

USPS-T-37

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

DIRECT TESTIMONY
OF
SAMUEL J KOROMA
ON BEHALF OF
THE UNITED STATES POSTAL SERVICE

CONTENTS

TABLE OF CONTENTS.....	i
LIST OF TABLES.....	iv
AUTOBIOGRAPHICAL SKETCH.....	v
I. PURPOSE AND SCOPE.....	1
II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION	2
III. PRICING AND CLASSIFICATION CRITERIA.....	3
IV. PROPOSALS	5
A. Address Changes for Election Boards.....	5
1. Proposal.....	5
2. Description	5
3. Revenue Trends.....	6
4. Fee History	7
5. Fee Design.....	7
6. Pricing Criteria.....	7
B. Address Correction	8
1. Proposal	8
2. Description	9
3. Volume Trends	10
4. Revenue Trends	11
5. Fee History	11
6. Fee Design	12
7. Pricing Criteria	12
C. Bulk Parcel Return Service	13
1. Proposal	13
2. Description	14
3. Volume Trends.....	15
4. Revenue Trends.....	15
5. Fee History.....	15
6. Fee Design.....	16
7. Pricing Criteria.....	17
D. Carrier Sequencing of Address Cards	18
1. Proposal.....	18
2. Description	18
3. Fee History	19
4. Fee Design	20
5. Pricing Criteria.....	20

1	E.	Certificates of Mailing	21
2		1. Proposal	21
3		2. Description	22
4		3. Volume Trends	23
5		4. Revenue Trends	23
6		5. Fee History	24
7		6. Fee Design	24
8		7. Pricing Criteria.....	25
9			
10	F.	Collect On Delivery	26
11		1. Proposal	26
12		2. Description	27
13		3. Volume Trends	28
14		4. Revenue Trends	29
15		5. Fee History	29
16		6. Fee Design	30
17		7. Pricing Criteria	30
18			
19	G.	Correction of Mailing Lists	31
20		1. Proposal	31
21		2. Description	32
22		3. Revenue Trends.....	33
23		4. Fee History.....	33
24		5. Fee Design.....	34
25		6. Pricing Criteria.....	34
26			
27	H.	Money Orders	35
28		1. Proposal	35
29		2. Description	36
30		3. Volume Trends	38
31		4. Revenue Trends	38
32		5. Fee History	39
33		5. Fee Design	40
34		5. Classification Criteria	41
35		5. Pricing Criteria	42
36			
37	I.	On-Site Meter Settings.....	44
38		1. Proposal	44
39		2. Description	45
40		3. Revenue Trends	45
41		4. Fee History	46
42		5. Fee Design	47
43		6. Classification Criteria	47
44		7. Pricing Criteria.....	48
45			
46			

1	J.	Periodicals Application Fees	49
2		1. Proposal	50
3		2. Description	50
4		3. Revenue Trends	50
5		4. Fee History	51
6		5. Fee Design	52
7		8. Pricing Criteria.....	52
8			
9	K.	Permit Fees	52
10		1. Proposal	52
11		2. Description	53
12		3. Fee History	54
13		4. Fee Design	54
14		6. Pricing Criteria.....	54
15			
16	L.	Registered Mail	55
17		1. Proposal	55
18		2. Description	58
19		3. Volume Trends	59
20		4. Revenue Trends	59
21		5. Fee History	59
22		6. Fee Design.....	60
23		7. Classification Criteria	60
24		8. Pricing Criteria	61
25			
26	M.	Restricted Delivery.....	62
27		1. Proposal	62
28		2. Description	63
29		3. Volume Trends	63
30		4. Revenue Trends	64
31		5. Fee History	64
32		6. Fee Design	64
33		7. Pricing Criteria	65
34			
35	N.	ZIP Coding of Mailing Lists	65
36		1. Proposal.....	65
37		2. Description	66
38		3. Revenue Trends	66
39		4. Fee History.....	67
40		5. Fee Design.....	67
41		6. Pricing Criteria.....	67
42			
43	V.	CONCLUSION	69
44			
45	VI.	SPONSORED LIBRARY REFERENCE: USPS-LR-J-110 – Supporting	
46		Materials for Testimony of Witness Koroma	

LIST OF TABLES

Table 1 - Address Changes for Election Boards Current and Proposed Fees.....	5
Table 2 - Address Correction Current and Proposed Fees.....	9
Table 3 - Bulk Parcel Return Service Current and Proposed Fees	13
Table 4 - Carrier Sequencing of Address Cards Current and Proposed Fees	17
Table 5 - Certificates of Mailing Current and Proposed Fees	21
Table 6 - Collect On Delivery Current and Proposed Fees.....	26
Table 7 - Correction of Mailing Lists Current and Proposed Fees.....	30
Table 8 - Money Orders Current and Proposed Fees.....	35
Table 9 - On-Site Meter Service Current and Proposed Fees.....	43
Table 10 - Periodicals Application Fees Current and Proposed Fees.....	48
Table 11 - Permit Fees Current and Proposed Fees.....	51
Table 12 - Registered Mail Current and Proposed Fees.....	55
Table 13 - Restricted Delivery Current and Proposed Fees.....	60
Table 14 - ZIP Coding of Mailing Lists Current and Proposed Fees	63

AUTOBIOGRAPHICAL SKETCH

My name is Samuel J Koroma. I am currently an economist in the office of Classification and Product Development, Pricing and Classification, at the United States Postal Service. My primary responsibilities have included the development of a permanent Ride-Along classification and rate as embodied in USPS-T-44. I provided substantial technical support in Docket No. R2000-1 by developing Standard Mail billing determinants; reconciling and updating the rate, revenue, and volume histories; and assisting the Special Services witness.

Prior to becoming a career Postal employee, I worked first as an intern in 1995 and later as a consulting economic analyst in the National Mail Transportation Purchasing division of the United States Postal Service. My responsibilities included conducting various economic studies on different modes of transportation. Specifically, I worked extensively in developing a benchmark price (container rate) for the Indianapolis Hub and Spoke Program (HASP) and provided substantial technical support in the development of the Fuel Management Program. This is my first testimony before the Commission.

I earned a Master of Arts degree in Economics from Howard University, Washington, DC, and also hold a Bachelor of Science degree in Economics from the University of Sierra Leone.

1 **I. PURPOSE AND SCOPE**

2

3 The purpose of my testimony is to propose fee changes and classification
4 changes for the following special services: address changes for election boards,
5 address correction, bulk parcel return service (BPRS), carrier sequencing of
6 address cards, certificates of mailing, collect on delivery (COD), correction of
7 mailing lists, money orders, on-site meter service, Periodicals application fees,
8 permit fees, registered mail, restricted delivery, and ZIP Coding of mailing lists.

9 The classification changes proposed in my testimony affect money orders,
10 registered mail, and on-site meter service.

11 The discussion on each special service in this testimony will demonstrate
12 the need for fee and classification changes by showing how each of the
13 proposals is consistent with the statutory criteria, where applicable.¹

¹ Where no fee changes are proposed, the pricing criteria are not discussed in detail.

1 **II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION**

2

3 In addition to my testimony, I provide supporting spreadsheets, in hard copy
4 and electronic formats, in Library Reference USPS-LR-J-110. My testimony also
5 references special service revenue and volume histories in Library Reference
6 USPS-LR-J-92, and the special service fee history in Library Reference USPS-
7 LR-J-93.

III. PRICING AND CLASSIFICATION CRITERIA

Proposed fee changes presented in this testimony were designed using the following pricing criteria from Section 3622(b) of Title 39, United States Code:

1. the establishment and maintenance of a fair and equitable schedule;
2. the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to, the collection, mode of transportation, and priority of delivery;
3. the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;
4. the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;
5. the available alternative means of sending and receiving letters and other mail matter at reasonable costs;
6. the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;
7. simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services;
8. the educational, cultural, scientific, and informational value to the recipient of mail matter; and
9. such other factors as the Commission deems appropriate.

1 Proposed classification changes presented in this testimony were
2 developed using the following classification criteria from Section 3623(c) of Title
3 39, United States Code:

- 4
5 1. the establishment and maintenance of a fair and equitable
6 classification system for all mail;
7
- 8 2. the relative value to the people of the kinds of mail matter entered
9 into the postal system and the desirability and justification for
10 special classifications and services of mail;
11
- 12 3. the importance of providing classifications with extremely high
13 degrees of reliability and speed of delivery;
14
- 15 4. the importance of providing classifications which do not require an
16 extremely high degree of reliability and speed of delivery;
17
- 18 5. the desirability of special classifications from the point of view of
19 both the user and the Postal Service; and
20
- 21 6. such factors as the Commission may deem appropriate.
22

IV. PROPOSALS

A. Address Changes for Election Boards

1. Proposal

The Postal Service is proposing to increase the current fee of 23 cents to 27 cents for the address changes for election boards special service, resulting in a 17 percent increase to the current fee. The proposed cost coverage is 103 percent. Table 1 below presents the current and proposed fees for address changes for election boards.

Table 1 - Address Changes for Election Boards

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Per Change of Address	\$0.23	\$0.27	17%

2. Description

To keep address lists current, election boards or voter registration commissions may use the "Return Service Requested" endorsement and/or the National Change of Address (NCOA) system. Individual postmasters provide change-of-address information through this special service to the board or commission for an applicable fee. An authorized official of the board or

1 commission submits a written request to the district manager for address
2 management systems asking for change-of-address information from specific
3 post offices. Upon approval, an agreement is signed by the board or
4 commission official outlining the terms under which the change-of-address
5 information can be released. The postmasters of the individual offices in the
6 request are responsible for providing the change-of-address information to the
7 boards and commissions. The boards and commissions pay the post offices
8 performing the service directly. Irrespective of the number of changes made on
9 the card and whether or not the individual is on the board's or commission's
10 established list, a flat fee is charged per address card change.

