

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

ERRATA TO TESTIMONY AND EXHIBITS OF WITNESS CRUM

The United States Postal Service hereby files errata to the testimony and exhibits of witness Crum. Revised pages incorporated these minor changes are provided, with each change shown in the attached table. The changes all result from a change in one figure, namely, the proportion of pieces sorted on the Parcel Sorting Machine secondary. Rather than the 100 percent originally shown in Exhibit J on the line "Secondary (Scan)," the correct figure is 83 percent, inasmuch as 17 percent of pieces are finalized on the primary at the destinating BMC and do not require a secondary sort.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2999; Fax -5402  
August 29, 1997

<i>Page</i>	<i>Line</i>	<i>Change</i>
4	6	10.3 to 10.8
4	11	10.3 to 10.8
4	16	57.2 to 57.7
8	25	.134 to .140
9	2	13.4 to 14.0
Exhibit D	DBMC Sort	.142 to .136
Exhibit D	DBMC Sort	(0.045) to (0.039)
Exhibit D	DBMC Sort	.104 to .110
Exhibit D	Total	.272 to .266
Exhibit D	Total	.134 to .140
Exhibit E	A	.104 to .110
Exhibit E	III	.103 to .108
Exhibit E	Total	.572 to .577
Exhibit E	2.	.104 to .110
Exhibit J	Secondary (Scan)	1.0000 to 0.8300
Exhibit J	Secondary (Scan)	.036 to .030

1 pallets (at least 4 feet high). Pieces are segregated by container type for efficiency  
2 of entry into the parcel sorting machine or the manual handling process  
3 respectively. Exhibit D shows the BMC presort related savings including those  
4 beginning at the origin BMC where qualifying pieces are entered. Weighting the  
5 average costs by the Inter-BMC volume proportion of machinable and  
6 nonmachinable pieces gives total BMC presort-related savings of 10.8 cents per  
7 piece (see Exhibit E).

8

#### 9 C. Summary

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11 In Exhibit E, BMC presort related savings of 10.8 cents per piece are combined with  
12 the DBMC-related acceptance and mail processing cost savings (9.2 cents per  
13 piece for acceptance and 37.7 cents per piece for mail processing (see Section II))  
14 which apply to OBMC mail as well as DBMC mail. On the basis of my cost analysis,  
15 then, I conclude that origin BMC dropship by the mailer with mandatory BMC presort  
16 saves 57.7 cents per piece, at FY 1998 test year cost levels, compared to non-  
17 OBMC inter-BMC parcels..

18

#### 19 IV. DESTINATION SCF PARCEL POST COST SAVINGS

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##### 21 A. Introduction

22

23 I studied the potential cost savings for parcel post pieces dropshipped to the  
24 destination sectional center facility (DSCF). When parcels bypass the destination  
25 BMC, they avoid all the associated handling and sorting costs that would be  
26 incurred there. These pieces would also avoid the transportation leg from the BMC  
27 to the destination SCF. My testimony describes the mail processing costs saved  
28 from the applicable costs for DBMC parcel post if mailers deposit their parcels in  
29 bulk at the destination SCF. Witness Hatfield (USPS-T-16) describes the  
30 transportation-related savings associated with DSCF dropship.

1 C. SUMMARY

2

3 On the basis of my cost analysis, I estimate that DDU-dropshipped parcel post will  
4 save the Postal Service an average of 45.7 cents per piece at FY 1998 test year  
5 cost levels, compared to non-DDU DBMC mail.

6

7 **VI. BMC PRESORT PARCEL POST COST SAVINGS**

8

9 A. INTRODUCTION

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11 The Postal Service is proposing a discount for bulk entered Inter-BMC parcel post  
12 presorted to the destination BMC. BMC presort parcel post avoids sorting at the  
13 origin BMC and can be moved through the facility in bulk and routed to its  
14 destination BMC.

15

16 B. MAIL PROCESSING SAVINGS

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18 To qualify for the BMC Presort discount as proposed, mailers can deposit their  
19 parcels at any designated facility. My analysis does assume that machinable  
20 *pieces will be deposited in sufficiently (at least 75 percent) full large cardboard*  
21 boxes often referred to as "gaylords" and that nonmachinable pieces will be  
22 deposited on sufficiently full pallets (at least 4 feet high). I compare the postal  
23 network mail processing costs to the costs of qualifying BMC Presort parcels to  
24 show the savings for the presorted pieces. Exhibit D shows machinable BMC  
25 Presort savings to be \$.140 and nonmachinable BMC Presort savings to be \$.123.

