc]) - [Dd] - [Dh] - [Dj]) - (WP-BPM-10, [Ka] + WP-BPM-11, [Eb]) * (WP-BPM-10, [Da]) / sum of (WP-BPM-10, [Ca] to [Ea]) / [Dh];
 [Ej] = (WP-BPM-10, [Ha] + WP-BPM-11, [Fb]) / ((WP-BPM-8, [Hb]) + (WP-BPM-8, [Hc]) - [Dd] - [Dh] - [Dj]) - (WP-BPM-10, [La] + WP-BPM-11, [Eb]) * (WP-BPM-10, [Ea]) / sum of (WP-BPM-10, [Ca] to [Ea]) / [Dj].
- [6] Calculation: Rows [d] to [j]: [F] = [D] * [E];
 [Fm] = Sum of [Fd] to [Fj].
- [7] Calculation: Rows [a] to [j]: [C] = [C] + [F];
 [Ck] = [Cb];
 [Cm] = Sum of [Ca], [Cc] to [Cj].

Single Piece Bound Printed Matter

Zone	Per Piece Component ⁽¹⁾			Per Pound Component ⁽²⁾			Total Revenue ⁽³⁾ [G]
	Pieces [A]	Per Piece Rate [B]	Revenue [C]	Pounds [D]	Per Pound Rate [E]	Revenue [F]	
Local	1,333,409	\$1.08	\$1,440,082	2,738,837	\$0.039	\$106,815	\$1,546,897
1&2	14,169,367	\$1.44	\$20,403,888	31,871,891	\$0.064	\$2,039,801	\$22,443,689
3	2,698,788	\$1.44	\$3,886,254	6,232,458	\$0.087	\$542,224	\$4,428,478
4	4,334,839	\$1.44	\$6,242,168	9,628,376	\$0.126	\$1,213,175	\$7,455,343
5	4,241,072	\$1.44	\$6,107,144	10,468,106	\$0.184	\$1,926,131	\$8,033,275
6	1,990,350	\$1.44	\$2,866,104	4,740,032	\$0.246	\$1,166,048	\$4,032,152
7	1,253,058	\$1.44	\$1,804,404	3,112,389	\$0.321	\$999,077	\$2,803,481
8	1,737,753	\$1.44	\$2,502,364	4,153,937	\$0.385	\$1,599,266	\$4,101,629
Total	31,758,635		\$45,252,408	72,946,025		\$9,592,537	\$54,844,944
Adj. Total							\$56,596,223

Presort Bound Printed Matter

Zone	Per Piece Component ⁽⁴⁾			Per Pound Component ⁽⁵⁾			Total Revenue ⁽⁶⁾ [G]
	Total Pieces [A]	Per Piece Rate [B]	Revenue [C]	Pounds [D]	Per Pound Rate [E]	Revenue [F]	
Local	72,252,651	\$0.54	\$39,016,432	185,432,336	\$0.028	\$5,192,105	\$44,208,537
1&2	256,003,652	\$0.72	\$184,322,629	656,545,018	\$0.051	\$33,483,796	\$217,806,425
3	67,688,648	\$0.72	\$48,735,826	169,671,398	\$0.073	\$12,386,012	\$61,121,838
4	45,831,645	\$0.72	\$32,998,784	108,582,180	\$0.112	\$12,161,204	\$45,159,988
5	32,884,347	\$0.72	\$23,676,730	67,841,580	\$0.171	\$11,600,910	\$35,277,640
6	13,030,514	\$0.72	\$9,381,970	24,854,753	\$0.233	\$5,791,157	\$15,173,127
7	9,919,413	\$0.72	\$7,141,977	19,287,044	\$0.307	\$5,921,122	\$13,063,099
8	12,606,268	\$0.72	\$9,076,513	24,647,603	\$0.371	\$9,144,261	\$18,220,774
Total	510,217,137		\$354,350,861	1,256,861,910		\$95,680,568	\$450,031,429
Adj. Total							\$449,452,374

Notes

- (1) Source: Rows [a] to [h]:
 [A]: TYBR Pieces and Pounds Workpaper (WP-BPM-8), column (B), rows (b) to (j);
 [B]: Inputs Workpaper (WP-BPM-1), Input (20);
 Calculation: Rows [a] to [h]: [C] = [A] * [B];
 Calculation: [A]j = Sum of column [A], rows [a] to [h];
 [C]j = Sum of column [C], rows [a] to [h].
- (2) Source: Rows [a] to [h]:
 [D]: TYBR Pieces and Pounds Workpaper (WP-BPM-8), column (G), rows (b) to (j);
 [E]: Inputs Workpaper (WP-BPM-1), Input (18);
 Calculation: Rows [a] to [h]: [F] = [D] * [E];
 Calculation: [D]j = Sum of column [D], rows [a] to [h];
 Calculation: [F]j = Sum of column [F], rows [a] to [h].
- (3) Calculation: Rows [a] to [h]: [G] = [C] + [F];
 [G]j = Sum of column [G], rows [a] to [h];
 [Gk] = [G]j * (Inputs Workpaper (WP-BPM-1), Input (4)).
- (4) Source: Rows [m] to [t]:
 [A]: TYBR Pieces and Pounds Workpaper (WP-BPM-8), column (C), rows (b) to (j);
 [B]: Inputs Workpaper (WP-BPM-1), Input (21);
 Calculation: Rows [m] to [t]: [C] = [A] * [B];
 Calculation: [A]u = Sum of column [A], rows [m] to [t];
 [C]u = Sum of column [C], rows [m] to [t].
- (5) Source: Rows [m] to [t]:
 [D]: TYBR Pieces and Pounds Workpaper (WP-BPM-8), column (H), rows (b) to (j);
 [E]: Inputs Workpaper (WP-BPM-1), Input (19);
 Calculation: Rows [m] to [t]: [F] = [D] * [E];
 Calculation: [D]u = Sum of column [D], rows [m] to [t];
 Calculation: [F]u = Sum of column [F], rows [m] to [t].
- (6) Calculation: Rows [m] to [t]: [G] = [C] + [F];
 [G]u = Sum of column [G], rows [m] to [t];
 [Gv] = [G]u * (Inputs Workpaper (WP-BPM-1), Input (5)).

Per Pound Component

	Costs ⁽¹⁾			Revenue Leakages ⁽²⁾				TYBR Pounds ⁽³⁾	Per Pound Costs ⁽⁴⁾	Per Pound Leakages ⁽⁵⁾	Costs Markup ⁽⁶⁾	Per Pound Charge ⁽⁷⁾
	Transportation [A]	Non-Transportation [B]	Total Costs [C]	DBMC Discount [D]	DSCF Discount [E]	DDU Discount [F]	Total Leakages [G]					
Single Piece												
Zones 1&2	\$3,218,798	\$1,312,438	\$4,531,234	---	---	---	\$0	34,610,728	\$0.131	\$0.000	108%	\$0.141
Zone 3	\$679,338	\$236,334	\$915,672	---	---	---	\$0	6,232,458	\$0.147	\$0.000	108%	\$0.158
Zone 4	\$1,242,060	\$365,107	\$1,607,168	---	---	---	\$0	9,628,376	\$0.167	\$0.000	108%	\$0.180
Zone 5	\$1,695,833	\$396,950	\$2,092,783	---	---	---	\$0	10,468,106	\$0.200	\$0.000	108%	\$0.215
Zone 6	\$924,306	\$179,742	\$1,104,048	---	---	---	\$0	4,740,032	\$0.233	\$0.000	108%	\$0.250
Zone 7	\$725,187	\$118,022	\$843,208	---	---	---	\$0	3,112,389	\$0.271	\$0.000	108%	\$0.291
Zone 8	\$1,279,413	\$157,517	\$1,436,929	---	---	---	\$0	4,153,937	\$0.346	\$0.000	108%	\$0.372
Presort												
Zones 1&2	\$34,598,636	\$15,963,857	\$50,562,493	\$22,347,182	\$13,066,129	\$8,291,967	\$43,705,257	841,977,353	\$0.060	\$0.052	108%	\$0.116
Zone 3	\$16,997,808	\$3,216,963	\$20,214,770	\$1,496,375	---	---	\$1,496,375	169,671,398	\$0.119	\$0.009	108%	\$0.137
Zone 4	\$13,938,955	\$2,058,714	\$15,997,669	\$68,146	---	---	\$68,146	108,582,180	\$0.147	\$0.001	108%	\$0.159
Zone 5	\$11,037,176	\$1,286,274	\$12,323,450	-\$46,841	---	---	-\$46,841	67,841,580	\$0.182	-\$0.001	108%	\$0.195
Zone 6	\$4,846,077	\$471,245	\$5,317,322	---	---	---	\$0	24,854,753	\$0.214	\$0.000	108%	\$0.230
Zone 7	\$4,493,881	\$365,682	\$4,859,563	---	---	---	\$0	19,287,044	\$0.252	\$0.000	108%	\$0.271
Zone 8	\$7,591,462	\$467,318	\$8,058,779	---	---	---	\$0	24,647,603	\$0.327	\$0.000	108%	\$0.352