11 12 3. Revenue Trends

13
14 There has been a significant fluctuation in revenue for election board
15 changes since 1980. The annual revenue of \$1 million in 1980 rose steadily to
16 \$3.8 million in 1993, before beginning to decline significantly. Over the period
17 1993 - 2000, election board changes revenue decreased by 94 percent. A
18 detailed revenue history for election board changes is presented in Library
19 Reference J-92.

4. Fee History

Since Postal Reorganization, the fee for address changes furnished to election boards and registration commissions has increased five times. In 1976, the fee increased 100 percent over the initial fee of 5 cents, in place since the origin of the service in 1961. The fee for address changes increased by 30 percent in 1981, by 15 percent in 1985, and by 13 percent in 1995. As a result of Docket No. R2000-1, in 2001 the fee increased by 35 percent to its current level of 23 cents. A detailed fee history for address changes for election boards is presented in Library Reference USPS-LR-J-93.

5. Fee Design

The proposed 27-cent fee was designed by using the correction of mailing lists cost, including contingency, of 26.3 cents² as a proxy, and rounding up to the nearest whole cent, thereby conforming to a penny constraint.

6. Pricing Criteria

Due to the pivotal role played by election boards in our democracy, the potential adverse effect of any fee increase on election boards was a major consideration (Criterion 4). Furthermore, in recognition of the public service

² Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

function performed by address changes for election boards and voter registration, a low cost is proposed. The 103 percent proposed cost coverage covers the cost for this service and at the same time provides a minimal contribution to institutional costs (Criterion 3). Address changes for election boards and registration commissions provide a significant value to voter registration commissions (Criterion 2), which can maintain accurate names and address lists for their respective precincts, and further promote correct registration of voters. Also, fundamental in keeping a low markup over costs for address changes is the consideration that accurate addresses reduce costs for the Postal Service (Criterion 6). Based on the aforementioned criteria, the proposed fee for address changes for election boards is fair and equitable (Criterion 1).

B. Address Correction

1. Proposal

The Postal Service is proposing one change to the current address correction service fees. The manual address correction fee of 60 cents is proposed to increase by 17 percent to 70 cents. No change is proposed for the automated address correction fee currently at 20 cents. The proposed implicit cost coverages are 132 percent for manual corrections and 136 percent for automated corrections. The proposed overall cost coverage for address

correction is 134 percent. Table 2 below presents the current and proposed address correction fees.

Table 2 - Address Correction

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Per manual correction	\$0.60	\$0.70	17%
Per automated correction	\$0.20	\$0.20	0%

2. Description

The Postal Service provides address correction service to mailers who wish to receive a forwarding address, correct address, or a reason why mail is undeliverable. Notifications of address correction are sent to mailers either through a manual address correction service or an automated address correction service. Address correction service is available alone or in combination with forwarding and return service. In order to receive address correction service, mailpieces must bear a preprinted endorsement. Address corrections are provided on the mailpieces whenever possible for First-Class Mail, Express Mail, Standard Mail, and Package Services. There is no charge for “on-piece” corrections; however, depending upon the mail class, return postage can be assessed. Periodicals mailers may request either on-piece corrections or separate notices of address corrections (for a fee). Address correction service is

1 automatically provided for periodicals for 60 days after a change-of-address
2 order is filed³.

3 Manual address correction service provides a photocopy of the mail
4 piece with the recipient's forwarding address on a USPS Form 3547 card for
5 First-Class Mail, Standard Mail, or Package Services. Automated address
6 correction service is an electronic notification service providing changes of
7 address and reasons for non-delivery.

8 In 2000, 77 percent of address corrections were automated and 23
9 percent were manual. With respect to the individual address correction by
10 subclass in 2000, Standard Mail bulk automated corrections accounted for 44
11 percent, First-Class manual corrections accounted for 20 percent and Periodicals
12 automated corrections accounted for 21 percent of the total address correction
13 volume.

14 15 3. Volume Trends

16
17 Address correction volume has fluctuated substantially since Postal
18 Reorganization. Overall, volume surged tremendously between 1990 and 1999
19 resulting in a 195 percent increase over that time period. This increase, in part,
20 can be attributed to increased public awareness of automated address
21 corrections that were introduced in 1991. However, although the volume has
22 grown steadily over the past few years, it decreased by 17 percent in 2000. A

³ After 60-day period, or if undeliverable, address correction fee charged.

1 detailed volume history for address corrections is presented in Library Reference
2 USPS-LR-J-92.

4 4. Revenue Trends

6 Address correction revenue has increased fairly consistently since
7 Postal Reorganization. Address correction revenue increased 166 percent from
8 1990 to 1999. However, there was a sharp decline in revenue in 2000, reflecting
9 the volume decline. A detailed revenue history for address correction service is
10 presented in Library Reference USPS-LR-J-92.

12 5. Fee History

14 The original 10-cent fee for manual address corrections has increased
15 six times since Postal Reorganization. The fee changed twice in 1976,
16 representing a 30 percent increase and a 92 percent increase respectively. In
17 past dockets the fee has increased 20 percent, 17 percent, and 43 percent in
18 1985, 1991, and 1995 respectively. As a result of Docket No. R2000-1, in 2001
19 the manual address correction fee increased 20 percent to the current level of 60
20 cents. The 20-cent fee for automated address corrections has remained the
21 same since its introduction in 1991. A detailed fee history for address corrections
22 is presented in Library Reference USPS-LR-J-93.

6. Fee Design

The proposed fee for manual address correction was designed by applying a reasonable mark up to the test year unit cost including contingency of 53 cents⁴ with appropriate rounding. Similarly, due to continued cost stability, the proposed unchanged fee for automated address corrections was designed to attain a reasonable cost coverage by marking up the per piece test year cost with contingency of 14.7 cents⁵, with appropriate rounding.

7. Pricing Criteria

Providing correct delivery addresses to mailers enhances the degree of mail preparation and ultimately reduces Postal Service mail processing cost (Criterion 6). Furthermore, retaining the 20-cent fee for automated address correction service reflects mailer effort in reducing postal costs by encouraging customers to utilize the low-cost electronic alternative. At the proposed fees, mailers are encouraged to regularly update their address files resulting in less forwarding and return mail; thus address correction service provides a relative high value to its users (Criterion 2). Maintaining a fee structure for address correction service priced at nickel increments promotes continued fee simplicity (Criterion 7). By providing an adequate implicit cost coverage, with an overall cost coverage of 134 percent, the proposed fees cover the cost of the service

⁴ Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

⁵ Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

1 and contribute a reasonable amount to institutional costs (Criterion 3). The
2 proposed fee differential between automated and manual address correction is
3 fair and equitable reflecting the respective processing effort and costs of the
4 respective services (Criterion 1).

6 **C. Bulk Parcel Return Service (BPRS)**

8 1. Proposal

9
10 The Postal Service is proposing to increase the current fee per piece
11 returned from \$1.62 to \$1.80 for bulk parcel return service, resulting in an 11
12 percent increase to the current fee. The annual permit fee is proposed to
13 increase by 20 percent from \$125 to \$150.⁶ The annual accounting fee is
14 proposed to increase from \$375 to \$475.⁷ The proposed implicit cost coverage
15 for the per piece fee is 142 percent and the overall cost coverage for bulk parcel
16 return service is 141 percent. Table 3 below presents the current and proposed
17 fees for bulk parcel return service.

⁶ See my discussion on permit fees later in this testimony.

⁷ See witness Mayo's testimony (USPS-T-36) for discussion of the annual accounting fee.

Table 3 – Bulk Parcel Return Service (BPRS)

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Per returned piece	\$1.62	\$1.80	11%
Annual Permit Fee	\$125.00	\$150.00	20%
Annual Accounting Fee	\$375.00	\$475.00	27%

2. Description

BPRS is a special service that allows high-volume machinable Standard Mail parcel mailers to have parcels that are either undeliverable-as-addressed, or opened and remailed by addressees, returned to designated postal facilities. The Postal Service gives the mailer an option to either pick up returned parcels from a designated postal facility at a frequency prescribed by the Postal Service or have them delivered by the Postal Service in a manner and frequency prescribed by the Postal Service. In addition to an annual permit fee, mailers pay a per-piece fee for the returned parcels and an accounting fee. Postage is not charged for pieces returned through BPRS. The per-piece fee is deducted from a centralized advance deposit account. BPRS is restricted to those mailers who can demonstrate they either have a high probability of receiving, or do, in fact,

1 receive 10,000 returned machinable parcels per year. BPRS can be used in
2 conjunction with shipper paid forwarding service.

3 4 3. Volume Trends

5
6 The number of companies using the service and the annual transactions has
7 been relatively low. Specifically, in 1998, the first year, volume totaled 1,163,000
8 transactions. In 1999, volume decreased by 15 percent to 985,000, and in 2000
9 volume decreased another 3 percent to 952,000 transactions.

10 11 4. Revenue Trends

12
13 Total revenue from transactions, similar to volume was relatively low
14 during the first 3 years that BPRS was available. Total revenue was \$2,036,000
15 in 1998, and it declined 15 percent to \$1,723,000 in 1999. In 2000 revenue
16 decreased by 3 percent to \$1,667,000.

