

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, 2001

Docket No. R2001-1

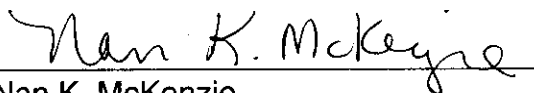
NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF REVISED
TESTIMONY OF WITNESS SCHENK , T-43 (ERRATA)

The United States Postal Service hereby gives notice that it has today filed the attached revised pages 2 and 3 of USPS-T-43. The revisions are to correct Table 1 in the testimony and to reflect the data in the revised LR-J-118. The changes have been highlighted.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:


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November 15, 2001

- Development of delivery costs by rate element for First-Class and Standard Mail, which are used in the rate design for those mail classes.
- Development of weight distributions for Parcel Post mail, which is used in the Parcel Post rate design.

II. REDUCTION IN BUNDLE BREAKAGE

The purpose of this section of my testimony is to report estimates of test year mail processing cost savings associated with a 25 percent reduction in bundle breakage rates for flats mail. The methodology used to develop these cost estimates is summarized below, and is fully documented in USPS-LR-J-118.

The cost savings estimates are presented in Table 1 below.

Table 1: Test Year Mail Processing Cost Savings Associated with a 25 Percent Reduction in Flats Bundle Breakage Rates

<u>Class</u>	<u>Mail Processing Cost Savings</u>
First-Class Presort	\$120,865
Periodicals – Outside County	\$7,080,177
Periodicals – Within County	\$829,387
Standard (all except ECR)	\$5,442,808
Standard ECR	\$2,783,377

Source: USPS-LR-J-118

The first step in developing these cost savings estimates for First-Class Presort, Periodicals Outside County, and Standard Mail is to modify the flats cost models developed by witness Miller (USPS-T-24, USPS-LR-J-61) to exclude piggyback factors. As a result, the modified flats cost model calculates the test year unit mail processing costs by rate element without piggyback factors and with current bundle breakage rates. The next step in the process is to change the bundle breakage rates in the modified flats cost model to reflect a 25 percent reduction in breakage rates. After this change, the modified flats cost model then

1 calculates the test year unit mail processing cost by rate element for the reduced
2 bundle breakage rates.

3 Then the unit cost savings associated with the bundle breakage reduction
4 are calculated. For each rate element, the test year unit mail processing costs
5 (without piggyback factors and with the reduced bundle breakage rates) are
6 subtracted from the test year unit mail processing costs (without piggyback
7 factors and with current bundle breakage rates). This step results in estimated
8 unit cost savings by rate element for the reduced bundle breakage rates. The last
9 step in the process is to multiply the unit cost savings by the test year volumes
10 for each rate element and then to sum the results across rate elements to obtain
11 an estimate of total test year cost savings from the 25 percent reduction in
12 bundle breakage rates.

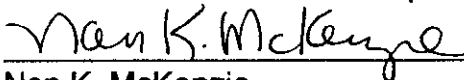
13 These calculations are described in more detail USPS-LR-J-118, and
14 shown in the Excel workbook in 'LR-J-118 Tables Revised.xls.' The cost models
15 in USPS-LR-J-61 on which this analysis is based do not develop costs for
16 Periodicals Within County and Standard ECR mail. The methodology used to
17 estimate the cost savings resulting from a 25 percent reduction in bundle
18 breakage rates for these rate categories is described in USPS-LR-J-118.

19 The bundle breakage rates used in these calculations are given in Table
20 2.

Table 2: Bundle Breakage Rates Used in Cost Savings Estimates			
<u>Container Type</u>	<u>Breakage</u>	<u>Current</u>	<u>Test Year</u>
Pallet	Initial	1.10%	0.83%
	Subsequent	10.00%	7.50%
Sack	Initial	17.50%	13.13%
	Subsequent	10.00%	7.50%

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.



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