Per Piece Component

	Costs ⁽¹⁾	Revenue Leakages ⁽²⁾					TYBR Pieces ⁽³⁾	Cost Per Piece ⁽⁴⁾	Leakages Per Piece ⁽⁵⁾	Markup ⁽⁶⁾	Piece Charge ⁽⁷⁾	
		DBMC Discount [B]	DSCF Discount [C]	DDU Discount [D]	Carrier Rout Discount [E]	Barcoding Discount [F]						Total Leakages [G]
Single Piece	\$38,916,615	---	---	---	---	\$69,050	\$69,050	31,758,635	\$1.225	\$0.002	108%	\$1.320
Presort	\$312,606,696	\$43,386,253	\$15,122,836	\$6,979,770	\$8,611,219	\$3,279,266	\$77,379,344	510,217,137	\$0.613	\$0.152	108%	\$0.811

Notes

- (1) Source: Column [A]
 Rows [a] to [g]: WP-BPM-10, cells [Fa] to [Fg];
 Rows [h] to [p]: WP-BPM-10, cells [Gh] to [Pg];
 Column [B]
 Rows [a] to [g]: (WP-BPM-11), cells [Ca] to [Cg];
 Rows [h] to [p]: (WP-BPM-11), cells [Ch] to [Cp];
 Calculation: Rows [a] to [p]: [C] = [A] - [B].
- (2) Source: Column [D], rows [b] to [m]: Revenue Leakages Worksheet (WP-BPM-12), column [F], rows [d] to [g];
 [E]: Revenue Leakages Worksheet (WP-BPM-12), cell [Fh];
 [F]: Revenue Leakages Worksheet (WP-BPM-12), cell [Fj];
 Calculation: Rows [a] to [p]: column [G] = Sum of columns [D], [E], [F].
- (3) Source: Rows [a] to [g]: TYBR Pieces and Pounds (WP-BPM-8), column [G], rows [b] to [j] (Local combined with Zones 1&2);
 Rows [h] to [p]: TYBR Pieces and Pounds (WP-BPM-8), column [H], rows [b] to [j] (Local combined with Zones 1&2);
 [I]: Calculation: Rows [a] to [p]: [I] = [G] / [H].
- (4) Calculation: Rows [a] to [p]: [J] = [C] / [H].
- (5) Calculation: Rows [a] to [p]: [K] = [G] / [H].
- (6) Calculation: [L] = (Inputs Worksheet (WP-BPM-1), Input [2] * (1 - Input [3]));
- (7) Calculation: [M] = [J] * [L] - [K].
- (8) Source: [A]: WP-BPM-11, cell [Hh];
 [B]: WP-BPM-11, cell [Ih];
 [C]: WP-BPM-12, cell [Jh];
 [D]: WP-BPM-12, cell [Kh];
 [E]: WP-BPM-12, cell [Lh];
 [F]: WP-BPM-12, cell [Mh];
 [G]: WP-BPM-12, cell [Oh].
- (9) Calculation: [B] = sum of (WP-BPM-12, cells [C] to [G]);
 Source: [C] = WP-BPM-12, cell [Ch];
 [D] = WP-BPM-12, cell [Cj];
 [E] = WP-BPM-12, cell [Ck];
 [F] = WP-BPM-12, cell [Cl];
 [G] = WP-BPM-12, cell [Cm].
- (10) Calculation: [G] = sum of columns [B] to [F].
- (11) Source: [H]: TYBR Pieces and Pounds Worksheet (WP-BPM-8), cell [Ih];
 [I]: TYBR Pieces and Pounds Worksheet (WP-BPM-8), cell [Ic].
- (12) Calculation: [J] = [A] / [H].
- (13) Calculation: [K] = [G] / [H].

Single Piece Bound Printed Matter

	Per Piece Component (i)					Per Pound Component (ii)					Adjusted Total Revenue (h)
	Pieces (A)	Per Piece Rate (B)	Revenue (C)	Per Piece Adjustment (D)	Revenue Impact (E)	Pounds (F)	Per Pound Rate (G)	Revenue (H)	Per Pound Adjustment (J)	Revenue Impact (K)	
Zone 1&2	15,502,776	\$1.320	\$20,463,541	\$0.099	\$1,534,775	34,610,728	\$0.141	\$4,873,025	-\$0.073	-\$2,526,583	\$24,344,757
Zone 3	2,698,788	\$1.320	\$3,562,378	\$0.099	\$267,160	6,232,458	\$0.156	\$984,741	-\$0.064	-\$398,877	\$4,413,522
Zone 4	4,334,839	\$1.320	\$5,721,953	\$0.099	\$429,149	9,628,376	\$0.180	\$1,728,396	-\$0.040	-\$385,135	\$7,494,353
Zone 5	4,241,072	\$1.320	\$5,598,181	\$0.099	\$419,866	10,468,106	\$0.215	\$2,250,641	-\$0.010	-\$104,681	\$8,184,006
Zone 6	1,990,350	\$1.320	\$2,627,246	\$0.099	\$197,045	4,740,032	\$0.250	\$1,187,328	\$0.015	\$71,100	\$4,082,718
Zone 7	1,253,058	\$1.320	\$1,654,027	\$0.099	\$124,053	3,112,389	\$0.291	\$906,811	\$0.059	\$183,631	\$2,868,522
Zone 8	1,737,733	\$1.320	\$2,293,820	\$0.099	\$172,038	4,153,937	\$0.372	\$1,545,317	\$0.038	\$157,850	\$4,169,024
Totals	31,758,635		\$41,921,146		\$3,144,105	72,946,025		\$13,476,258		-\$3,002,696	\$55,336,814

Adjustment of Preliminary Rates

Presort Bound Printed Matter

	Per Piece Component ⁽¹⁾					Per Pound Component ⁽²⁾					Adjusted Total Revenue ⁽⁴⁾
	Pieces [A]	Per Piece Rate [B]	Revenue [C]	Per Piece Adjustment [D]	Revenue Impact [E]	Pounds [F]	Per Pound Rate [G]	Revenue [H]	Per Pound Adjustment [J]	Revenue Impact [K]	
DBMC											
Zones 1&2	185,369,029	\$0.621	\$115,034,189	\$0.049	\$9,083,082	475,471,522	\$0.089	\$33,040,368	-\$0.018	-\$8,558,487	\$148,599,152
Zone 3	33,164,624	\$0.621	\$20,580,923	\$0.049	\$1,625,067	83,131,933	\$0.119	\$9,888,273	-\$0.049	-\$4,073,465	\$28,020,797
Zone 4	9,588,000	\$0.621	\$5,950,011	\$0.049	\$469,812	22,715,440	\$0.156	\$3,545,272	-\$0.044	-\$999,479	\$8,965,616
Zone 5	227,047	\$0.621	\$140,898	\$0.049	\$11,125	468,405	\$0.295	\$138,021	-\$0.118	-\$55,272	\$234,773
DSCF	79,593,873	\$0.621	\$49,393,454	\$0.049	\$3,900,100	204,158,269	\$0.052	\$10,716,204	-\$0.026	-\$5,308,115	\$58,701,643
DDU	36,735,634	\$0.621	\$22,796,979	\$0.049	\$1,800,046	94,226,894	\$0.028	\$2,684,495	-\$0.004	-\$376,908	\$26,904,612
Non-Drop-Shipped											
Zones 1&2	26,557,767	\$0.811	\$21,526,891	\$0.054	\$1,443,403	68,120,668	\$0.116	\$7,935,355	-\$0.056	-\$3,820,981	\$27,084,668
Zone 3	34,524,024	\$0.811	\$27,984,088	\$0.014	\$499,593	86,539,465	\$0.137	\$11,851,298	-\$0.052	-\$4,521,291	\$35,813,687
Zone 4	36,243,644	\$0.811	\$29,377,958	\$0.014	\$524,477	85,866,739	\$0.159	\$13,659,100	-\$0.030	-\$2,811,251	\$40,950,285
Zone 5	32,657,300	\$0.811	\$26,470,981	\$0.014	\$472,580	67,373,174	\$0.185	\$12,314,987	\$0.003	\$190,206	\$40,248,753
Zone 6	13,030,514	\$0.811	\$10,562,124	\$0.014	\$188,563	24,854,753	\$0.230	\$5,719,053	\$0.042	\$1,042,063	\$17,511,803
Zone 7	9,919,413	\$0.811	\$8,040,364	\$0.014	\$143,543	19,287,044	\$0.271	\$5,226,120	\$0.088	\$1,704,964	\$15,114,990
Zone 8	12,606,268	\$0.811	\$10,218,244	\$0.014	\$182,424	24,647,603	\$0.352	\$8,666,653	\$0.077	\$1,904,792	\$20,972,113
Totals	510,217,137		\$348,077,104		\$20,343,815	1,256,861,910		\$128,185,199		-\$25,483,224	\$469,122,893