17 18 5. Fee History

19
20 BPRS was first introduced by the Postal Service in 1997. When first
21 implemented, the annual permit fee for bulk parcel mailers was set at \$85 and
22 the fee for each parcel returned was set at \$1.75. In 1999, the annual permit fee

1 was increased by 18 percent to \$100 a year, but the returned parcel fee was not
2 changed.

3 As a result of Docket No. R2000-1, in 2001 the annual permit fee was
4 increased by 25 percent to the current \$125; however, the returned parcel fee
5 was decreased about 7 percent to the current \$1.62. In addition, for the first
6 time, BPRS customers were assessed an annual accounting fee of \$375 for the
7 establishment and maintenance of an advance deposit account.

8 9 6. Fee Design

10
11 Although one consideration in designing a fee for a high value special
12 service like bulk parcel return service is attaining a cost coverage that is close to
13 the systemwide cost coverage, the BPRS fee is designed in this case to keep the
14 percentage increase not too far above the systemwide average increase. This
15 approach mitigates the impact on BPRS customers and the resulting cost
16 coverage is substantially lower than the systemwide average. A nickel rounding
17 constraint was applied.

18 The BPRS permit fee and the accounting fee is set equal to other permit
19 and accounting fees ⁸.

⁸ See my discussion of the Permit Imprint fee design and witness Mayo (USPS-T-36) accounting fee design testimony.

7. Pricing Criteria

BPRS provides a high value of service to the companies receiving the returned parcels (Criterion 2). The recent extension of this service to opened and resealed parcels enhances its value. Moreover, this service offers an additional convenience to both the mailer and the recipient. The recipient has the option to return the parcel at no cost, and the mailer, by offering this option, promotes customer satisfaction and maintains its customer base. The mailer also receives the returned parcel allowing reuse of undamaged merchandise.

The proposed BPRS fees covers costs and make a reasonable contribution to other costs with a cost coverage of 141 percent (Criterion 3). Although the nature of this service dictates a cost coverage that should be closer to systemwide average, the possible adverse effect of the above-average fee increase on users of this service was taken into consideration (Criterion 4). The proposed fee is fair and equitable and reflects a full consideration of the criteria, (Criterion 1). The proposed single structure fee is simple (Criterion 7).

Having a uniform annual permit fee⁹ and accounting fee¹⁰ for the applicable special services promotes not only simplicity of the special services fee schedule, but also promotes simple, identifiable relationships and consistency between services with similar permit and accounting requirements (Criterion 7).

⁹ See my discussion on permit fee on page 52.

¹⁰ See witness Mayo's discussion on the accounting fee (USPS-T-36)

D. Carrier Sequencing of Address Cards

1. Proposal

The Postal Service is proposing to increase the fee for the carrier sequencing of address cards service from 25 cents to 30 cents for chargeable corrections. This proposal results in a 114 percent cost coverage. Table 4 below presents the current and proposed fees for carrier sequencing of address cards.

Table 4 - Carrier Sequencing of Address Cards

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Per correction	\$0.25	\$0.30	20%

2. Description

Carrier sequencing of address cards is a special service that provides mailers with addresses on a route sorted into delivery sequence. On arrival at the post office, the cards are separated by carrier route and given to a postal employee knowledgeable about a specific route to perform the requested sequencing services. The post office returns the cards to the mailer and bills them the applicable fees after sequencing.

Three levels of address card sequencing service are currently being offered by the Postal Service. At the first level, basic carrier route walk

1 sequencing of cards is performed, including the removal of cards with
2 undeliverable or incorrect addresses. The second level includes the prescribed
3 service of the first level with the added service of inserting blank cards indicating
4 missing addresses. The third level includes the same service as the second level
5 plus the inclusion of completed cards providing new or omitted addresses.

6 The Postal Service charges a per card fee for each card removed due to
7 an incorrect or undeliverable address and for each card added with a new
8 address. The Postal Service does not charge mailers for sequencing the cards in
9 carrier route walk sequence, inserting blank cards showing a range of missing
10 addresses, converting a rural address to a city delivery address, or for limited
11 address corrections.¹¹

12 13 3. Fee History

14
15 The 1961 fee for card sequencing chargeable corrections (including
16 deletions and insertions) remained stable for 15 years at 5 cents per card
17 changed, until 1976. The fee was increased 100 percent in 1976, 30 percent in
18 1981, 15 percent in 1985, 13 percent in 1995, and 18 percent in 1999. As a
19 result of Docket No. R2000-1, the fee increased by 18 percent to the current 25
20 cents in 2001. A detailed fee history for carrier sequencing of address cards is
21 presented in Library Reference USPS-LR-J-93.

4. Fee Design

The proposed fee for carrier sequencing of address cards was developed by marking up the per piece correction of mailing lists cost of 26.3 cents¹². The correction of mailing lists cost per correction was used as a proxy and a reasonable rounding constraint was applied.

5. Pricing Criteria

Carrier sequencing of address cards provides a relatively high value to its users (Criterion 2). Sequencing of address cards saves time and also enhances a smooth operation between businesses and customers by ensuring proper addressing by businesses. By sequencing address cards mailers are given the opportunity to prepare cleaner mail that results in lowering processing costs for the Postal Service (Criterion 6). The proposed fee per card covers the cost of the service and makes a reasonable contribution to other costs (Criterion 3). The proposed fee maintains a simple identifiable relationship with the correction of mailing lists fee (Criterion 7). To mitigate the effect of the increase on users, a lower markup is justified (Criterion 4). A lower markup also would ensure that those mailers, who do not have ready access to other means to correct mailing lists, have a more affordable manual means.

¹¹If obvious omissions or errors (not those omissions or errors that would affect delivery) are noticed during sequencing, corrections are allowed to be made free-of-charge. Otherwise, an incorrect address would not be corrected free-of-charge.

¹² Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

1 All of these manual list correction services perform a vital function in
2 ensuring that smaller customers have a means to obtain correct addresses. At
3 the same time, they are a relatively labor intensive processes for the Postal
4 Service to perform in order to meet the very small demand for the manual update
5 mailing lists. We believe it is appropriate in the future for the Postal Service to
6 examine if there are other alternatives to help small companies and other
7 organizations with their address hygiene.

9 **E. Certificates of Mailing**

11 **1. Proposal**

13 The Postal Service is proposing an overall 21 percent increase to
14 certificates of mailing fees. The proposed changes are presented in Table 5. The
15 resulting overall cost coverage for certificates of mailing is 136 percent.

Table 5 - Certificates of Mailing

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
<u>Individual Pieces</u>			
Original Certificate	\$0.75	\$0.90	20%
Firm Mailing Book	\$0.25	\$0.30	20%
Each Additional Copy	\$0.75	\$0.90	20%
<u>Bulk Pieces</u>			
First 1,000 pieces	\$3.50	\$4.50	29%
Each additional 1,000 Pieces or fraction	\$0.40	\$0.50	25%
Duplicate Copy	\$0.75	\$0.90	20%

2. Description

Certificates of mailing are provided for mailers who wish to retain an independent verification that mail has been presented to the Postal Service for mailing. This service provides evidence of mailing but does not provide a record of delivery. There are three types of certificates of mailing: 1) Form 3817 for verification of single piece First-Class Mail (including Priority Mail) or Package Services; 2) Form 3877 for verification of mailings of three or more pieces recorded in a firm book or customer manifest, and 3) Form 3606 for verification of a bulk mailing.

3. Volume Trends

The volume of certificate of mailing service declined from an average of about 30 million pieces annually during the 1980s to an average of less than 20 million pieces annually from 1990 to 1998. From 1998 to 1999, certificate of mailing experienced its largest decrease since Postal Reorganization, declining by 82 percent to 3.4 million pieces. From 1999 to 2000, certificate of mailing volume decreased again by 14 percent to the current level of 2.9 million. Possible contributing factors to the volume decline include expedited delivery firms that provide evidence of mailing and delivery and electronic transmission of data such as email and Fax that typically provide a report of transmission. A detailed volume history for certificates of mailing is presented in Library Reference USPS-LR-J-92.

4. Revenue Trends

The revenue for certificate of mailing service increased gradually from about \$1.3 million during the early 1970s to a high of \$14.6 million in 1984. However certificate of mailing revenue has declined considerably since that time. Over the past 10 years, certificate of mailing revenue decreased 62 percent to the current level of \$4.4 million. Over the past 5 years, with the exception of 1998 when revenue increased by 21 percent, certificate of mailing revenue has

1 remained relatively constant. A detailed revenue history for certificates of mailing
2 is presented in Library Reference USPS-LR-J-92.

4 5. Fee History

6 The fees for certificates of mailing have changed ten times since Postal
7 Reorganization, twice in 1976, and in 1978, 1981, 1985, 1988, 1991, 1995, 1999,
8 and 2001. A 15-cent fee for a firm mailing book was introduced in 1985. As a
9 result of Docket No. R2000-1, in 2001 the fee for an original certificate or copy
10 increased 25 percent to \$0.75, the fee for a bulk certificate increased 17 percent
11 to \$3.50, and the fee for an additional bulk certificate increased 25 percent to
12 \$0.75. The fee for a firm mailing book was not increased in 2001. A detailed fee
13 history for certificates of mailing is presented in Library Reference USPS-LR-J-
14 93.

