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POSTAL RATE COMMISSION  
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**Docket No. R2001-1**

**USPS-LR-J-119**

**TY LOT Cost Savings Estimate for Periodicals  
Carrier Route Basic**

**Introduction**

This library reference provides the supporting documentation and analyses used to estimate the test year cost savings associated with required line-of-travel preparation of Periodicals Carrier Route Basic. This is a Category 2 Library Reference associated with the testimony of witness Schenk (USPS-T-43). This library reference updates USPS-LR-I-307/R2000-1 with test year costs and volumes. The methodology used in this analysis is described below.

This library reference relies on other witnesses' library references in this docket and in previous dockets. The following sources are used:

- USPS-LR-I-307/R2000-1: test year (2001) cost estimate for LOT Periodicals Carrier Route Basic.
- USPS-LR-J-53: test year city carrier wage rates.
- USPS-LR-J-125, Table 125-1: test year before rates Periodicals volumes.

Witness Patelunas (USPS-T-12) uses the results of this cost savings estimate in the final roll forward adjustments.

**Organization**

This library reference consists of one Excel spreadsheet (Table 1) in workbook 'LR-J-119.xls.' Table 1 is provided below, and an electronic copy of this workbook is provided on the accompanying diskette.

The shaded area in the spreadsheet summarizes the calculations done in USPS-LR-I-307 to obtain a test year (2001) LOT per piece cost savings estimate. This cost estimate was inflated by a carrier cost adjustment factor and then multiplied by test year before rates volumes to obtain the test year cost savings estimates for Periodicals Carrier Presort Basic.

**Table 1: TY LOT Savings Estimate for Periodicals Carrier Presort Basic**

LOT Savings for Standard ECR Basic Flats						
	Carrier In-Office Costs (000)	Total Volumes (000)	Cost Per Piece (cents)	Savings (cents)	Wage Adjustment Factor	Percent of Periodicals in bundles of 10+
1995	\$143,768	8,039,971	1.79	0.65	1.055	
1998	\$137,404	11,093,198	1.24	0.74	1.140	71.1%
2001						
2003						
				Estimated Savings for Periodicals (cents)	Estimated LOT Savings for Periodicals	Periodicals Carrier Route Basic Volume*
				0.53	\$23,105,903	4,400,000,000
				[1]		
				Outside	\$23,554,843	3,814,454,420
				Within	\$3,155,041	510,925,160
				Total	\$26,709,884	4,325,379,580

[1] estimate of per piece savings from USPS-LR-I-307/R2000-1

[2] Test Year Before Rates Volumes (Source: USPS-LR-J-125, Table 125-1)

[3] ((1) / 100) \* [5] \* [2]

[4] USPS-LR-J-53

[5] ty city carrier wage / by city carrier wage

by	City Carrier Wage	Wage Adjustment Factor
2000	27.74	
2003	32.62	1.175919