Notes

- (1) Calculation: [Aa] = (TYBR Pounds and Pieces Worksheet (WP-BPM-8), (Ba) - (Bc));
 Source: column [A], rows [b] to [g]; WP-BPM-8, column [B], rows [d] to [j];
 Calculation: [Ah] = sum of [Aa] to [Ag];
 Source: column [B], Pound and Piece Charges Worksheet (WP-BPM-14), cell [Mg];
 Calculation: Rows [a] to [g]: [C] = [A] * [B];
 [Cn] = sum of [Ca] to [Cg];
 Source: column [D]: adjustments to preliminary per piece charges.
 Calculation: Rows [a] to [g]: [E] = [A] * [D];
 [En] = sum of [Ea] to [Eg].
- (2) Calculation: [Fa] = (TYBR Pounds and Pieces Worksheet (WP-BPM-8), (Ca) - (Cc));
 Source: column [F], rows [b] to [g]; WP-BPM-8, column [C], rows [d] to [j];
 Calculation: [Fh] = sum of [Fa] to [Fg];
 Source: column [G]: Pound and Piece Charges Worksheet (WP-BPM-14), cells [Ma] to [Mg];
 Calculation: Rows [a] to [g]: [H] = [F] * [G];
 [Hn] = sum of [Ha] to [Hg];
 Source: column [J]: adjustments to preliminary per pound charges.
 Calculation: Rows [a] to [g]: [K] = [F] * [J];
 [Kn] = sum of [Ka] to [Kg].
- (3) Calculation: Rows [a] to [g]: [L] = [C] + [E] + [H] + [K];
 [Ln] = sum of [La] to [Lg].
- (4) Source: Rows [j] to [p]: column [A]; Revenue Linkages Worksheet (WP-BPM-12), [Ad] to [Aj];
 Calculation: [Aq] = (TYBR Pounds and Pieces Worksheet (WP-BPM-8), (Ch) + (Ck) - [A] - [Aq]);
 Rows [r] to [t]: [A] = (WP-BPM-8, column [C], rows [d] to [j] - column [A], rows [k] to [q]);
 Source: Rows [a] to [w]: [A] = (WP-BPM-8, column [C], rows [g] to [j]);
 Calculation: [Ae] = sum of [A] to [Aw];
 Calculation: Rows [j] to [w]: [B] = (Pound and Piece Charges (WP-BPM-14), [Mj]) - (Inputs Worksheet, Input [13b]);
 [Bq] = (WP-BPM-14, [Mj]) - (Inputs Worksheet (WP-BPM-1), Inputs [13b] - [13c]);
 [Bq] = (WP-BPM-14, [Mj]) - (Inputs Worksheet (WP-BPM-1), Inputs [13b] + [13c] + [13d]);
 Rows [g] to [w]: [B] = (Pound and Piece Charges (WP-BPM-14), [Mj]);
 Calculation: Rows [j] to [w]: [C] = [A] * [B];
 [Cq] = sum of [C] to [Cw];
 Source: column [D]: adjustments to preliminary per piece charges.
 Calculation: Rows [j] to [w]: [E] = [A] * [D];
 [Eq] = sum of [E] to [Ew].
- (5) Source: Rows [j] to [p]: column [F]; Revenue Linkages Worksheet (WP-BPM-12), [Dd] to [Dj];
 Calculation: [Fq] = (TYBR Pounds and Pieces Worksheet (WP-BPM-8), (Hb) + (Hc) - [F] - [Fq]);
 Rows [r] to [t]: [F] = (WP-BPM-8, column [H], rows [d] to [j] - column [F], rows [k] to [q]);
 Source: Rows [a] to [w]: [F] = (WP-BPM-8, column [H], rows [g] to [j]);
 Calculation: [Fq] = sum of [F] to [Fw];
 Calculation: Rows [j] to [w]: [G] = (Pound and Piece Charges (WP-BPM-14), column [M], rows [h] to [m]) - Revenue Linkages Worksheet (WP-BPM-12), [E], rows [d] to [j];
 [Gq] = (Pound and Piece Charges (WP-BPM-14), [Mh]) - Revenue Linkages Worksheet (WP-BPM-12), [Eh];
 [Gq] = (Pound and Piece Charges (WP-BPM-14), [Mh]) - Revenue Linkages Worksheet (WP-BPM-12), [Eh];
 Rows [g] to [w]: [G] = (Pound and Piece Charges (WP-BPM-14), column [M], rows [h] to [m]);
 Calculation: Rows [j] to [w]: [H] = [F] * [G];
 [Hq] = sum of [H] to [Hw];
 Source: column [J]: adjustments to preliminary per pound charges.
 Calculation: Rows [j] to [w]: [K] = [F] * [J];
 [Kq] = sum of [K] to [Kw].
- (6) Calculation: Rows [j] to [w]: [L] = [C] + [E] + [H] + [K];
 [Lq] = sum of [L] to [Lw].

Adjusted Rate Schedules

	Per Piece Rate ^{[1],[2]} [A]	Per Pound Rate ^[3]						
		Zones 1&2 [B]	Zone 3 [C]	Zone 4 [D]	Zone 5 [E]	Zone 6 [F]	Zone 7 [G]	Zone 8 [H]
[a] Single Piece	\$1.42	\$0.07	\$0.09	\$0.14	\$0.20	\$0.27	\$0.35	\$0.41
[b] Basic Presort Origin Entry	\$0.865	\$0.060	\$0.085	\$0.129	\$0.197	\$0.272	\$0.359	\$0.429
[c] DBMC	\$0.670	\$0.051	\$0.070	\$0.112	\$0.177	---	---	---
[d] DSCF	\$0.670	\$0.026	---	---	---	---	---	---
[e] DDU	\$0.670	\$0.024	---	---	---	---	---	---
[f] Carrier Route Presort Origin Entry	\$0.788	\$0.060	\$0.085	\$0.129	\$0.197	\$0.272	\$0.359	\$0.429
[g] DBMC	\$0.593	\$0.051	\$0.070	\$0.112	\$0.177	---	---	---
[h] DSCF	\$0.593	\$0.026	---	---	---	---	---	---
[i] DDU	\$0.593	\$0.024	---	---	---	---	---	---
[j] Barcode Discount	\$0.03							

Notes

- [1] Calculation: [Aa] = (Rate Adjustments Workpaper (WP-BPM-15), [Ba] + [Da]), rounded to whole cents;
 [Ab] = (Rate Adjustments Workpaper (WP-BPM-15), [Bq] + [Dq]) rounded to tenths of a cent;
 [Ac] = (Rate Adjustments Workpaper (WP-BPM-15), [Bj] + [Dj]) rounded to tenths of a cent;
 [Ad] = (Rate Adjustments Workpaper (WP-BPM-15), [Bo] + [Do]) rounded to tenths of a cent;
 [Ae] = (Rate Adjustments Workpaper (WP-BPM-15), [Bp] + [Dp]) rounded to tenths of a cent;
 [Af] = [Ab] - (Inputs Workpaper (WP-BPM-1), Input [14a]) rounded to tenths of a cent;
 [Ag] = [Ac] - (Inputs Workpaper (WP-BPM-1), Input [14a]) rounded to tenths of a cent;
 [Ah] = [Ad] - (Inputs Workpaper (WP-BPM-1), Input [14a]) rounded to tenths of a cent;
 [Aj] = [Ae] - (Inputs Workpaper (WP-BPM-1), Input [14a]) rounded to tenths of a cent;
- [2] Properly prepared single piece and basic presort mailings are eligible for the Barcode Discount shown in cell [Ak].
 Source: [Ak] = Inputs Workpaper (WP-BPM-1), Input [14b], rounded to whole cents.
- [3] Calculation: Row [a], columns [B] to [H] = (Rate Adjustments Workpaper (WP-BPM-15), columns [C] + [J], rows [a] to [g], transposed), rounded to whole cents;
 Rows [b], and [f], columns [B] to [H] = (WP-BPM-15, columns [C] + [J], rows [q] to [w], transposed), rounded to tenths of a cent;
 Rows [c], and [g], columns [B] to [E] = (WP-BPM-15, columns [C] + [J], rows [j] to [n], transposed), rounded to tenths of a cent;
 [Bd] = [Bh] = (WP-BPM-15, [Co] + [Jo]), rounded to tenths of a cent;
 [Be] = [Bj] = (WP-BPM-15, [Cp] + [Jp]), rounded to tenths of a cent.