16 6. Fee Design

18 The proposed certificate of mailing fees were designed to attain a
19 moderate overall cost coverage of 136 percent. The unit cost including
20 contingency of 66 cents¹³ for the basic certificate was marked up by 24 cents to
21 attain an implicit cost coverage of 137 percent; the firm mailing book unit cost of

¹³ Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

23 cents¹⁴ was marked up by 7 cents to attain an implicit cost coverage of 132 percent; the first 1,000 bulk cost of \$3.42¹⁵ was marked up by \$1.08 to attain an implicit cost coverage of 132 percent; and, the additional 1,000 bulk cost of 34 cents¹⁶ was marked up by 6 cents to attain an implicit cost coverage of 147 percent, with each fee conforming to a nickel rounding constraint.

7. Pricing Criteria

Certificates of Mailing service provides a high value of service to individuals requiring evidence of mailing (Criterion 2). Certificate of mailing service provides evidence that mail has been presented to the Postal Service for mailing. The lower than systemwide cost coverage and moderate increases proposed ensure that the proposed fees will have little adverse effect on its users (Criterion 4). Despite the low cost coverage for a service of this nature, the proposed fees individually cover the costs of the service and provide a reasonable contribution to other costs (Criterion 3). The proposed fees maintain a simple identifiable relationship (Criterion 7). Based on the aforementioned criteria, the proposed certificate of mailing fees are fair and equitable (Criterion 1).

¹⁴ Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

¹⁵ Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

F. Collect On Delivery

1. Proposal

The Postal Service is proposing no change to the current Collect on Delivery (COD) fees with the exception of the restricted delivery fees. The registered COD fee, the notice of non-delivery fee, and the fee for COD alteration are also proposed to remain the same at \$4.00, \$3.00, and \$3.00 respectively. The proposed overall cost coverage for COD service is 140 percent. Table 6 on the next page presents the current and proposed COD fees.

¹⁶ Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

1

Table 6 - Collect on Delivery (COD)

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Amount to be collected, or insurance coverage desired:			
Value up to \$50	\$4.50	\$4.50	0%
\$100	\$5.50	\$5.50	0%
\$200	\$6.50	\$6.50	0%
\$300	\$7.50	\$7.50	0%
\$400	\$8.50	\$8.50	0%
\$500	\$9.50	\$9.50	0%
\$600	\$10.50	\$10.50	0%
\$700	\$11.50	\$11.50	0%
\$800	\$12.50	\$12.50	0%
\$900	\$13.50	\$13.50	0%
\$1,000	\$14.50	\$14.50	0%
Registered COD	\$4.00	\$4.00	0%
Notice of Non-Delivery	\$3.00	\$3.00	0%
Alteration of COD	\$3.00	\$3.00	0%
Restricted Delivery	\$3.20	\$3.50	9%

2

3

4 **2. Description**

5

6 Collect on Delivery allows mailers to mail an article for which they have

7 not been paid and has its price and the postage and fees collected from the

8 recipient. Upon delivery, the recipient may pay the amount due by check payable

9 to the mailer, postal money order, or cash. The Postal Service forwards any

10 checks to the mailer. If the recipient pays the amount due in cash, the Postal

1 Service converts the cash into money order(s), collects the money order fee(s)
2 from the recipient and sends the postal money order(s) to the mailer. The COD
3 fee is determined by the amount to be collected or the amount of insurance
4 coverage desired whichever is greater. The amount collected from the recipient
5 may not exceed \$1,000.

6 COD is available for First-Class Mail, Express Mail, and Package
7 Services. Mailers can also purchase restricted delivery service or a return
8 receipt. COD mailers may alter the COD charges or direct delivery to a new
9 addressee by filling out a request and paying an additional fee. Also, for an
10 additional fee, mailers may request a notice when COD mail is not delivered. The
11 value of this service should be enhanced by the proposal in witness Mayo's
12 testimony to extend the availability of electronic return receipts to COD.

14 3. Volume Trends

16 COD volume has declined steadily since Postal Reorganization, with
17 some leveling off in the last two years. From 1970 to 1991 the number of
18 transactions decreased by 57 percent, declining from 20 million to 8.7 million
19 transactions. From 1991 to 2000, volume decreased by 52 percent to 4.1 million
20 transactions. A detailed volume history for COD is presented in Library
21 Reference USPS-LR-J-92.

4. Revenue Trends

COD revenue has varied significantly since Postal Reorganization, ranging between \$14 and \$27 million. From 1970 to 1991 COD revenue increased by 58 percent, but from 1991 to 1998 revenue decreased 30 percent to 17.8 million. From 1998 to 2000, COD revenue showed an increase of 20 percent moving back to 21.5 million. A detailed revenue history for COD is presented in Library Reference USPS-LR-J-92.

5. Fee History

The fees for COD have been increased twelve times since Postal Reorganization. In 1974, the maximum value for COD increased from \$200 to \$300. In 1976, COD fees increased an average of 33 percent. In 1978, the maximum value increased to \$400 and the fees increased by an average of 32 percent. In 1981 and 1985, COD fees increased by 10 percent and 1 percent, respectively. Also, in 1985, the maximum value increased to \$500. In 1988 and 1991, COD fees increased 39 percent and 9 percent, respectively. The maximum value level was increased to \$600 in 1991. In 1995, COD fees increased by an average of 39 percent and in 1999 fees increased by an average of 12 percent. As a result of Docket No. R2000-1, in 2001 the maximum value level was increased to \$1000, and the fees increased by an average of about 8

1 percent. A detailed fee history for COD is presented in Library Reference USPS-
2 LR-J-93.

3 4 6. Fee Design

5
6 The proposed COD fees were designed to get an adequate cost
7 coverage and avoid adverse impacts on customers, particularly given its normally
8 higher than average increases in the recent past. Specifically, the updated
9 volume variable and incremental costs suggest that COD does not warrant any
10 fee increase. The proposed cost coverage of 140 percent is reasonable
11 compared to the systemwide coverage.

12 13 7. Pricing Criteria

14
15 COD provides a high value of service for its recipient (Criterion 2). In
16 today's economy, where customers often make purchases without visiting a
17 store, this service is of substantial value to: a) customers cautious of divulging
18 credit card information for on-line purchases; b) customer's inability to pay by
19 credit card; c) sellers not willing or unable to accept credit cards. One unique
20 characteristic of COD is the convenience it offers its customers, especially the
21 recipients, to postpone payments until they receive the merchandise. This
22 service also provides customers with additional flexibility by giving them enough
23 time to accumulate the full payment after placing an order. Customers are able to

1 have merchandise sent to them before actually paying for it, and businesses may
2 find an increased customer base consisting of those individuals who otherwise
3 would not have ordered from the company if they had to pay at the time of the
4 order. COD also protects customers who are unsure of whether a company will
5 actually provide goods that have been ordered.

6 The slight decline in volume variable cost per piece¹⁷ supports retention
7 of the majority of the current fees. The proposed COD fees were designed to
8 cover their costs and make a moderate contribution (Criterion 3). The simplicity
9 of the fee structure is promoted by maintaining the identifiable \$1.00 per \$100
10 value level fee increments (Criterion 7). Based on the criteria discussed above,
11 the proposed COD fee schedule is fair and equitable (Criterion 1).

13 **G Correction of Mailing Lists**

15 1. Proposal

17 The Postal Service is proposing to increase the current fee by 20
18 percent from 25 cents to 30 cents per correction. The minimum per list charge is
19 also proposed to increase from \$7.50 to \$9.00 per list. The proposed cost
20 coverage is 114 percent. Table 7 below presents the current and proposed fee
21 for correction of mailing lists.

22
23

¹⁷ R2000-1, USPS-T-39, WP-32 and LR-J-110, USPS-T-37, WP-20.

Table 7 - Correction of Mailing Lists

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
Per submitted address	\$0.25	\$0.30	20%
Minimum Charge	\$7.50	\$9.00	20%

2. Description

Correction of mailing lists is a special service provided to eligible mailers upon request. Eligible mailers may submit a name and address list, or an occupant list (address only list) to the Postal Service for correction. The corrections and updates include crossing out names of people to whom the mail can neither be delivered nor forwarded, providing new addresses when a permanent forwarding order is on file, correcting misspelled addressee names and street names, correcting ZIP Codes and post office box or rural box numbers, and, if known, providing the name of the head of the household when two or more names with the same address appear on the list. When an occupant list is submitted, the corrections and updates include deleting invalid addresses, providing the number of units in multiple unit dwellings, correcting ZIP Codes, ZIP Coding business and rural addresses, correcting street names, and placing directional signals to indicate carrier route information.

3. Revenue Trends

Correction of mailing list revenue (combined with the revenue for ZIP Coding of mailing lists) increased fairly steadily from 1980 until 1993 before experiencing a sharp decline from 1994 to 1998. The lowest recorded revenue of \$343,000 occurred in 1998 which was 90 percent less than the highest recorded revenue of \$3.3 million in 1993. From 1998 to 2000 however, revenue increased by about 23 percent to its current level of \$423,000. A detailed revenue history for correction of mailing lists and ZIP Coding of mailing lists is presented in Library Reference USPS-LR-J-92.

4. Fee History

The original 5-cent fee for correction of mailing lists (per correction) has increased six times since Postal Reorganization, in 1976, 1981, 1985, 1995, 1999, and 2001. In 2001, as a result of Docket No. R2000-1, the fee increased 25 percent to the current level of 25 cents. A detailed fee history for correction of mailing lists is presented in Library Reference USPS-LR-J-93.

5. Fee Design

The proposed fee for correction of mailing lists was designed by applying a reasonable mark up over the unit cost of 26.3¹⁸ cents and applying a reasonable rounding constraint. The resulting cost coverage of 114 percent is relatively modest for a special service of this nature. The minimum per list fee was designed by calculating the per address fee for 30 addresses.

