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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268B0001

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF ERRATA TO  
TESTIMONY OF WITNESS KOROMA (USPS-T-37)  
(January 16, 2002)

The United States Postal Service hereby provides notice of the filing of errata to the testimony of witness Koroma (USPS-T-37). The errata correct minor production errors, and reflect the cost errata filed by witness Patelunas on October 31, 2001.<sup>1</sup>

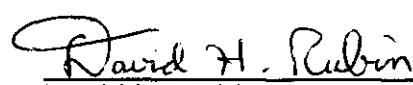
A summary of the changes is attached, along with the revised pages.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
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David H. Rubin

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2986; Fax -6187  
January 16, 2002

<sup>1</sup> See Notice of United States Postal Service of Filing of Errata to Exhibits and Workpapers of Witness Patelunas (USPS-T-12), filed October 31, 2001.

**Summary of revisions to USPS-T-37 (witness Koroma):**

Page 10: delete footnote 3

Page 13: replace footnote 6 with "See my discussion on permit fees on page 52".

Page 16: line 18: replace "is" with "are"

Page 16: replace footnote 8 with "See my discussion of the Permit Imprint fee design on page 54 and witness Mayo's accounting fee design on page 8 of USPS-T-36.

Page 17: line 10: replace "covers" with "cover"

Page 17: footnote 9: replace "fee" with "fees"

Page 35 – line 8: insert "domestic and APO/FPO" before "money"

Page 35 – footnote 19: replace both occurrences of "\$217,531" with \$217,531,000 and replace "\$180,181,000" with "\$180,160,000"

Page 36 – line 8: delete "credit cards, or cash"

Page 38– line 11: delete "to"

Page 54 – line 11: insert "25" before "percent"

Page 58 – line 3: replace "highest security" with "most secure"

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

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

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).

5

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

7

### 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.<sup>6</sup> The annual accounting fee is  
14 proposed to increase from \$375 to \$475.<sup>7</sup> 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.

18

19

20

21

22

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<sup>6</sup> See my discussion on permit fees on page 52.

<sup>7</sup> See witness Mayo's testimony (USPS-T-36) for discussion of the annual accounting 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 2. 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 are set equal to other  
19 permit and accounting fees.<sup>8</sup>

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<sup>8</sup> See my discussion of the Permit Imprint fee design on page 54 and witness Mayo's accounting fee design on page 8 of USPS-T-36.

1           2. Pricing Criteria

2

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

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

17           Having a uniform annual permit fee<sup>9</sup> and accounting fee<sup>10</sup> for the  
18 applicable special services promotes not only simplicity of the special services  
19 fee schedule, but also promotes simple, identifiable relationships and  
20 consistency between services with similar permit and accounting requirements  
21 (Criterion 7)

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<sup>9</sup> See my discussion on permit fees on page 52.

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

1

2 **H. Money Orders**

3

## 4 1. Proposal

5

6 The Postal Service is proposing two classifications changes for money  
7 orders. The first proposed classification change is to increase the maximum  
8 domestic and APO/FPO money order amount from \$700 to \$1000. The second  
9 classification change proposed is a two-level fee structure for domestic money  
10 orders. The Postal Service is proposing a \$0.01-\$500 tier and a \$500.01 to  
11 \$1000 tier. The proposed fees are \$0.90 and \$1.25 respectively, which results in  
12 no fee increase for the lower value money order tier (\$0.01-\$500) and a 39  
13 percent increase for money orders valued at \$500 -\$700. Customers purchasing  
14 two money orders totaling an amount between \$700 and \$1,000 will see more  
15 than a 30 percent reduction in fees. The APO/FPO money order fee is proposed  
16 to remain at 25 cents. The inquiry fee is proposed to increase by 9 percent to  
17 \$3.00 from \$2.75. The volume variable cost coverage is 168.5 percent,  
18 calculated using incremental revenue<sup>19</sup>. While that may appear to be a  
19 substantial coverage, it is worth noting that the ratio of this incremental revenue  
20 is a

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

<sup>19</sup> 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 \$217,531,000 (LR-J-110, USPS-T-37, WP-11) to volume variable costs of \$180,160,000 (USPS-T-21, table 1) is 121 percent, and the cost coverage of fee revenue of \$217,531,000 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**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
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.

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



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

6

### 7           3. Volume Trends

8

9           Money order volume gradually declined from 1970, when it totaled about  
10 182 million transactions, until 1982, when volume was about 110 million  
11 transactions. Since then volume has gradually increased and in 1993 surpassed  
12 1970 levels. In fact money order volume increased by 101 percent to 231.2  
13 million transactions from 1983 to 2000. A detailed history of money order volume  
14 is presented in Library Reference USPS-LR-J-92.

15

### 16           4. Revenue Trends

17

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

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<sup>20</sup> 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.

### 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 25 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 its holders

1 2. Description

2

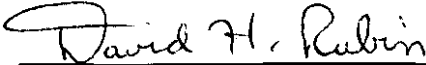
3 Registered mail offers the most secure method of sending valuable  
4 articles through the Postal Service. To ensure that all registered mail items are  
5 accounted for, each postal employee handling this mail signs a receipt from the  
6 point of acceptance to the point of delivery. Registered mail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

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

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

## 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.

  
\_\_\_\_\_  
David H. Rubin

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
January 16, 2002