Proposed Single Piece Rates

Weight Not Over (lbs.)							
	Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1.5	\$1.53	\$1.56	\$1.63	\$1.72	\$1.83	\$1.95	\$2.04
2.0	\$1.56	\$1.60	\$1.70	\$1.82	\$1.96	\$2.12	\$2.24
2.5	\$1.60	\$1.65	\$1.77	\$1.92	\$2.10	\$2.30	\$2.45
3.0	\$1.63	\$1.69	\$1.84	\$2.02	\$2.23	\$2.47	\$2.65
3.5	\$1.67	\$1.74	\$1.91	\$2.12	\$2.37	\$2.65	\$2.86
4.0	\$1.70	\$1.78	\$1.98	\$2.22	\$2.50	\$2.82	\$3.06
4.5	\$1.74	\$1.83	\$2.05	\$2.32	\$2.64	\$3.00	\$3.27
5.0	\$1.77	\$1.87	\$2.12	\$2.42	\$2.77	\$3.17	\$3.47
6.0	\$1.84	\$1.96	\$2.26	\$2.62	\$3.04	\$3.52	\$3.88
7.0	\$1.91	\$2.05	\$2.40	\$2.82	\$3.31	\$3.87	\$4.29
8.0	\$1.98	\$2.14	\$2.54	\$3.02	\$3.58	\$4.22	\$4.70
9.0	\$2.05	\$2.23	\$2.68	\$3.22	\$3.85	\$4.57	\$5.11
10.0	\$2.12	\$2.32	\$2.82	\$3.42	\$4.12	\$4.92	\$5.52
11.0	\$2.19	\$2.41	\$2.96	\$3.62	\$4.39	\$5.27	\$5.93
12.0	\$2.26	\$2.50	\$3.10	\$3.82	\$4.66	\$5.62	\$6.34
13.0	\$2.33	\$2.59	\$3.24	\$4.02	\$4.93	\$5.97	\$6.75
14.0	\$2.40	\$2.68	\$3.38	\$4.22	\$5.20	\$6.32	\$7.16
15.0	\$2.47	\$2.77	\$3.52	\$4.42	\$5.47	\$6.67	\$7.57
Barcode Discount ^[2]	\$0.03						

Notes

- [1] Rate cells calculated as the sum of per-piece rate and the per-pound rate for each zone, times the number of pounds.
Calculation: Zoned rates for X pounds = (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell [Aa]) + (WP-BPM-16, row [a], columns [B] to [H]) * X pounds; (X = 1.5 to 15 pounds).
- [2] For eligible barcoded pieces, deduct the Barcode Discount (machinable parcels only).

Computed Proposed Basic Presort Rates⁽¹⁾⁽²⁾

Weight Not Over (lbs).	Zones						
	Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1.5	\$0.955	\$0.993	\$1.059	\$1.161	\$1.273	\$1.404	\$1.509
2.0	\$0.985	\$1.035	\$1.123	\$1.259	\$1.409	\$1.583	\$1.723
2.5	\$1.015	\$1.078	\$1.188	\$1.358	\$1.545	\$1.763	\$1.938
3.0	\$1.045	\$1.120	\$1.252	\$1.456	\$1.681	\$1.942	\$2.152
3.5	\$1.075	\$1.163	\$1.317	\$1.555	\$1.817	\$2.122	\$2.367
4.0	\$1.105	\$1.205	\$1.381	\$1.653	\$1.953	\$2.301	\$2.581
4.5	\$1.135	\$1.248	\$1.446	\$1.752	\$2.089	\$2.481	\$2.796
5.0	\$1.165	\$1.290	\$1.510	\$1.850	\$2.225	\$2.660	\$3.010
6.0	\$1.225	\$1.375	\$1.639	\$2.047	\$2.497	\$3.019	\$3.439
7.0	\$1.285	\$1.460	\$1.768	\$2.244	\$2.769	\$3.378	\$3.868
8.0	\$1.345	\$1.545	\$1.897	\$2.441	\$3.041	\$3.737	\$4.297
9.0	\$1.405	\$1.630	\$2.026	\$2.638	\$3.313	\$4.096	\$4.726
10.0	\$1.465	\$1.715	\$2.155	\$2.835	\$3.585	\$4.455	\$5.155
11.0	\$1.525	\$1.800	\$2.284	\$3.032	\$3.857	\$4.814	\$5.584
12.0	\$1.585	\$1.885	\$2.413	\$3.229	\$4.129	\$5.173	\$6.013
13.0	\$1.645	\$1.970	\$2.542	\$3.426	\$4.401	\$5.532	\$6.442
14.0	\$1.705	\$2.055	\$2.671	\$3.623	\$4.673	\$5.891	\$6.871
15.0	\$1.765	\$2.140	\$2.800	\$3.820	\$4.945	\$6.250	\$7.300
Barcode Discount ⁽³⁾	\$0.03						

Notes

- [1] These amounts are correct for the corresponding weights. Postage will be computed exactly for items of intermediate weight as provided in DMM P013.
- [2] Rate cells calculated as the sum of per-piece rate and the per-pound rate for each zone, times the number of pounds.
Calculation: Zoned rates for X pounds = (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell {Ab}) + (WP-BPM-16, row [b], columns [B] to [H]) * X pounds; (X = 1.5 to 15 pounds).
- [3] For eligible barcoded pieces, deduct the Barcode Discount (machinable parcels only).

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Computed Proposed Basic Postage Destination Entry Rates

Weight Not Over (lbs).	DBMC/ASF Zone				DSCF	DDU
	Zones 1&2	Zone 3	Zone 4	Zone 5		
1.5	\$0.747	\$0.775	\$0.838	\$0.936	\$0.709	\$0.706
2.0	\$0.772	\$0.810	\$0.894	\$1.024	\$0.722	\$0.718
2.5	\$0.798	\$0.845	\$0.950	\$1.113	\$0.735	\$0.730
3.0	\$0.823	\$0.880	\$1.006	\$1.201	\$0.748	\$0.742
3.5	\$0.849	\$0.915	\$1.062	\$1.290	\$0.761	\$0.754
4.0	\$0.874	\$0.950	\$1.118	\$1.378	\$0.774	\$0.766
4.5	\$0.900	\$0.985	\$1.174	\$1.467	\$0.787	\$0.778
5.0	\$0.925	\$1.020	\$1.230	\$1.555	\$0.800	\$0.790
6.0	\$0.976	\$1.090	\$1.342	\$1.732	\$0.826	\$0.814
7.0	\$1.027	\$1.160	\$1.454	\$1.909	\$0.852	\$0.838
8.0	\$1.078	\$1.230	\$1.566	\$2.086	\$0.878	\$0.862
9.0	\$1.129	\$1.300	\$1.678	\$2.263	\$0.904	\$0.886
10.0	\$1.180	\$1.370	\$1.790	\$2.440	\$0.930	\$0.910
11.0	\$1.231	\$1.440	\$1.902	\$2.617	\$0.956	\$0.934
12.0	\$1.282	\$1.510	\$2.014	\$2.794	\$0.982	\$0.958
13.0	\$1.333	\$1.580	\$2.126	\$2.971	\$1.008	\$0.982
14.0	\$1.384	\$1.650	\$2.238	\$3.148	\$1.034	\$1.006
15.0	\$1.435	\$1.720	\$2.350	\$3.325	\$1.060	\$1.030
Barcode Discount ^[3]	\$0.03					

Notes

- [1] These amounts are correct for the corresponding weights. Postage will be computed exactly for items of intermediate weight as provided in DMM P013.
- [2] Rate cells calculated as the sum of per-piece rate and the per-pound rate for each zone, (if applicable), times the number of pounds.
 Calculation: DBMC: Zoned rates for X pounds =
 (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell [Ac]) +
 (WP-BPM-16, row [c], columns [B] to [E]) * X pounds; (X = 1.5 to 15 pounds).
 DSCF: Rate for X pounds =
 (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell [Ad]) +
 (WP-BPM-16, [Bd]) * X pounds; (X = 1.5 to 15 pounds).
 DDU: Rate for X pounds =
 (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell [Ae]) +
 (WP-BPM-16, [Be]) * X pounds; (X = 1.5 to 15 pounds).
- [3] For eligible barcoded pieces, deduct the Barcode Discount (machinable parcels only).

Computed Proposed Carrier Route Presort Rates

Weight Not Over (lbs.)	Zones						
	Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1.5	\$0.878	\$0.916	\$0.982	\$1.084	\$1.196	\$1.327	\$1.432
2.0	\$0.908	\$0.958	\$1.046	\$1.182	\$1.332	\$1.506	\$1.646
2.5	\$0.938	\$1.001	\$1.111	\$1.281	\$1.468	\$1.686	\$1.861
3.0	\$0.968	\$1.043	\$1.175	\$1.379	\$1.604	\$1.865	\$2.075
3.5	\$0.998	\$1.086	\$1.240	\$1.478	\$1.740	\$2.045	\$2.290
4.0	\$1.028	\$1.128	\$1.304	\$1.576	\$1.876	\$2.224	\$2.504
4.5	\$1.058	\$1.171	\$1.369	\$1.675	\$2.012	\$2.404	\$2.719
5.0	\$1.088	\$1.213	\$1.433	\$1.773	\$2.148	\$2.583	\$2.933
6.0	\$1.148	\$1.298	\$1.562	\$1.970	\$2.420	\$2.942	\$3.362
7.0	\$1.208	\$1.383	\$1.691	\$2.167	\$2.692	\$3.301	\$3.791
8.0	\$1.268	\$1.468	\$1.820	\$2.364	\$2.964	\$3.660	\$4.220
9.0	\$1.328	\$1.553	\$1.949	\$2.561	\$3.236	\$4.019	\$4.649
10.0	\$1.388	\$1.638	\$2.078	\$2.758	\$3.508	\$4.378	\$5.078
11.0	\$1.448	\$1.723	\$2.207	\$2.955	\$3.780	\$4.737	\$5.507
12.0	\$1.508	\$1.808	\$2.336	\$3.152	\$4.052	\$5.096	\$5.936
13.0	\$1.568	\$1.893	\$2.465	\$3.349	\$4.324	\$5.455	\$6.365
14.0	\$1.628	\$1.978	\$2.594	\$3.546	\$4.596	\$5.814	\$6.794
15.0	\$1.688	\$2.063	\$2.723	\$3.743	\$4.868	\$6.173	\$7.223

Notes

[1] These amounts are correct for the corresponding weights. Postage will be computed exactly for items of intermediate weight as provided in DMM P013.