6. Pricing Criteria

Correction of mailing list service enhances the degree and quality of mail preparation by the mailer by improving address hygiene, which contributes to reducing Postal Service costs (Criterion 6). The proposed fee is simple and maintains an identifiable relationship with the fees for carrier sequencing of address cards (Criterion 7). The proposed 114 percent cost coverage cover the cost of this service and provide a reasonable contribution to other costs (Criterion 3). The value of correction of mailing lists is high to the users of the service (Criterion 2) who either do not have the capability or prefer not to utilize other alternatives of correcting addresses. Based on the review of the criteria, the proposed fee is fair and equitable (Criterion 1).

H. Money Orders

1. Proposal

The Postal Service is proposing two classifications changes for money orders. The first proposed classification change is to increase the maximum money order amount from \$700 to \$1000. The second classification change proposed is a two-level fee structure for domestic money orders. The Postal Service is proposing a \$0.01-\$500 tier and a \$500.01 to \$1000 tier. The proposed fees are \$0.90 and \$1.25 respectively, which results in no fee increase for the lower value money order tier (\$0.01-\$500) and a 39 percent increase for money orders valued at \$500 -\$700. Customers purchasing two money orders totaling an amount between \$700 and \$1,000 will see more than a 30 percent reduction in fees. The APO/FPO money order fee is proposed to remain at 25 cents. The inquiry fee is proposed to increase by 9 percent to \$3.00 from \$2.75. The volume variable cost coverage is 168.5 percent, calculated using incremental revenue ¹⁹. While that may appear to be a substantial coverage, it is worth noting that the ratio of this incremental revenue to incremental cost is a

¹⁸ Cost from LR-J-110, USPS-T-37, WP-21 plus contingency.

¹⁹ Incremental revenue includes fee and non-fee revenue and the ratio of this revenue to incremental costs is calculated by dividing total revenue of \$303,574,000 (LR-J-110, USPS-T-37, WP-11) by incremental costs of \$247,016,000 (USPS-T-21, table 1). However, the ratio of fee revenue of \$217,531 (LR-J-110, USPS-T-37, WP-11) to volume variable costs of \$180,181,000 (USPS-T-21, table 1) is 121 percent, and the cost coverage of fee revenue of \$217,531 to incremental costs of \$247,016,000 (USPS-T-21, table 1) is only 88 percent.

1 more modest 123 percent. Table 8 presents the current and proposed money
 2 order fees.

3 **Table 8 - Money Orders**

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
APO/FPO \$0.01-\$700	\$0.25	N/A	0%
APO/FPO \$0.01-\$1000	\$0.25	\$0.25	0%
Domestic \$0.01-\$700	\$0.90	N/A	0%
Domestic \$0.01-\$500	\$0.90	\$0.90	0%
Domestic \$500.01-\$700	\$0.90	\$1.25	39%
Domestic \$700.01-\$1000	\$1.80	\$1.25	(30)%
Domestic \$500-\$1000	NA	\$1.25	NA
Inquiry Fee	\$2.75	\$3.00	9%

4 2. Description

5

6 Since the Civil War, postal money orders have been used by a wide
 7 variety of customer segments to send money to friends and relatives and to pay
 8 bills without having to send cash credit cards, or cash.

9 Traditionally, domestic money order users have been thought to be
 10 people with modest income levels, the unbanked (for example migrant workers)
 11 the under-banked, or people without credit cards. Today money orders continue
 12 to be used for the traditional purposes, COD payment, and some of the latest

1 shopping trends such as Internet transactions. Money orders may be purchased
2 at post offices or from rural carriers. A money order customer pays the face value
3 of the money order in cash or traveler's checks plus a fee for the administration
4 and processing of the money order. Postal money orders may be cashed at any
5 post office or generally at a bank with which the recipient maintains a business
6 relationship. Postal money orders are often used to pay for collect on delivery
7 items. A \$10,000 limitation on money order purchase per customer per day was
8 introduced in 1988 as a means of preventing money laundering from sales of
9 illegal drugs.

10 For an additional fee, money order customers may purchase inquiry
11 service. Inquiry service verifies whether or not the customer's postal money
12 order was cashed. The Postal Service replaces without charge a defective
13 money order or one that is spoiled during imprinting or customer completion if the
14 customer returns the negotiable portion of the money order and the matching
15 customer receipt.

16 One unique feature of postal money orders is their cashing convenience.
17 Unlike most commercial money orders, domestic postal money orders are
18 cashed regardless of the time passed since their issue. Domestic money orders
19 offer the additional convenience of being cashed at any of the approximately
20 40,000 post offices; also, rural carriers can cash postal money orders if funds are
21 available. This broad cashing convenience makes postal money orders very easy
22 to use.

Postal money orders are also easy to purchase. While purchase for most commercially available money orders is restricted to cash only, the Postal Service accepts, in addition to cash, traveler's checks if the purchase is for at least 50 percent of the value of the traveler's check, and automated teller machine (ATM)/debit cards (where available).

3. Volume Trends

Money order volume gradually declined from 1970, when it totaled about 182 million transactions, until 1982, when volume was about 110 million transactions. Since then volume has gradually increased to and in 1993 surpassed 1970 levels. In fact money order volume increased by 101 percent to 231.2 million transactions from 1983 to 2000. A detailed history of money order volume is presented in Library Reference USPS-LR-J-92.

4. Revenue Trends

Total money order revenue ²⁰ has grown since Postal Reorganization. Money order revenue increased 44 percent over the past 10 years but just 0.6 percent over the past 5 years. A detailed revenue history for money orders is presented in Library Reference USPS-LR-J-92.

²⁰ Total money order revenue includes the fee revenue plus the float from money orders until they are redeemed, revenue from money orders not redeemed, and the commission on international money orders.

1 5. Fee History

2

3 The fees for money orders have changed ten times since Postal
4 Reorganization. In 1976, the fees were increased twice resulting in a 100
5 percent increase for the fees for money orders valued up to \$50, and a 125
6 percent increase for the fee for money orders valued over \$50 up to \$300. In
7 1978, the fee for money orders valued from \$.01 up to \$10 was increased 10
8 percent; \$10 up to \$50, 14 percent; \$50 up to \$400 (limit increased by \$100), 22
9 percent; and APO/FPO, 33 percent. In 1981, the bottom tier was widened to
10 \$0.01 to \$25, and the maximum limit increased to \$500. The fee for money
11 orders valued up to \$10 increased 36 percent; decreased 6 percent for \$10.01 up
12 to \$25; increased 38 percent for \$25.01 up to \$50; increased 41 percent for
13 \$50.01 up to \$500; and increased 25 percent for APO/FPO.

14 In 1985, the maximum limit increased to \$700 and the inquiry fee was
15 introduced. The fees for money orders valued from \$25.01 up to \$700 were
16 consolidated into one fee, representing a 9 percent decrease for \$25.01 up to
17 \$50 and a 35 percent decrease for money orders valued from \$50.01 up to \$700.
18 In 1988, the minimum value level increased to \$35 which represented a 25
19 percent fee decrease for money orders valued from \$25.01 up to \$35. The
20 inquiry fee increased 43 percent in 1988.

21 In 1991, one value level for domestic money orders, from \$.01 to \$700
22 was implemented. This resulted in a 25 percent decrease in the fee for money
23 orders valued from \$35.01 up to \$700. The inquiry fee increased 25 percent in

1 1991. In 1995 the money order fee increased 13 percent, the APO/FPO fee
2 increased 20 percent, and the inquiry fee increased 10 percent. In 1999 the
3 money order fee decreased six percent.

4 As a result of Docket No. R2000-1 in 2001, the fee changed twice. First,
5 as a result of the Commission's Recommended decision, the fee was decreased
6 by 6 percent and second, as a result of the modification by the Postal Service's
7 Board of Governors, the fee was increased by 20 percent, for an overall increase
8 of 13 percent since the previous rate case. A detailed fee history for money
9 orders is presented in Library Reference USPS-LR-J-93.

11 6. Fee Design

13 The proposal to divide postal money orders into two tiers is designed to
14 reflect current practice in the marketplace. The highest face value money order
15 sold through commercial alternatives (with the exception of banks) for a single
16 fee is \$500. Two tiers would be beneficial to money order users because
17 purchasers of money orders up to \$500 would face no fee increase. On the other
18 hand, purchasers of money order with face value of \$500.01-\$1000 are receiving
19 a higher value service, so a reasonable fee increase is proposed. It is worth
20 noting that the proposed \$1.25 fee is only a fraction of a percent of the total value
21 of the transaction for these higher value money orders. Even with this increase,
22 the postal fee will be less than commercial alternatives for money orders over
23 \$500. With the exception of the increase for high value money orders, and the

1 increase in the inquiry fee, no fee increase is proposed for money orders. The
2 proposed fees for money order were designed with a consideration of attaining a
3 moderate overall cost coverage, while keeping the fee increases reasonable.
4 Fees were designed using nickel rounding constraints.

6 7. Classification Criteria

8 As stated earlier, the Postal Service is proposing two classifications
9 changes to money orders. The first proposed classification change is to increase
10 the money order limit from \$700 to \$1000. Since the last increase in the
11 maximum money order amount in 1985, inflation has decreased the real value of
12 the maximum money order amount. Increasing the maximum to \$1000 would
13 largely restore, as close as possible, the real value of the highest value money
14 order in terms of today's economy.²¹

15 Increasing the limit to \$1000 also eliminates the need to purchase two
16 money orders to pay for high dollar value COD purchases.²² This not only
17 represents a fair and equitable way of doing business (Criterion 1), but also
18 makes good business sense from the perspective of both the customer and the
19 Postal Service (Criterion 5). Additionally, it reduces the need to purchase
20 multiple money orders for higher value expenditures such as rent. Thus, raising
21 the limit to \$1,000 increases the value of service for money orders (Criterion 2).

