

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

SECOND NOTICE OF THE UNITED STATES POSTAL SERVICE OF
REVISED PAGES OF TOLLEY TESTIMONY – ERRATA

Revised pages of USPS-T-7 are attached containing minor revisions
already described in interrogatory responses, which have no effect on Prof.

Tolley's volume forecasts:

Pg. 26, line 6. Change "101.8" to "102.9"

Pg. 146, lines 3-4. Change details of the description of Bound Printed Matter.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:


Eric P. Koetting

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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December 10, 2001

II. FIRST-CLASS MAIL

A. General Characteristics

1. First-Class Mail as a Means of Communication

First-Class is the largest class of mail, accounting for slightly more than half of total domestic-mail volume. Of the 205.1 billion pieces of domestic mail handled by the Postal Service in PFY2000, 102.9 billion pieces consisted of First-Class mail. The most distinguishing feature of First-Class mail is that it contains private messages.

Handwritten or typewritten messages, as well as hard copy computer output if it has the character of personal correspondence, must be sent by First-Class mail. Bills, statements of account and messages associated with a business transaction are considered to be private messages and must be sent by First-Class mail.

First-Class mail is guaranteed against postal inspection and is accorded expeditious handling. It is forwarded without extra charge. First-Class letters are returned without extra charge if not deliverable. The use of First-Class mail is protected by restrictions on competition for the carriage of private messages created by the Private Express Statutes. In important instances, exceptions to these restrictions are made, permitting nonpostal carriers to deliver private messages, as in the case of private delivery of overnight mail. Electronic communication by computers is not covered by the Private Express Statutes and serves as an alternative to sending First-Class mail in many cases.

2. First-Class Mail Substreams

Chart B shows a breakdown of First-Class mail based on data from the Household Diary Study. Nonhousehold entities, primarily businesses, are involved in the preponderance of First-Class mail. Chart B shows that in 2000, 47.0 percent of

C. Bound Printed Matter

1. Definition

Bound Printed Matter is Package Services matter (typically catalogs, directories, books, and other printed material) that weighs up to 15 pounds and meets specific eligibility standards. The category was formerly called catalogs. As in the case of Parcel Post, rates are determined by weight and zone. Bulk mailings have been available since 1964 and accounted for over 90 percent of the volume of Bound Printed Matter volume in 1996. The pieces sent in a bulk mailing must be identical except with special authorization. They must be permit imprinted and or meter stamped and presorted according to ZIP Code.

2. Volume History

Bound printed matter is the largest subclass of Package Services Mail. After declining in the early 1970s, Bound Printed Matter volume experienced rapid growth, increasing from less than 0.6 pieces per adult in 1976 to 2.9 pieces per adult in 2000. The 2000 level is somewhat above the peak of 2.8 pieces per adult in 1996. Much of this long-term growth in Bound Printed Matter volume is due to the mail order boom and the expansion of the catalog industry. The bottom part of Figure 16 shows that double digit percentage increases in volume per adult are not uncommon for this subclass, having occurred as recently as 1994 and 1995. Overall volume has increased by 6.7 percent over the 1996 to 2000 period, reaching a volume of 545 million pieces in 2000.

3. Factors Affecting Volume

a. Own-Price

Table 16 shows that the real price of Bound Printed Matter decreased 5.5 percent over the 5 years ending in 2001Q3. The econometrically estimated long-run own-price elasticity for Bound Printed Matter is -0.231. Applying this elasticity to the 5.5 percent decrease in real price yields a volume increase of 1.30 percent.