[2] Rate cells calculated as the sum of per-piece rate and the per-pound rate for each zone, times the number of pounds.
 Calculation: Zoned rates for X pounds = (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell [Af]) + (WP-BPM-16, row [f], columns [B] to [H]) * X pounds; (X = 1.5 to 15 pounds).

Computed Proposed Carrier Route Presort Destination Entry Rates

Weight Not Over (lbs).	DBMC/ASF Zone				DSCF	DDU
	Zones 1&2	Zone 3	Zone 4	Zone 5		
1.5	\$0.670	\$0.698	\$0.761	\$0.859	\$0.632	\$0.629
2.0	\$0.695	\$0.733	\$0.817	\$0.947	\$0.645	\$0.641
2.5	\$0.721	\$0.768	\$0.873	\$1.036	\$0.658	\$0.653
3.0	\$0.746	\$0.803	\$0.929	\$1.124	\$0.671	\$0.665
3.5	\$0.772	\$0.838	\$0.985	\$1.213	\$0.684	\$0.677
4.0	\$0.797	\$0.873	\$1.041	\$1.301	\$0.697	\$0.689
4.5	\$0.823	\$0.908	\$1.097	\$1.390	\$0.710	\$0.701
5.0	\$0.848	\$0.943	\$1.153	\$1.478	\$0.723	\$0.713
6.0	\$0.899	\$1.013	\$1.265	\$1.655	\$0.749	\$0.737
7.0	\$0.950	\$1.083	\$1.377	\$1.832	\$0.775	\$0.761
8.0	\$1.001	\$1.153	\$1.489	\$2.009	\$0.801	\$0.785
9.0	\$1.052	\$1.223	\$1.601	\$2.186	\$0.827	\$0.809
10.0	\$1.103	\$1.293	\$1.713	\$2.363	\$0.853	\$0.833
11.0	\$1.154	\$1.363	\$1.825	\$2.540	\$0.879	\$0.857
12.0	\$1.205	\$1.433	\$1.937	\$2.717	\$0.905	\$0.881
13.0	\$1.256	\$1.503	\$2.049	\$2.894	\$0.931	\$0.905
14.0	\$1.307	\$1.573	\$2.161	\$3.071	\$0.957	\$0.929
15.0	\$1.358	\$1.643	\$2.273	\$3.248	\$0.983	\$0.953

Notes

- [1] These amounts are correct for the corresponding weights. Postage will be computed exactly for items of intermediate weight as provided in DMM P013.
- [2] Rate cells calculated as the sum of per-piece rate and the per-pound rate for each zone, (if applicable), times the number of pounds.
- Calculation: DBMC: Zoned rates for X pounds =
 (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell [Ag]) +
 (WP-BPM-16, row [g], columns [B] to [E]) * X pounds; (X = 1.5 to 15 pounds).
- DSCF: Rate for X pounds =
 (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell [Ah]) +
 (WP-BPM-16, [Bh]) * X pounds; (X = 1.5 to 15 pounds).
- DDU: Rate for X pounds =
 (Adjusted Rate Schedules Workpaper (WP-BPM-16), cell [Aj]) +
 (WP-BPM-16, [Bj]) * X pounds; (X = 1.5 to 15 pounds).

Proposed Single Piece Rate Percent Changes^[1]

Weight Not Over (lbs).	Zones 1&2, Zone 3, Zone 4, Zone 5, Zone 6, Zone 7, Zone 8						
	Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1.5	-0.7%	-1.0%	0.1%	0.2%	0.9%	1.2%	0.9%
2.0	-0.5%	-0.9%	0.5%	0.7%	1.4%	1.8%	1.4%
2.5	-0.3%	-0.8%	0.9%	1.1%	1.9%	2.3%	1.8%
3.0	-0.1%	-0.6%	1.2%	1.4%	2.4%	2.8%	2.1%
3.5	0.1%	-0.5%	1.5%	1.7%	2.8%	3.2%	2.4%
4.0	0.2%	-0.4%	1.9%	2.0%	3.1%	3.5%	2.7%
4.5	0.4%	-0.4%	2.1%	2.3%	3.5%	3.8%	2.9%
5.0	0.6%	-0.3%	2.4%	2.5%	3.7%	4.1%	3.1%
6.0	0.9%	-0.1%	2.9%	3.0%	4.3%	4.6%	3.5%
7.0	1.2%	0.0%	3.4%	3.4%	4.7%	5.0%	3.7%
8.0	1.4%	0.2%	3.8%	3.7%	5.0%	5.3%	4.0%
9.0	1.7%	0.3%	4.1%	4.0%	5.4%	5.6%	4.2%
10.0	1.9%	0.4%	4.4%	4.3%	5.6%	5.8%	4.3%
11.0	2.1%	0.5%	4.7%	4.5%	5.9%	6.0%	4.5%
12.0	2.4%	0.6%	5.0%	4.7%	6.1%	6.2%	4.6%
13.0	2.6%	0.7%	5.3%	4.9%	6.3%	6.4%	4.7%
14.0	2.7%	0.8%	5.5%	5.1%	6.5%	6.5%	4.8%
15.0	2.9%	0.9%	5.7%	5.2%	6.6%	6.6%	4.9%

Notes

[1] Calculation: Zoned rate changes for X pounds = (Proposed Single Piece Rates Workpaper, (WP-BPM-17), zoned rates for X pounds) / (Inputs Workpaper (WP-BPM-1), Input [20b] + (Inputs Workpaper, (WP-BPM-1), Input [18]) * X pounds) - 1; (X = 1.5 to 15 pounds).

Computed Proposed Basic Presort Rate Percent Changes^[1]

Weight Not Over (lbs.)							
	Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1.5	19.9%	19.7%	19.2%	18.8%	19.0%	18.9%	18.2%
2.0	19.8%	19.5%	19.0%	18.5%	18.8%	18.7%	17.9%
2.5	19.8%	19.4%	18.8%	18.3%	18.6%	18.5%	17.6%
3.0	19.7%	19.3%	18.6%	18.1%	18.5%	18.3%	17.4%
3.5	19.6%	19.2%	18.4%	17.9%	18.3%	18.2%	17.2%
4.0	19.6%	19.1%	18.2%	17.7%	18.2%	18.1%	17.1%
4.5	19.5%	19.0%	18.1%	17.6%	18.1%	18.0%	17.0%
5.0	19.5%	18.9%	18.0%	17.5%	18.0%	18.0%	16.9%
6.0	19.4%	18.7%	17.7%	17.2%	17.9%	17.8%	16.7%
7.0	19.3%	18.6%	17.6%	17.1%	17.8%	17.7%	16.6%
8.0	19.2%	18.5%	17.4%	16.9%	17.7%	17.7%	16.5%
9.0	19.2%	18.4%	17.2%	16.8%	17.6%	17.6%	16.4%
10.0	19.1%	18.3%	17.1%	16.7%	17.5%	17.5%	16.4%
11.0	19.0%	18.2%	17.0%	16.6%	17.5%	17.5%	16.3%
12.0	19.0%	18.1%	16.9%	16.5%	17.4%	17.5%	16.3%
13.0	18.9%	18.0%	16.8%	16.4%	17.4%	17.4%	16.2%
14.0	18.9%	18.0%	16.7%	16.3%	17.4%	17.4%	16.2%
15.0	18.9%	17.9%	16.7%	16.3%	17.3%	17.4%	16.1%

Notes

[1] Calculation: Zoned rate changes for X pounds = (Proposed Basic Presort Rates Workpaper, (WP-BPM-18), zoned rates for X pounds) / (Inputs Workpaper (WP-BPM-1), Input [21b] + (Inputs Workpaper, (WP-BPM-1), Input [19]) * X pounds) - 1; (X = 1.5 to 15 pounds).