²¹ Actual value in terms of today's economy is approximately \$1,121.00 calculated using CPI-U of June 1985 and June 2000.

²² In Docket No. R2000-1, the COD limit was extended to \$1000, but the money order limit was kept at \$700. This currently requires two money orders to be issued for CODs of more than \$700.

1 The second classification change proposed is a two-tier fee structure for
2 domestic money orders. A tiered fee structure (\$0.01 -\$500 and \$500.01 -
3 \$1000) is beneficial to money order users, specifically lower value (\$0.01 - \$500)
4 money order users for whom no fee increase is proposed. The proposed tiered
5 fee structure promotes fairness and equity by retaining the current fee for money
6 orders with a face value of \$500 or less, and establishing a higher fee for money
7 orders with face value between \$500 - \$1000 (criterion 1). Customers receive a
8 higher value service when they purchase a high value money order.
9 Furthermore, as stated earlier, it will more accurately reflect the general trend in
10 the market place. The highest value of money order readily available through
11 alternative means is \$500. The two-tier structure is a desirable special
12 classification from the point of view of both the user and the Postal Service
13 (Criterion 5).

15 8. Pricing Criteria

17 The proposed money orders fees are fair and equitable (Criterion 1).
18 Specifically, the proposed fee for money orders with face value of \$500 or less
19 allows for an easy fee comparison between Postal Service and other
20 commercially available money orders. The higher maximum value increases the
21 already high value of money orders (Criterion 2). The high value of service
22 provided by this premium product as previously discussed would, at the
23 proposed fees, still be priced less than most other viable alternatives. The

1 proposal maintains a simple fee structure and an identifiable relationship
2 between the fees (Criterion 7). In recognition of its public service function and
3 the Commission's historic preference, the impact on purchasers of low value
4 money orders was an important consideration in proposing no increase to money
5 orders with face value of \$500 or less (Criterion 4). Although postal money
6 orders are widely available for purchase, and accepted, as payment, there are
7 many widely available alternatives (Criterion 5). The proposed fees for money
8 orders cover their costs while providing a reasonable contribution to other costs
9 (Criterion 3).

10 Typically, the Postal Service believes that cost coverage is most
11 appropriately measured by the ratio of revenue to volume variable cost.
12 Nevertheless, the Postal Service has also utilized the ratio of revenues to
13 incremental costs in those instances where incremental costs are a substantial
14 portion of total costs of a product in order to aid the Postal Rate Commission in
15 its review. In this instance, the ratio of incremental revenue²³ to incremental cost
16 yields a cost coverage of 123 percent, which is well below the systemwide
17 average cost coverage.²⁴ This cost coverage recognizes the public service
18 function of postal money orders. Given the high value of money order service,
19 and the advantages of postal money orders over commercial alternatives, even a
20 higher cost coverage is justified.

21

²³ Incremental revenue includes money order commissions, money order float and outstanding money orders taken into revenue.

²⁴ The ratio of incremental revenue to incremental cost is calculated by dividing total revenue of 303,574,000 by incremental cost of 247,016,000, resulting in 123 percent cost coverage.

I. On-Site Meter Service

1. Proposal

The Postal Service is proposing a classification change to footnote 1 of fee schedule 933. Specifically, the Postal Service is proposing to change "to secured postage meters" to "if a Postal Service approved automated process is used for checking a secured meter in or out of service". The proposed classification change would clarify current language in the fee schedule notes so that it is consistent with current practice. The Postal Service is also proposing increases to two on-site meter service fees, as shown in Table 9. The proposed cost coverage for on-site meter service is 126.4%. Table 9 below presents the current and proposed on site meter service fees.

Table 9 - On - Site Meter Service

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
Meter Service (per employee, per visit)	\$31.00	\$35.00	13%
Meter Reset and/or Examined (per meter)	\$4.00	\$5.00	25%
Check In/Out of Service (per meter)	\$4.00	\$4.00	0%

2. Description

On-site meter service allows postal employees to set or examine meters at a licensee's place of business within the area served by the licensing post office. Examination or setting of meters is restricted to licensee's meters at that location. Meters can also be checked into or out of service at the manufacturer's branch offices, including meters set for use at another post office. The applicable fee is charged for each meter set, examined, or checked into or out of service at a licensee's place of business or at a manufacturer's office, unless an authorized postal employee is assigned regularly to that licensee's location for postal administrative duties. Licensee's have the option of paying the on-site meter service fee and postage by check or establishing an advance deposit account when their monthly metered postage is \$500 or more.

3. Revenue Trends

Revenue for on-site meter service has for the most part increased gradually from 1980, when it was \$725,000, until 2000, when it was \$4.6 million. Despite some variations during the late 1990s, overall on-site meter revenue increased by 45 percent from 1991 to 2000. A detailed revenue history for on-site meter Service is presented in Library Reference USPS-LR-J-92.

4. Fee History

The fees for on-site meter service have changed eight times since Postal Reorganization. In 1978, the fees for the first meter by appointment and additional meters increased 40 percent, and the fee for an unscheduled meter setting increased 60 percent. In 1981, the fee for meter company adjustments increased 70 percent, the fee for the first meter by appointment increased 100 percent, the fee for an unscheduled setting increased 33 percent, and the fee for additional meters increased 14 percent. In 1985, the meter company adjustment fee increased 18 percent, the fee for the first meter by appointment increased 21 percent, and the fee for unscheduled service increased 19 percent. In 1988, the fees for the first meter by appointment and unscheduled service increased 47 percent. Also in 1988, meter company adjustments were eliminated and checking in and out of service was introduced. In 1991, the fee for additional meters decreased 31 percent and the fee for checking in and out of service increased 30 percent. In 1995 the fee for the first meter increased 10 percent, the fee for unscheduled service increased 11 percent, the fee for additional meters increased 18 percent, and the fee for checking in and out of service increased 15 percent. In 1999 the fee for an additional meter increased 23 percent and the fee for checking in and out of service increased 13 percent.

As a result of Docket No. R2000-1, on-site meter service fees were restructured. Single Meter and Unscheduled Setting were replaced with a new Meter Service category. The current fee for this service is \$31.00. The Additional

1 Meter category was replaced with a Meter Reset and/or Examined category. The
2 current fee for this service is \$4.00. The check in/out of service fee was reduced
3 from \$8.50 to \$4.00. A detailed fee history for on-site meter service is presented
4 in Library Reference USPS-LR-J-93.

5 6 5. Fee Design

7
8 The proposed fees for meter service (per employee/per visit) and meter
9 and resetting and/or examining meters were designed to result in reasonable
10 implicit cost coverages, of 125 percent and 137 percent respectively. The fee for
11 meter checked in/out of service was not changed since it covers its cost and
12 provides a reasonable contribution.

13 14 6. Classification Criteria

15
16 The proposed classification change is highly desirable from the point of
17 view of both mailers and the Postal Service (Criterion 5). As stated earlier, this
18 change is proposed only to clarify the language so that it is consistent with
19 today's practice. The Postal Service does not intend to change the application of
20 the checking in or out of service fee. The proposed classification change is fair
21 and equitable (Criterion 1). To eliminate the costs for checking in or out of
22 service, meters need to be secured, and, also need an automated process for
23 transmitting the meter data electronically to the Postal Service. Transmitting the

information by hardcopy imposes costs that need to be recovered through the checking in and out fee.

7. Pricing Criteria

On-site meter service provides a high value of service (Criterion 2).

Specifically, businesses do not need to transport meters to post offices for service thereby avoiding company personnel time and transportation cost. This is a convenience for businesses especially during emergencies. The proposed fees encourages customers to continue using this service (Criterion 6)

The proposed fee increases for meter service and meter reset and/or examined would not unduly affect meter service customers (Criterion 4).

Moreover, no fee increase is proposed for meters checked in/out of service.

The proposed fees cover the costs individually and in total make a reasonable contribution (Criterion 3) with a resulting total cost coverage of 126 percent, reasonable for a service of this nature.

Based on the aforementioned criteria, the proposed on-site meter service fees are fair and equitable (Criterion 1).

J. Periodicals Application Fees

1. Proposal

The Postal Service is proposing two increases to the Periodicals application fees. Specifically, the original entry fee is proposed to increased 7 percent, from \$350 to \$375 per year resulting in a 114 percent implicit cost coverage. No change is proposed for the reentry fee and the registration for news agent's fee, both currently at \$40. The additional entry fee is proposed to increase by 20 percent, from \$50 to \$60 yielding a 133 percent implicit cost coverage. The resulting implicit cost coverage for the re-entry category is 121 percent. The overall cost coverage for Periodicals application fees is 114 percent. Table 10 presents the current and proposed Periodicals application fees.

Table 10 - Periodicals Applications

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
Original Entry	\$350	\$375	7%
Additional Entry	\$50	\$60	20%
Reentry	\$40	\$40	0%
Registration for News Agents	\$40	\$40	0%

2. Description

Periodicals mailers are subject to four types of applications fees.

