

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

UNITED STATES POSTAL SERVICE NOTICE OR ERRATA
AND ADDENDUM TO DIRECT TESTIMONY OF WITNESS ROBINSON
(USPS-T-29) (ERRATA)

The United States Postal Service hereby files revised pages to the testimony of witness Robinson (USPS-T-29).

On page 5, the figure "2.9 percent" is changed to "3.2 percent".

On page 10, footnote 6, the word "rate" is changed to "discount".

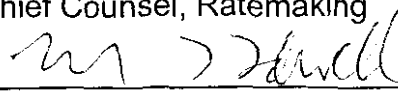
Witness Robinson also has revised page 30 to include a brief paragraph acknowledging the November 16, 2001, errata to witness Miller's (USPS-T-22) worksharing cost avoidance estimates and comparing the rate design passthrough percentages that result from reliance on the corrected worksharing cost avoidance estimates to the passthroughs implied by reliance upon the original cost avoidance estimates.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

January 8, 2002

1 **E. Preparation Requirements for First-Class Cards**

2 The Postal Service proposes updating card preparation requirements by
 3 deleting the specific requirements listed in Domestic Mail Classification Schedule
 4 section 222.2. Some of these requirements are outdated and do not conform to
 5 the current card processing requirements. Mailers will be required to prepare
 6 cards as specified by the Postal Service; however the changes to the preparation
 7 requirements are expected to be minimal and are expected to have little impact
 8 on mailers.

9 **V. Subsequent Cost Revisions**

10 The testimony in the preceding sections reflects the data available at the
 11 time this proposal was filed. Some of these data changed pursuant to the filing of
 12 errata by witness Miller (USPS-T-22) on November 16, 2001. The following table
 13 shows the passthroughs as proposed and described earlier in this testimony as
 14 well as the passthroughs that result from comparing the revised costs to the
 15 proposed rates. No rates are being revised, and the implied passthroughs are
 16 consistent with the objectives of the rate design as described throughout my
 17 testimony.

First-Class Mail Implied Passthroughs

	<u>As Filed</u>	<u>Revised</u>
Qualified Business Reply Mail	296%	152%
Automation Letters		
Mixed AADC	119%	120%
AADC	115%	116%
3-Digit	121%	121%
5-Digit	121%	121%

1 average annual rate of 3.2 percent.¹ A complete revenue and volume history is
2 available in USPS-LR-J-91.

3 **III. Rate History**

4 The First-Class Mail rate history is included in USPS-LR-J-90. Since
5 reorganization, the First-Class Mail, single-piece, first-ounce rate increased 11
6 times to 34 cents, the rate resulting from Docket No. R2000-1. The additional
7 ounce rate is charged for each ounce or fraction of an ounce a mail piece weighs
8 above the first ounce. This rate is uniform for all ounce increments above one
9 ounce and, historically, has been the same for single-piece and workshared mail.
10 As discussed below, in this docket, I propose that the additional ounce rate differ
11 for single-piece and workshare mail. The "degression" (or amount that the
12 additional ounce rate is below the single-piece, first-ounce rate) has increased
13 over time to the current 11 cents (34 cents less 23 cents). This proposal
14 increases the degression to 14 cents for single-piece letters.

15 The Postal Service first introduced worksharing in First-Class Mail with the
16 establishment of a 3/5-digit presorted letter rate in 1976. Workshare
17 opportunities have increased with the introduction of carrier route presort
18 discounts in 1981, ZIP+4 discounts in 1983, and barcode discounts in 1988.
19 While the requirements for these discounts have evolved over time, most notably
20 following Docket No. MC95-1, the Postal Service's goal of increasing the
21 automation compatibility of First-Class Mail (particularly of letter-shaped pieces)
22 has been implemented largely through the rate structure.

¹ USPS-LR-J-91.

1 The Commission discussed benchmarks in its Docket No. MC95-1
2 Opinion, generally concluding that discounts should be based on the costs that
3 the worksharing activity (presortation, mailer barcoding) avoids. Setting
4 discounts to compensate mailers only for the costs avoided by the Postal Service
5 provides bulk mailers an incentive to presort or apply a barcode only if they can
6 do so at lower cost than the Postal Service. Benchmarked cost avoidances
7 provide important data on the Postal Service's avoided costs; however, they do
8 not necessarily form a complete picture of the Postal Service's cost structure.

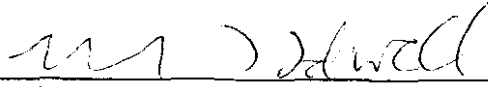
9 **2. Postal Service Automation Goals and Discount Trends**

10 The Postal Service relies on automation to control the costs of mail
11 processing and delivery functions and, as witness Kingsley discusses, is working
12 toward a mailstream that is as barcoded and automation compatible as
13 practicable. USPS-T-39. In consideration of the importance of the automation
14 program, the proposed discounts must recognize the need for continued mailer
15 participation in the automation program. Table 2 highlights the recent trend in
16 discounts for both 3-Digit and 5-Digit letters. In FY 2000, these two rate
17 categories comprised 76 percent of workshared First-Class Mail Letters. As
18 indicated in Table 2, discounts for 3-Digit and 5-Digit Automation letters have
19 increased between Docket No. R94-1 and Docket No. R2000-1.⁶

⁶ The unique circumstances surrounding Docket No. R2000-1 resulted in a decrease in the 5-digit automation letter discount in July 2001.

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. Happy birthday, Elvis.



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
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