CAP-2
BPM-1
WP-BPM-2

**Computed Proposed Basic Presort
Destination Entry Rates Percent Change**

Weight Not Over (lbs).	DBMC/ASF Zone ⁽¹⁾				DSCF ⁽²⁾	DDU ⁽³⁾
	Zones 1&2	Zone 3	Zone 4	Zone 5		
1.5	-6.3%	-6.6%	-5.6%	-4.2%	-11.0%	21.3%
2.0	-6.1%	-6.5%	-5.3%	-3.6%	-12.2%	20.5%
2.5	-5.9%	-6.4%	-5.0%	-3.1%	-13.3%	19.7%
3.0	-5.7%	-6.3%	-4.7%	-2.6%	-14.3%	18.9%
3.5	-5.6%	-6.2%	-4.5%	-2.2%	-15.3%	18.2%
4.0	-5.4%	-6.1%	-4.3%	-1.9%	-16.2%	17.5%
4.5	-5.3%	-6.1%	-4.1%	-1.5%	-17.1%	16.8%
5.0	-5.1%	-6.0%	-3.9%	-1.3%	-17.9%	16.2%
6.0	-4.9%	-5.9%	-3.6%	-0.8%	-19.5%	15.0%
7.0	-4.6%	-5.8%	-3.3%	-0.4%	-20.9%	13.9%
8.0	-4.4%	-5.7%	-3.1%	-0.1%	-22.2%	12.8%
9.0	-4.2%	-5.6%	-2.9%	0.2%	-23.3%	11.9%
10.0	-4.1%	-5.5%	-2.7%	0.4%	-24.4%	11.0%
11.0	-3.9%	-5.4%	-2.6%	0.6%	-25.4%	10.1%
12.0	-3.8%	-5.4%	-2.4%	0.8%	-26.3%	9.4%
13.0	-3.6%	-5.3%	-2.3%	1.0%	-27.1%	8.6%
14.0	-3.5%	-5.3%	-2.2%	1.1%	-27.9%	7.9%
15.0	-3.4%	-5.2%	-2.1%	1.2%	-28.6%	7.3%

Notes

- [1] Calculation: DBMC: Zoned rate changes for X pounds =
(Proposed Basic Presort Destination Entry Rates Workpaper, (WP-BPM-19), zoned DBMC rates for X pounds) / (Inputs Workpaper (WP-BPM-1), Input [21b] + (Inputs Workpaper, (WP-BPM-1), Input [19]) * X pounds) - 1; (X = 1.5 to 15 pounds).
- [2] Rate change for DSCF is computed relative to Basic Presort Zones 1&2 rates.
Calculation: DSCF: Rate changes for X pounds =
(Proposed Basic Presort Destination Entry Rates Workpaper, (WP-BPM-19), DSCF rates for X pounds) / (Inputs Workpaper (WP-BPM-1), Input [21b] + (Inputs Workpaper, (WP-BPM-1), Input [19], Zones 1&2) * X pounds) - 1; (X = 1.5 to 15 pounds).
- [3] Rate change for DDU is computed relative to Basic Presort Local zone rates.
Calculation: DDU: Rate changes for X pounds =
(Proposed Basic Presort Destination Entry Rates Workpaper, (WP-BPM-19), DDU rates for X pounds) / (Inputs Workpaper (WP-BPM-1), Input [21a] + (Inputs Workpaper, (WP-BPM-1), Input [19], Local zone) * X pounds) - 1; (X = 1.5 to 15 pounds).

AAP-2
 2017
 WP-BPM-25

Computed Proposed Carrier Route Presort Rate Percent Changes^[1]

Weight Not Over (lbs).							
	Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1.5	22.0%	21.7%	21.0%	20.5%	20.5%	20.2%	19.3%
2.0	21.9%	21.4%	20.6%	20.0%	20.1%	19.8%	18.8%
2.5	21.7%	21.2%	20.3%	19.6%	19.8%	19.5%	18.5%
3.0	21.6%	21.0%	20.0%	19.3%	19.5%	19.2%	18.2%
3.5	21.5%	20.8%	19.8%	19.0%	19.3%	19.0%	17.9%
4.0	21.4%	20.6%	19.5%	18.8%	19.1%	18.9%	17.7%
4.5	21.3%	20.5%	19.3%	18.5%	18.9%	18.7%	17.6%
5.0	21.2%	20.3%	19.1%	18.4%	18.8%	18.6%	17.4%
6.0	21.0%	20.1%	18.8%	18.0%	18.6%	18.4%	17.2%
7.0	20.8%	19.8%	18.5%	17.8%	18.4%	18.2%	17.0%
8.0	20.6%	19.6%	18.3%	17.6%	18.2%	18.1%	16.9%
9.0	20.5%	19.5%	18.0%	17.4%	18.1%	18.0%	16.8%
10.0	20.4%	19.3%	17.9%	17.2%	18.0%	17.9%	16.7%
11.0	20.3%	19.2%	17.7%	17.1%	17.9%	17.8%	16.6%
12.0	20.2%	19.0%	17.6%	17.0%	17.8%	17.8%	16.5%
13.0	20.1%	18.9%	17.4%	16.9%	17.8%	17.7%	16.4%
14.0	20.0%	18.8%	17.3%	16.8%	17.7%	17.7%	16.4%
15.0	19.9%	18.7%	17.2%	16.7%	17.6%	17.6%	16.3%

Notes

[1] Calculation: Zoned rate changes for X pounds = (Proposed Carrier Route Presort Rates Workpaper, (WP-BPM-20), zoned rates for X pounds) / (Inputs Workpaper (WP-BPM-1), Input [21b] - Input [22] + (Inputs Workpaper, (WP-BPM-1), Input [19]) * X pounds) - 1; (X = 1.5 to 15 pounds).

Computed Proposed Carrier Route Presort Destination Entry Rate Percent Changes

Weight Not Over (lbs).	DBMC/ASF Zone ^[1]				DSCF ^[2]	DDU ^[3]
	Zones 1&2	Zone 3	Zone 4	Zone 5		
1.5	-6.9%	-7.2%	-6.2%	-4.6%	-12.2%	24.6%
2.0	-6.7%	-7.1%	-5.8%	-3.9%	-13.4%	23.5%
2.5	-6.5%	-7.0%	-5.4%	-3.3%	-14.6%	22.5%
3.0	-6.3%	-6.8%	-5.1%	-2.8%	-15.7%	21.6%
3.5	-6.1%	-6.7%	-4.8%	-2.3%	-16.7%	20.7%
4.0	-5.9%	-6.6%	-4.6%	-2.0%	-17.7%	19.8%
4.5	-5.7%	-6.5%	-4.4%	-1.6%	-18.6%	19.0%
5.0	-5.6%	-6.4%	-4.2%	-1.3%	-19.5%	18.2%
6.0	-5.3%	-6.3%	-3.8%	-0.8%	-21.1%	16.8%
7.0	-5.0%	-6.2%	-3.5%	-0.4%	-22.5%	15.5%
8.0	-4.8%	-6.0%	-3.2%	-0.1%	-23.8%	14.3%
9.0	-4.5%	-5.9%	-3.0%	0.2%	-25.0%	13.1%
10.0	-4.3%	-5.8%	-2.8%	0.4%	-26.0%	12.1%
11.0	-4.2%	-5.7%	-2.7%	0.6%	-27.0%	11.2%
12.0	-4.0%	-5.7%	-2.5%	0.8%	-27.9%	10.3%
13.0	-3.8%	-5.6%	-2.4%	1.0%	-28.7%	9.4%
14.0	-3.7%	-5.5%	-2.3%	1.1%	-29.5%	8.7%
15.0	-3.6%	-5.5%	-2.2%	1.2%	-30.2%	7.9%

Notes

- [1] Calculation: DBMC: Zoned rate changes for X pounds =
 (Proposed Carrier Route Presort Destination Entry Rates Workpaper, (WP-BPM-21), zoned DBMC rates for X pounds) /
 (Inputs Workpaper (WP-BPM-1), Input [21b] - Input [22] +
 (Inputs Workpaper, (WP-BPM-1), Input [19]) * X pounds) - 1; (X = 1.5 to 15 pounds).
- [2] Rate change for DSCF is computed relative to Carrier Route Presort Zones 1&2 rates.
 Calculation: DSCF: Rate changes for X pounds =
 (Proposed Carrier Route Presort Destination Entry Rates Workpaper, (WP-BPM-21), DSCF rates for X pounds) / (Inputs Workpaper (WP-BPM-1), Input [21b] - Input [22] +
 (Inputs Workpaper, (WP-BPM-1), Input [19], Zones 1&2) * X pounds) - 1;
 (X = 1.5 to 15 pounds).
- [3] Rate change for DDU is computed relative to Carrier Route Presort Local zone rates.
 Calculation: DDU: Rate changes for X pounds =
 (Proposed Carrier Route Presort Destination Entry Rates Workpaper, (WP-BPM-21), DDU rates for X pounds) / (Inputs Workpaper (WP-BPM-1), Input [21a] - Input [22] +
 (Inputs Workpaper, (WP-BPM-1), Input [19], Local zone) * X pounds) - 1;
 (X = 1.5 to 15 pounds).