1. All Periodicals mailers are required to file a Periodicals application and pay a one-time original entry fee.
2. Periodicals mailers desiring to mail from offices other than the location of the original entry are assessed an additional entry fee for each location's application.
3. Periodical mailers can incur a re-entry fee when the status of the authorized publication is affected by a name change, frequency of issue change, preferential rate status change, or office of publication change. All re-entry applications are received and processed at the original entry office.
4. Authorized news agents who handle two or more Periodicals by different publishers file the news registration application.

3. Revenue Trends

Periodicals application revenue increased fairly steadily since Postal Reorganization until 1992 when it began to decline. From 1970 to 1992 revenue increased by an average of 20 percent annually. However, from 1992 to 2000 Periodicals application revenue decreased by 27 percent. A detailed revenue

1 history for Periodicals applications is presented in Library Reference USPS-LR-J-
2 92.

4 4. Fee History

6 Periodicals application fees have changed eight times since Postal
7 Reorganization, in 1978, 1981, 1985, 1988, 1991, 1995, 1999, and 2001.
8 Initially, original entry fees were based on the publication circulation. In 1978, fee
9 increases resulted in a uniform original entry fee of \$120 regardless of circulation
10 volume. From 1978 to 2001, the original entry fee increased to \$350, an average
11 of 10 percent a year. Also in 1978, the fee increases for the re-entry fee and the
12 news agents registry fee resulted in these two classifications having a uniform
13 fee. Finally in 1978, fee increases resulted in a uniform fee for additional entries
14 regardless of zone. As a result of Docket No. R2000-1, the uniform fee for
15 reentry and registration for news agents decreased by 20 percent from \$50 to
16 \$40. The additional entry fee remained unchanged at \$50 and the original entry
17 fee increased by 15 percent to \$350. A detailed fee history for Periodicals
18 applications is presented in Library Reference USPS-LR-J-93.

20 5. Fee Design

22 The Periodicals application fees were designed by applying a moderate
23 markup to each of the unit cost plus contingency to attain a reasonable cost

1 coverage. One goal was to maintain the re-entry fee and the news agent fees at
2 the same level as each other.

3 4 6. Pricing Criteria

5
6 The possible adverse effect of the fee increases on the Periodicals
7 applications customers was carefully considered (Criterion 4). The proposed fees
8 reflect changes in costs with an aim to maintain a reasonable overall cost
9 coverage. This is especially true for those categories for which no fee increase
10 has been proposed. Periodicals mailing applications provide a high value to
11 users by providing the convenience of using lower Periodicals rates, and making
12 it possible for Periodicals mailers to conduct business efficiently (Criterion 2). The
13 proposed fees cover the cost of the service and make a reasonable contribution
14 to institutional costs (Criterion 3). The proposed fees are simple and maintain
15 identifiable fee relationships for all applications (Criterion 7).

16 17 **K. Permit Fees**

18 19 1. Proposal

20
21 The Postal Service is proposing to increase the \$125 fee for permits by
22 20 percent to \$150 yielding a cost coverage of 122 percent. The proposed fee
23 applies to the following permits: Business Reply Mail (BRM); bulk parcel return

service; Mailing Online functional equivalence certification; merchandise return; permit imprints; First-Class Mail presort; Standard Mail; Parcel Select; Bound Printed Matter destination entry; and Media Mail and Library Mail presort. Table 11 presents the current and proposed annual permit fee.

Table 11 - Annual Permits

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
Annual Permit	\$125	\$150	20%

2. Description

Permits authorize mailers to mail materials with indicia and a permit number in the upper right-hand corner of the mailpiece, instead of having to affix stamps or metered postage, and to take advantage of certain special services and discounted rate categories. The fee for most permits is collected on an annual basis. In addition to a class/subclass-specific permit, a permit imprint fee is paid for mailings requiring permit indicia. The fee is also applied to the experimental Mailing Online service, when commercial services are certified as functionally equivalent to Mailing Online.

3. Fee History

Although there is a uniform fee for annual permits, not all permits have been in existence as long as the basic permit imprint, which was established in 1963. The basic permit imprint fee has increased nine times since Postal Reorganization. In 1976, the fee increased 100 percent; in 1978, the fee increased 50 percent; in 1981, the fee increased 33 percent; in 1985, the fee increased 25 percent; in 1988, the fee increased 20 percent; in 1991, the fee increased 25 percent; in 1995, the fee increased 13 percent; and in 1999, the fee increased 18 percent. As a result of Docket No. R2000-1, in 2001 the fee increased by percent. Detailed fee histories for permits are presented in Library Reference USPS-LR-J-93.

4. Fee Design

The fee for permits was designed to produce a reasonable cost coverage. A five-dollar rounding constraint was applied.

5. Pricing Criteria

The proposed fee is simple and maintains an identifiable fee relationship for all permits (Criterion 7). To maintain a level of consistency the same fee is applied to all permits. Permit fees are of relatively high value to it holders

(Criterion 2), since having a permit gives the holder unlimited access to the service or rates through the duration of the permit. The proposed fee covers the cost of the service and makes a reasonable contribution to other costs (Criterion 3). The effect of the fee increase on permit users was carefully considered by mitigating the fee increase rather than seeking a higher cost coverage (Criterion 4). Based on the aforementioned criteria, the proposed permit fee is fair and equitable (Criterion 1).

L. Registered Mail

1. Proposal

The Postal Service is proposing an average increase of 7 percent to all registered mail fees. The proposed individual fee increases range from 3 percent to 13 percent. The Postal Service is proposing a 13 percent increase in the handling charge per \$1,000 in value, or fraction thereof, for items valued over \$25,000. The current fee of 75 cents is proposed to increase to 85 cents. The incremental fee for registered mail per value level is also proposed to increase 13 percent to 85 cents. The proposed cost coverage for registered mail is 124 percent. Table 12 on the next page lists the current and proposed registered mail fees and the percentage change from the current to the proposed fees.

The Postal Service also proposes a classification change to allow customers to check by telephone or over the Internet whether the registered mail

1 item has been delivered, or a delivery attempt has been made. This will enhance
2 the service by providing information that currently is available only with the
3 additional purchase of return receipt. To effect this change, the Postal Service is
4 also proposing a classification change to schedule 942.31. Specifically, the
5 Postal Service is proposing to insert a new item "b" to read as follows:

6 " b. Electronic confirmation that an article was delivered or that a delivery
7 attempt was made."

1

Table 12 - Registered Mail

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
No Value	\$ 7.25	\$7.50	3%
\$ 0.01 to \$100	\$ 7.50	\$ 8.00	7%
100.01 to 500	\$ 8.25	\$ 8.85	7%
500.01 to 1,000	\$ 9.00	\$ 9.70	8%
1,000.01 to 2,000	\$ 9.75	\$10.55	8%
2,000.01 to 3,000	\$10.50	\$11.40	9%
3,000.01 to 4,000	\$11.25	\$12.25	9%
5,000.01 to 6,000	\$12.75	\$13.95	9%
6,000.01 to 7,000	\$13.50	\$14.80	10%
7,000.01 to 8,000	\$14.25	\$15.65	10%
8,000.01 to 9,000	\$15.00	\$16.50	10%
9,000.01 to 10,000	\$15.75	\$17.35	10%
10,000.01 to 11,000	\$16.50	\$18.20	10%
11,000.01 to 12,000	\$17.25	\$19.05	10%
12,000.01 to 13,000	\$18.00	\$19.90	11%
13,000.01 to 14,000	\$18.75	\$20.75	11%
14,000.01 to 15,000	\$19.50	\$21.60	11%
15,000.01 to 16,000	\$20.25	\$22.45	11%
16,000.01 to 17,000	\$21.00	\$23.30	11%
17,000.01 to 18,000	\$21.75	\$24.15	11%
18,000.01 to 19,000	\$22.50	\$25.00	11%
19,000.01 to 20,000	\$23.25	\$25.85	11%
20,000.01 to 21,000	\$24.00	\$26.70	11%
21,000.01 to 22,000	\$24.75	\$27.55	11%
22,000.01 to 23,000	\$25.50	\$28.40	11%
23,000.01 to 24,000	\$26.25	\$29.25	11%
24,000.01 to 25,000	\$27.00	\$30.10	11%
Handling Charges (per \$1,000 in value for items valued over \$25,000)	\$.75	\$.85	13%

2. Description

Registered mail offers the highest security method of sending valuable articles through the Postal Service. To ensure that all registered mail items are accounted for, each postal employee handling this mail signs a receipt from the point of acceptance to the point of delivery. Registered mail is processed and kept in more secure areas than the normal processing area. Registered mail is also transported in sealed containers and additional precautionary measures may be taken in the case of high value shipments of registered mail. The customer is provided with a mailing receipt, and the Postal Service retains a delivery record for the item.

Registered mail fees are based on the declared value of the article. Postal insurance is included, but the maximum insured value is \$25,000. For items valued over \$25,000, there is an incremental handling charge per \$1,000 in value up to \$15 million. For items valued above \$15 million, special arrangements are made, and charges are determined on the basis of weight, space, and value of the article. Especially for high value pieces, registered mail shipments may require additional security service, such as armed guards.

In 1997 uninsured registry mail fees for articles with declared values over \$100 were eliminated. In 1999 the uninsured registry mail value level was reduced from \$100 to \$0 and the minimum value for insured registered mail was increased from \$0 to \$0.01.

1 Return receipt and restricted delivery services may be purchased in
2 conjunction with registered mail special service.

3 4 3. Volume Trends

5
6 The volume for registered mail has declined from 46.7 million pieces in
7 1970 to an all-time low of 13.3 million pieces in 2000. Registered mail volume
8 decreased every year from 1991 to 2000 resulting in an overall decrease of 53
9 percent during that period. A detailed volume history for registered mail is
10 presented in Library Reference USPS-LR-J-92.