BMC PRESORT PARCEL POST COST SAVINGS

MACHINABLE PARCEL POST

<u>Operation</u>	<u>Nonpresorted Cost/piece (1)</u>	<u>BMC Presorted Cost/piece (2)</u>	<u>Difference (Savings)</u>
Origin SCF Load	\$ 0.049	\$ 0.019	\$ 0.030
Origin BMC Unload	\$ 0.027	\$ 0.024	\$ 0.003
Origin BMC	\$ 0.187	\$ 0.041	\$ 0.146
Origin BMC Load	\$ 0.022	\$ 0.022	
DBMC Unload	\$ 0.024	\$ 0.024	
DBMC Sort	<u>\$ 0.097</u>	<u>\$ 0.136</u>	<u>\$ (0.039)</u> = \$ .104
Total	\$ 0.406	\$ 0.266	\$ 0.140

NONMACHINABLE PARCEL POST

<u>Operation</u>	<u>Nonpresorted Cost/piece</u>	<u>BMC Presorted Cost/piece</u>	<u>Difference (Savings)</u>
Origin SCF Load	\$ 0.109	\$ 0.075	\$ 0.034
Origin BMC Unload	\$ 0.068	\$ 0.094	\$ (0.026)
Origin BMC	\$ 0.248	\$ 0.164	\$ 0.084
Origin BMC Load	\$ 0.101	\$ 0.086	\$ 0.015
DBMC Unload	<u>\$ 0.110</u>	<u>\$ 0.094</u>	<u>\$ 0.016</u> = \$ .089
Total	\$ 0.636	\$ 0.513	\$ 0.123

1. USPS-T-29, Appendix V, page 3.
2. Exhibit J

COSTS AVOIDED BY DEPOSITING INTER-BMC PARCELS AT THE  
ORIGIN BMC WITH PRESORT TO THE DESTINATION BMC

DBMC Savings

I. Mail Processing	(see Section IIC of Testimony)	\$ 0.377
II. Acceptance	(see Section IIB of Testimony)	\$ 0.092

BMC Related Savings

A. Total Machinable Savings	\$ 0.110 (1)
B. Total Nonmachinable Savings	\$ 0.089 (1)
III. Total BMC Presort Related Savings	\$ 0.108 (2)
<b>Total OBMC Mail Processing Savings (I + II + III)</b>	<b>\$ 0.577</b>

- 1 Exhibit D
2. Machinable and nonmachinable savings weighted by Inter-BMC volume proportions  
.110\*.913 [.913=60,462,052/66,257,981] + .089\*.087 [.087=5,795,914/66,257,981] (LR-H-135)

BMC PRESORTED PARCEL POST COST PER PIECE

**Machinable BMC Presort Cost Summary**

	<u># of hand</u>	(2) <u>units/hr</u>	(3) <u>conv. fact.</u>	(4) <u>PB fact.</u>	(5) <u>\$ per op.</u>	<u>Cost</u>
<b>Origin SCF</b>						
Load Gaylord	1.0000	23.9	104.5	1.84	0.019	0.019
<b>Origin BMC</b>						
Unload Gaylord	1.0000	21.9	104.5	2.13	0.024	0.024
Crsdk Gaylord	1.0000	12.6	104.5	2.13	0.041	0.041
Load Gaylord	1.0000	23.9	104.5	2.13	0.022	0.022
<b>Destination BMC</b>						
Unload Gaylord	1.0000	21.9	104.5	2.13	0.024	0.024
Dump Gaylord	1.0000	11.9	104.5	2.13	0.043	0.043
D. Primary (Key)	1.0000	895.6	1.0	2.03	0.058	0.058
Label	1.0000				0.005	0.005
Secondary (scan)	0.8300	1433.3	1.0	2.03	0.036	0.030

1. Test Year 1998 Wage Rate (LR-H-146) = \$ 25.445
2. Productivity. USPS-T-29, Appendix V, page 15.
3. Conversion Factor. USPS-T-29, Appendix V, page 15.
4. Piggyback Factor. USPS-T-29, Appendix V, page 16.
5. Wage rate \* piggyback factor / (productivity \* conversion factor).

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script, appearing to read "Scott L. Reiter", is written above a solid horizontal line.

Scott L. Reiter

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