Zone	Pieces ⁽¹⁾										Pounds ⁽²⁾					
	Total [A]	Single Piece [B]	Basic Presort [C]	Carrier Route Presort [D]	Total Presort [E]	DBMC Presort [F]	DSCF Presort [G]	DDU Presort [H]	Non- Drop-Shipped Presort [J]	Total [K]	Single Piece [L]	Total Presort [M]	DBMC Presort [N]	DSCF Presort [O]	DDU Presort [P]	Non- Drop-Shipped Presort [Q]
All Zones	524,742,871	30,748,824	385,715,960	108,278,088	493,994,047	221,088,024	77,063,071	35,567,571	160,275,381	1,287,524,775	70,626,601	1,216,898,174	563,288,535	197,666,763	91,230,814	364,712,063
1&2	332,828,764	15,009,843	219,783,046	98,035,875	317,818,921	179,474,953	77,063,071	35,567,571	25,713,325	848,715,700	33,510,230	815,205,469	460,353,220	197,666,763	91,230,814	65,954,673
3	68,149,365	2,612,976	60,702,002	4,834,388	65,536,390	32,110,107			33,426,283	170,310,739	6,034,288	164,276,451	80,488,633			83,787,818
4	48,571,368	4,197,006	41,804,485	2,569,876	44,374,361	9,283,138			35,081,225	114,451,880	9,322,227	105,129,653	21,993,170			83,136,483
5	35,844,963	4,106,221	30,358,422	1,480,320	31,838,742	219,827			31,618,914	75,819,716	10,135,257	65,684,459	453,512			65,230,947
6	14,543,254	1,927,064	12,053,136	563,054	12,616,190				12,616,190	28,853,776	4,589,316	24,064,460				24,064,460
7	10,817,226	1,213,216	9,152,185	451,826	9,604,011				9,604,011	21,687,210	3,013,426	18,673,784				18,673,784
8	13,887,932	1,882,498	11,882,684	342,749	12,205,433				12,205,433	27,885,754	4,021,856	23,863,897				23,863,897

Notes

[1] Source: [Aa]: Inputs Workpaper (WP-BPM-1), Input [10].
 Calculation: Total forecast volume is apportioned to Single Piece, Basic Presort, and Carrier Route Presort categories based on shares of total pieces from the Pieces Distribution Factors Workpaper (WP-BPM-7), row [h].
 [Ba] = [Aa] * (Pieces Distribution Factors Workpaper (WP-BPM-7), cell [Aa]);
 [Ca] = [Aa] * (Pieces Distribution Factors workpaper (WP-BPM-7), cell [Ca]);
 [Da] = [Aa] * (Pieces Distribution Factors workpaper (WP-BPM-7), cell [Da]);
 Calculation: Column total pieces are apportioned to zones based on the Pieces Distribution Factors workpaper (columns [D] to [F]).
 Rows [b] to [h]: [B] = [Ba] * (Pieces Distribution Factors workpaper (WP-BPM-7), column [D], rows [a] to [h]);
 [C] = [Ca] * (Pieces Distribution Factors workpaper (WP-BPM-7), column [E], rows [a] to [h]);
 [D] = [Da] * (Pieces Distribution Factors workpaper (WP-BPM-7), column [F], rows [a] to [h]);
 [A] = sum of columns [B] to [D];
 [E] = [C] + [D];
 Rows [b] to [e]: [F] = [Ea] * (Inputs Workpaper (WP-BPM-1), Inputs [Ba] to [Ea]);
 [Fa] = sum of [Fb] to [Fe];
 [G] = [Ea] * (Inputs Workpaper (WP-BPM-1), Input [8]);
 [Ca] = [G];
 [H] = [Ea] * (Inputs Workpaper (WP-BPM-1), Input [9]);
 [I] = [H];
 [J] = [E] - [F] - [G] - [H].

[2] Calculation: Single piece and presort pounds are calculated from forecast volumes (cells [Ba] and [Ea]) based on pounds per piece data from WP-BPM-6 and WP-BPM-7 workpapers.
 Calculation: [La] = [Ba] * (Pounds Distribution Factors Workpaper (WP-BPM-6), [A]) / (Pieces Distribution Factors Workpaper (WP-BPM-7), [A]);
 [Ma] = [Ea] * (Pounds Distribution Factors Workpaper (WP-BPM-6), [B]) / (Pieces Distribution Factors Workpaper (WP-BPM-7), [B] + [C]);
 [Na] = [Ma] * (Distribution of Test Year Transportation Costs Workpaper (WP-BPM-10), [Ch]) / (Sum of WP-BPM-10, cells [Bh] to [Eh]);
 [Oa] = [Ma] * (Distribution of Test Year Transportation Costs Workpaper (WP-BPM-10), [Dh]) / (Sum of WP-BPM-10, cells [Bh] to [Eh]);
 [Pa] = [Ma] * (Distribution of Test Year Transportation Costs Workpaper (WP-BPM-10), [Eh]) / (Sum of WP-BPM-10, cells [Bh] to [Eh]);
 [Qa] = [Ma] * (Distribution of Test Year Transportation Costs Workpaper (WP-BPM-10), [Bh]) / (Sum of WP-BPM-10, cells [Bh] to [Eh]);
 Calculation: Single Piece total pounds are apportioned to zones based on the Pounds Distribution Factors Workpaper (WP-BPM-6), column [D].
 DBMC and Non-Dropshipped total pounds are apportioned to zones based on the Distribution of Test Year Transportation Costs Workpaper (WP-BPM-10), columns [C] and [B].
 [L] = [La] * (Pounds Distribution Factors Workpaper (WP-BPM-6), [Da] - [Dh]);
 Rows [c] to [h]: [L] = [La] * (Pounds Distribution Factors Workpaper (WP-BPM-6), column [D], rows [c] to [h]);
 Rows [b] to [e]: [N] = [Na] * (Distribution of Test Year Transportation Costs Workpaper (WP-BPM-10), column [C], rows [a] to [g]) / (WP-BPM-10, cell [Ch]);
 [O] = [Oa];
 [P] = [Pa];
 Rows [b] to [h]: [Q] = [Qa] * (Distribution of Test Year Transportation Costs Workpaper (WP-BPM-10), column [B], rows [a] to [g]) / (WP-BPM-10, cell [Bh]);
 Rows [b] to [h]: [M] = Sum of columns [N] to [Q];
 [A] = sum of columns [B] to [D];
 [K] = [L] + [M].

Single Piece Bound Printed Matter

	Per Piece Component ⁽¹⁾			Per Pound Component ⁽²⁾			Preliminary Total Revenue ⁽³⁾
	Pieces [A]	Per Piece Rate [B]	Revenue [C]	Pounds [D]	Per Pound Rate [E]	Revenue [F]	
Zones 1&2	15,009,843	\$1.42	\$21,313,977	33,510,230	\$0.07	\$2,345,716	\$23,659,693
Zone 3	2,612,976	\$1.42	\$3,710,426	6,034,288	\$0.09	\$543,086	\$4,253,512
Zone 4	4,197,006	\$1.42	\$5,959,749	9,322,227	\$0.14	\$1,305,112	\$7,264,861
Zone 5	4,106,221	\$1.42	\$5,830,834	10,135,257	\$0.20	\$2,027,051	\$7,857,885
Zone 6	1,927,064	\$1.42	\$2,736,431	4,589,316	\$0.27	\$1,239,115	\$3,975,546
Zone 7	1,213,216	\$1.42	\$1,722,766	3,013,426	\$0.35	\$1,054,699	\$2,777,465
Zone 8	1,682,498	\$1.42	\$2,389,147	4,021,856	\$0.41	\$1,648,961	\$4,038,109

Presort Bound Printed Matter

	Per Piece Component ⁽⁴⁾			Per Pound Component ⁽⁵⁾			Preliminary Total Revenue ⁽⁶⁾
	Pieces [A]	Per Piece Rate [B]	Revenue [C]	Pounds [D]	Per Pound Rate [E]	Revenue [F]	
Zones 1&2	317,818,921	\$0.865	\$274,913,367	815,205,469	\$0.060	\$48,912,328	\$323,825,695
Zone 3	65,536,390	\$0.865	\$56,688,977	164,276,451	\$0.085	\$13,963,498	\$70,652,475
Zone 4	44,374,361	\$0.865	\$38,383,823	105,129,653	\$0.129	\$13,561,725	\$51,945,548
Zone 5	31,838,742	\$0.865	\$27,540,512	65,684,459	\$0.197	\$12,939,838	\$40,480,350
Zone 6	12,616,190	\$0.865	\$10,913,004	24,064,460	\$0.272	\$6,545,533	\$17,458,537
Zone 7	9,604,011	\$0.865	\$8,307,469	18,673,784	\$0.359	\$6,703,889	\$15,011,358
Zone 8	12,205,433	\$0.865	\$10,557,700	23,863,897	\$0.429	\$10,237,612	\$20,795,312