11 12 4. Revenue Trends

13
14 Registered mail revenue peaked in the 1980s. Registered mail revenue
15 declined each year from 1989 to 1998 resulting in a 45 percent decrease over
16 that period. However, from 1998 to 2000, registered mail revenue increased by
17 10 percent despite continued volume declines. A detailed revenue history for
18 registered mail is presented in Library Reference USPS-LR-J-92.

19 20 5. Fee History

21
22 The fees for registered mail have changed ten times since Postal
23 Reorganization, in 1971, 1976, 1978, 1981(a decrease), 1985, 1988, 1991, 1995,

1 1999, and 2001. In 2001, as a result of Docket No. R2000-1 the fees for
2 registered mail increased an average of 23 percent. A detailed fee history for
3 registered mail is presented in Library Reference USPS-LR-J-93.

4 5 6. Fee Design

6
7 The proposed registered mail fees were designed by applying a
8 reasonable markup on the costs with specific emphases on attaining a
9 reasonable overall cost coverage. The fee for registered mail without monetary
10 value was increased by a modest 3 percent to \$7.50. The next fee level was
11 increased by a modest 50 cents with each subsequent level increasing by 85
12 cents. A nickel rounding constraint was applied to all of the proposed registered
13 mail fees.

14 15 7. Classification Criteria

16
17 The classification change proposed is an improved service enhancement
18 for registered mail, which would result in a further enhancement to its existing
19 high value (Criterion 2). The proposed classification change will allow customers
20 to check by telephone or over the Internet whether the registered mail item has
21 been delivered, or a delivery attempt has been made. This enhancement will
22 provide additional value and utility to registered mail customers by providing

1 information that currently is available only with the additional purchase of return
2 receipt service.

3 4 8. Pricing Criteria

5
6 The proposed fee schedule is simple (Criterion 7) and provides an
7 identifiable relationship between the incremental levels and the accompanying
8 handling charge, which are proposed to be 85 cents. Furthermore, the proposed
9 fee for registered mail without value is simple and maintains an identifiable
10 relationship with the proposed fee for the first value level. The proposed fees
11 cover their costs and make a reasonable contribution to institutional costs
12 (Criterion 3).

13 Registered mail provides a very high value of service (Criterion 2). The
14 proposal to allow customers to check on the delivery status of registered mail
15 enhances this value. Insurance is included with registered mail for up to \$25,000
16 of the value. Articles with a declared value of more than \$25,000 can be
17 registered, but indemnity claims are restricted to \$25,000. Extra precautionary
18 measures like additional security (including contracting for these services if
19 necessary) are often required for registered articles of extremely high value.

20 The proposed fee increases would have very little effect if any on the
21 users of this service (Criterion 4) due to the modest increases, and the low cost
22 coverage (compared to systemwide) for a valuable service of this nature. Based

on the aforementioned criteria the proposed registered mail fees are fair and equitable (Criterion 1).

Besides the Postal Service, there are many available alternatives to registered mail (Criterion 5). Postal insurance is an alternative up to \$5,000 in value. Also, other shippers offer secure delivery service similar to registered mail, and armored guard services are also available.

The proposed overall coverage of 124 percent is comparatively modest for a valuable service of this nature.

M. Restricted Delivery

1. Proposal

The Postal Service is proposing to increase the restricted delivery fee by nine percent, from the current \$3.20 to \$3.50, yielding a cost coverage of 156 percent. Table 13 presents the current and proposed restricted delivery fee.

Table 13 - Restricted Delivery

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
Restricted Delivery	\$3.20	\$3.50	9%

2. Description

Restricted delivery is a special service that allows mailers to direct delivery only to the addressee or an authorized agent. The addressee must be an individual specified by name.

Restricted delivery can be requested at the time of mailing or after mailing. However, for requests made after mailing, the sender is required to pay any additional communication costs for postage, telegram or telephone expenses incurred in contacting the delivery office. Restricted delivery service is available for First-Class Mail (including Priority Mail) and Package Services sent COD, insured for more than \$50, registered, or certified.

3. Volume Trends

Since Postal Reorganization, restricted delivery volumes have fluctuated frequently while gradually increasing from 1.5 million to 3 million pieces. During the 1970s restricted delivery volume ranged from 1.5 to 2.6 million pieces; during the 1980s volume ranged from 2.4 to 3.8 million pieces; and, during the 1990s volume ranged from 3 to 4 million pieces. From 1990 to 1998, volume increased by 20 percent, but volume decreased by 28 percent from 1998 to 2000. A detailed volume history for restricted delivery is presented in Library Reference USPS-LR-J-92.

4. Revenue Trends

Revenues for restricted delivery have been fluctuating since Postal Reorganization. During the 1970s restricted delivery revenue ranged from \$762 thousand to \$1.9 million; during the 1980s revenue ranged from \$2.3 million to \$7.3 million; and from 1990 to 1998, revenue ranged from \$6.8 million to \$11.2 million, with the peak in 1998. However, restricted delivery revenue decreased by 28 percent from 1998 to 2000. A detailed revenue history for restricted delivery is presented in Library Reference USPS-LR-J-92.

5. Fee History

The restricted delivery fee has increased eight times since Postal Reorganization, in 1976, 1978, 1981, 1985, 1988, 1991, 1995, and 2001. As a result of Docket No. R2000-1, the fee increased by 16 percent in 2001. A detailed fee history for restricted delivery is presented in Library Reference USPS-LR-J-93.

6. Fee Design

The proposed fee for restricted delivery was designed to attain a reasonable cost coverage.

7. Pricing Criteria

The proposed fee covers the costs of the service and makes a reasonable contribution to institutional costs (Criterion 3). Restricted delivery provides a high value of service (Criterion 2) to its users. With restricted delivery, being able to specifically identify the recipient of the mailpiece satisfies the needs of the sender. Although a high cost coverage is appropriate for a high valued service like restricted delivery, the proposed fee was set to minimize the impact on its users (Criterion 4). Commercially available alternatives to restricted delivery are expensive (Criterion 5).

N. ZIP Coding of Mailing Lists

1. Proposal

The Postal Service is proposing to increase the fee for ZIP Coding of mailing lists by 37 percent, from \$73 to \$100, resulting in a 120 percent cost coverage. Table 14 below presents the current and proposed fee for ZIP Coding of mailing lists.

Table 14 - ZIP Coding of Mailing Lists

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
Per thousand addresses	\$73.00	\$100.00	37%

1 2. Description

2

3 ZIP Coding of mailing lists is a special service that helps mailers use
4 correct ZIP Codes. For multiple 5-digit ZIP Code post offices, the Postal Service
5 sorts the mailer's address cards by 5-digit ZIP Code, bundling the cards for each
6 ZIP Code. One fee is charged per mailing list (or set of cards).

7

8 3. Revenue Trends

9

10 ZIP Coding of mailing lists revenue (combined with the revenue for
11 correction of mailing lists) increased gradually from 1980 to 1993 before declining
12 sharply in 1994 and continued to decline until 1998. The lowest recorded
13 revenue of \$343 thousand occurred in 1998 and was almost 90 percent lower
14 than the highest recorded revenue of \$3.3 million in 1993. The sharpest decline
15 occurred between 1993 and 1994, posting a 75 decrease in revenue. During the
16 past decade, revenue decreased 78 percent, and over the past 5 years revenue
17 decreased 44 percent. Revenue has increased somewhat since 1998. A detailed
18 revenue history for ZIP Coding of mailing lists and correction of mailing lists is
19 presented in Library Reference USPS-LR-J-92.

20

21

22

23

1 4. Fee History

2

3 The fee for ZIP Coding of mailing lists has increased eight times since
4 Postal Reorganization. In 1978, the fee increased from its original fee of \$1.50 to
5 \$23.00, representing a 1,433 percent increase. In 1981, the fee increased 43
6 percent; in 1985, the fee increased 9 percent; in 1988, the fee increased 17
7 percent; in 1991, the fee increased 29 percent; in 1995, the fee increased 11
8 percent; and in 1999, the fee increased 17 percent. As a result of Docket No.
9 R2000-1, the fee increased 17 percent in 2001. A detailed fee history for ZIP
10 Coding of mailing lists is presented in Library Reference USPS-LR-J-93.

11

12 5. Fee Design

13

14 The proposed ZIP Coding of mailing list fee was designed by applying a
15 reasonable markup over cost per thousand addresses²⁵ plus contingency. A ten
16 dollar rounding constraint was applied.

17

18 6. Pricing Criteria

19

20 ZIP Coding of mailing list service is a relatively highly valued service to
21 businesses (Criterion 2). The Postal Service through proper ZIP coding of
22 mailers list, improves the communications potential between businesses and

²⁵ LR-J-110, USPS-T-37, WP-21

1 their customers. Proper ZIP Coding results in less returned mail and a greater
2 potential for increased business. At the proposed cost coverage of 120 percent,
3 the proposed fee covers its cost and makes a reasonable contribution to
4 institutional costs (Criterion 3). Proper ZIP coding reduces cost for the Postal
5 Service since it is cheaper to handle mail with a proper ZIP code than mail not
6 properly ZIP coded (Criterion 6). Based on the aforementioned criteria, the
7 proposed fee is fair and equitable.

1 **V. CONCLUSION**

2

3 The discussions of the applicable statutory criteria on each of the special
4 services described above demonstrate the need for the fee and classification
5 changes proposed above.

6