Revenue Discounts

	Per Piece Component ⁽⁷⁾			Per Pound Component ⁽⁸⁾			Preliminary Total Discount ⁽⁹⁾
	Pieces [A]	Per Piece Discount [B]	Discount [C]	Pounds [D]	Per Pound Discount [E]	Discount [F]	
Carrier Route							
Zones 1&2	98,035,875	\$0.077	\$7,548,762	---	---	---	\$7,548,762
Zone 3	4,834,388	\$0.077	\$372,248	---	---	---	\$372,248
Zone 4	2,569,878	\$0.077	\$197,880	---	---	---	\$197,880
Zone 5	1,480,320	\$0.077	\$113,985	---	---	---	\$113,985
Zone 6	563,054	\$0.077	\$43,355	---	---	---	\$43,355
Zone 7	451,826	\$0.077	\$34,791	---	---	---	\$34,791
Zone 8	342,749	\$0.077	\$26,392	---	---	---	\$26,392
DBMC							
Zones 1&2	179,474,953	\$0.195	\$34,997,616	460,353,220	\$0.009	\$4,143,179	\$39,140,795
Zone 3	32,110,107	\$0.195	\$6,261,471	80,488,633	\$0.015	\$1,207,330	\$7,468,800
Zone 4	9,283,136	\$0.195	\$1,810,212	21,993,170	\$0.017	\$373,884	\$2,184,095
Zone 5	219,827	\$0.195	\$42,866	453,512	\$0.020	\$9,070	\$51,937
DSCF	77,063,071	\$0.195	\$15,027,299	197,686,763	\$0.034	\$6,720,670	\$21,747,969
DDU	35,567,571	\$0.195	\$6,935,676	91,230,814	\$0.036	\$3,284,309	\$10,219,986
Barcoding	108,061,720	\$0.030	\$3,241,852	---	---	---	\$3,241,852

Calculation of TYAR Revenue

Revenue Summary

	Per Piece Component ^{(1)(M)} [A]	Per Pound Component ^{(1)(I)} [B]	Total ^{(1)(H)} [C]
Single Piece Revenue Before Discounts	\$43,663,330	\$10,163,741	\$53,827,070
Adjusted			\$55,545,847
Presort Revenue Before Discounts	\$427,304,851	\$112,864,424	\$540,169,275
Adjusted			\$539,474,238
Total Revenue Discounts	-\$76,654,404	-\$15,738,442	-\$92,392,846
Net Revenue Before Fees	\$394,313,776	\$107,289,723	\$502,627,239
Total Fees			\$698,000
Net Revenue With Fees			\$503,325,239

Notes

- (1) Source: Rows [a] to [g]: [A]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Bb] to [Bh]: [B]: Adjusted Rate Schedules Workpaper (WP-BPM-16), [Aa]:
 Calculation: Rows [a] to [g]: [C] = [A] * [B].
- (2) Source: Rows [a] to [g]: [D]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Lb] to [LN]: [E]: Adjusted Rate Schedules Workpaper (WP-BPM-16), Row [a], columns [B] to [H], transposed:
 Calculation: Rows [a] to [g]: [F] = [D] * [E].
- (3) Calculation: Rows [a] to [g]: [G] = [C] + [F].
- (4) Source: Rows [h] to [p]: [A]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Eb] to [Eh]: [B]: Adjusted Rate Schedules Workpaper (WP-BPM-16), [Ah]:
 Calculation: Rows [h] to [p]: [C] = [A] * [B].
- (5) Source: Rows [h] to [p]: [D]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Mb] to [Mh]: [E]: Adjusted Rate Schedules Workpaper (WP-BPM-16), Row [b], columns [B] to [H], transposed:
 Calculation: Rows [h] to [p]: [F] = [D] * [E].
- (6) Calculation: Rows [h] to [p]: [G] = [C] + [F].
- (7) Source: Rows [q] to [w]: [A]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Db] to [Dh]: [B]: Inputs Workpaper (WP-BPM-1), Input [14a]:
 Rows [x] to [aa]: [A]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Fb] to [Fa]: [B]: Adjusted Rate Schedules Workpaper (WP-BPM-16), [Ab] - [Ac]:
 [Aab]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Cb]:
 [Bab]: Adjusted Rate Schedules Workpaper (WP-BPM-16), [Ab] - [Ad]:
 [Aac]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Hb]:
 [Bac]: Adjusted Rate Schedules Workpaper (WP-BPM-16), [Ab] - [Aa]:
 Calculation: Barcoded volume calculated from single piece and presort volumes (less ineligible presort pieces) and barcode shares:
 Calculation: [Aad] = (TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Be]) * (Inputs Workpaper (WP-BPM-1), Input [7]) + ((WP-BPM-27, [Ca]) - (WP-BPM-27, [Ca] / [Ea])) * (Sum of [Ax] to [Aaa]) * (WP-BPM-1, Input [9e]) + [Aac]) * (WP-BPM-1, Input [8]):
 [Bad]: Inputs Workpaper (WP-BPM-1), Input [14b], rounded to whole cents:
 Calculation: Rows [q] to [w]: [C] = [B] * [A].
- (8) Source: Rows [x] to [aa]: [D]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Nb] to [Ne]: [Dab]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Ob]: [Dac]: TYAR Pieces and Pounds Workpaper (WP-BPM-27), [Pb]:
 Calculation: Rows [x] to [aa]: [E] = (Adjusted Rate Schedules (WP-BPM-16), columns [B] to [E], row [b] - row [c]), transposed:
 [Eab] = (WP-BPM-16, [Bb] - [Bd]):
 [Eac] = (WP-BPM-16, [Bb] - [Be]):
 Rows [x] to [ac]: [F] = [D] * [E].
- (9) Calculation: Rows [q] to [w]: [C] = [C] + [F].
- (10) Calculation: [Aae] = Sum of [Ca] to [Cg]:
 [Aag] = Sum of [Ch] to [Cp]:
 [Aaj] = (Sum of [Cq] to [Csd]) * (1);
 [Aak] = [Aae] + [Aag] + [Aaj]:
- (11) Calculation: [Bae] = Sum of [Fa] to [Fg]:
 [Baj] = Sum of [Fh] to [Fp]:
 [Baj] = (Sum of [Fa] to [Fac]) * (1);
 [Bak] = [Bae] + [Baj] + [Baj]:
- (12) Calculation: [Cae] = [Aae] + [Bae]:
 [Caf] = [Cae] * (Inputs Workpaper (WP-BPM-1), Input [4]):
 [Cag] = [Aag] + [Baj]:
 [Cah] = [Cag] * (Inputs Workpaper (WP-BPM-1), Input [5]):
 [Caj] = [Aaj] + [Baj]:
 [Cak] = [Caf] + [Cah] + [Caj]:
 Source: [Cam]: Inputs Workpaper (WP-BPM-1), Input [17]:
 Calculation: [Can] = [Cak] + [Cam].

	Volume ⁽¹⁾ [A]	Cost ⁽²⁾ [B]	Revenue ⁽³⁾ [C]	Cost Coverage ⁽⁴⁾ [D]	Cost Per Piece ⁽⁵⁾ [E]	Revenue Per Piece ⁽⁶⁾ [F]	Contribution Per Piece ⁽⁷⁾ [G]
(a) Before Rates	541,975,772	\$493,423,725	\$492,553,900	99.8%	\$0.91	\$0.91	\$0.00
(b) After Rates	524,742,871	\$479,203,900	\$503,325,239	105.0%	\$0.91	\$0.96	\$0.05
(c) Per Piece Changes					0.3%	5.5%	---

Notes

[1] Source: [Aa]: Inputs Workpaper (WP-BPM-1), Input [6];
[Ab]: Inputs Workpaper (WP-BPM-1), Input [10].

[2] Costs include contingency:
Calculation: [Ba] = (Inputs Workpaper (WP-BPM-1), Input [11] * (1 + Input [3]));
[Bb] = (Inputs Workpaper (WP-BPM-1), Input [15] * (1 + Input [3])).

[3] Revenues include Fees:
Calculation: [Ca] = (TYBR Revenue Workpaper (WP-BPM-13), [Gk] + [Gv])
- (Revenue Leakages Workpaper (WP-BPM-12), [Ga]) * (Inputs Workpaper (WP-BPM-1), Input [22] / Input [14a])
- (TYBR Pounds and Pieces Workpaper (WP-BPM-9), [Ba]) * (WP-BPM-1, Input [7] * Input [23])
- (TYBR Pounds and Pieces Workpaper (WP-BPM-9), [Ca]) * (WP-BPM-1, Input [8] * Input [23])
+ (WP-BPM-1, Input [16]);
Source: [Cb]: TYAR Revenue Calculation Workpaper (WP-BPM-28), [Can].

[4] Calculation: [D] = [C] / [B].

[5] Calculation: Rows [a] and [b]: [E] = [B] / [A];
[Ec] = [Eb] / [Ea] - 1.

[6] Calculation: Rows [a] and [b]: [F] = [C] / [A];
[Fc] = [Fb] / [Fa] - 1.

[7] Calculation: Rows [a] and [b]: [G] = [F] - [E];
[Gc] = [Gb] / [Ga] - 1.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document, by First-Class Mail,
upon the participants in this proceeding.

Date: May 22, 2000


John R. Przepyszny