

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

EXPERIMENTAL PREMIUM
FORWARDING SERVICE

Docket No. MC2005-1

UNITED STATES POSTAL SERVICE NOTICE OF ERRATA TO
DIRECT TESTIMONY OF SAMUEL J. KOROMA (ERRATA)
(December 21, 2004)

The United States Postal Service hereby provides notice that it is filing the attached errata to witness Koroma's testimony. Two revised pages are attached for inclusion in the text of witness Koroma's testimony, along with a revised Attachment B. Electronic versions of all revised pages are also provided.

The changes reflect the revised cost figures filed by witness Abdirahman today. The result is an increase in the proposed cost coverage from 118 to 121 percent.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

/s/ _____
David H. Rubin

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

Summary of revisions to USPS-T-4 (witness Koroma):

Page 8, line 12: replace "\$2.76" with "\$2.63"

Page 8, line 15: replace "\$5.01" with "\$5.58"

Page 8, line 19: replace "118" with "121"

Page 9, line 2: replace "\$11,153,000" with "\$10,891,000"

Attachment B, A-4: replace "\$2.76" with "\$2.63"

Attachment B, A-5: replace "\$5.01" with "\$5.58"

Attachment B, A-13: replace "9,439" with "8,981"

Attachment B, A-14: replace "1,713" with "1,910"

Attachment B, A-15: replace "\$11,153" with "\$10,891"

Attachment B, A-16: replace "2,014" with "2,276"

Attachment B, A-17: replace "118%" with "121%"

1 customers traditionally move between the north and south with the seasons, and
2 typically the North-South distance in the continental United States for seasonal
3 moves appears to be within the range of 1000 miles to 1400 miles. A few examples
4 illustrate this: New York to Miami (1088 miles), Detroit to Tampa (995 miles),
5 Chicago to Tampa (1001 miles), and Chicago to Phoenix (1447 miles). The use of
6 zone 6 constitutes a conservative, qualitative choice. As mentioned above, the
7 Postal Service would collect data on the origins and destinations of shipments during
8 the experiment.

9 These assumptions allow for the selection of the zone 6, 3 pound rate to apply to
10 each weekly shipment. The current postage rate for sending Priority Mail weighing 3
11 pounds to zone 6 is \$7.15.¹

12 In addition, for price simplification, I propose a fee of \$2.85 to cover the \$2.63
13 cost of repackaging PFS mail for the weekly reshipment. See USPS-T-3 at 5. Adding
14 this fee to the postage rate of \$7.15 results in a proposed \$10.00 charge for each
15 shipment. I also propose an enrollment fee of \$10.00 to cover the set-up costs of \$5.58.
16 *Id.* Attachment B supports this analysis. The \$10.00 enrollment and \$10.00 per
17 shipment fees not only promote price simplification, but also foster ready understanding
18 by customers.

19 I am proposing an overall PFS cost coverage of 121 percent based on the
20 estimated average number of weeks the service would be used, which is 10 weeks.²
21 The proposed cost coverage does not include any contribution from new Priority Mail
22 volume. This cost coverage is calculated by dividing the total revenue from the

¹ No further mark-up is applied to the Priority Mail postage of \$7.15.

² USPS-T-2, at 8.

1 repackaging and enrollment fees (\$13,167,000) by the total costs of repackaging and
2 enrollment (\$10,891,000). See Attachment B, as revised December 20, 2004.

3 From a marketing perspective, I believe the weekly fee is the more important
4 component for customer acceptance, and have designed the prices accordingly. The
5 proposed weekly fee would accordingly generate relatively little contribution, which
6 together with markup over costs underlying the enrollment fee would collectively
7 achieve the appropriate cost coverage.

8

9 **B. Pricing Criteria**

10 The proposed fees presented in this testimony were designed using the pricing
11 criteria from Section 3622(b) of Title 39, United States Code:

- 12 1. the establishment and maintenance of a fair and equitable schedule;
- 13 2. the value of the mail service actually provided each class or type of
14 mail service to both the sender and the recipient, including but not
15 limited to, the collection, mode of transportation, and priority of delivery;
16
- 17 3. the requirement that each class of mail or type of mail service bear the direct
18 and indirect postal costs attributable to that class or type plus that portion of
19 all other costs of the Postal Service reasonably assignable to such class or
20 type;
21
- 22 4. the effect of rate increases upon the general public, business mail users, and
23 enterprises in the private sector of the economy engaged in the delivery of
24 mail matter other than letters;
25
- 26 5. the available alternative means of sending and receiving letters and other
27 mail matter at reasonable costs;
28
- 29 6. the degree of preparation of mail for delivery into the postal system performed
30 by the mailer and its effect upon reducing costs to the Postal Service;
31
- 32 7. simplicity of structure for the entire schedule and simple, identifiable
33 relationships between the rates or fees charged the various classes of mail
34 for postal services.

ATTACHMENT B

COST AND REVENUE CALCULATIONS

Assumptions/Input

Estimated Demand	A-1	342,000
# of Shipments	A-2	1
Average # of weeks	A-3	10
Repackaging Cost (per week)	A-4	\$2.63
One time set-up Cost	A-5	\$5.58
<i>Average Destination - 3lb to Zone 6</i>	<i>A-6</i>	<i>\$7.15</i>
<i>Repackaging fee</i>	<i>A-7</i>	<i>\$2.85</i>
Weekly Price	A-8	\$10.00
Enrollment Fee (one time)	A-9	\$10.00

PFS Contribution Calculation (\$000)

Repackaging Revenue	A-10	\$ 9,747
Enrollment Fee Revenue	A-11	\$ 3,420
Total Revenue	A-12	\$ 13,167
Repackaging Cost	A-13	\$ 8,981
One time set-up Costs	A-14	\$ 1,910
Total Cost	A-15	\$ 10,891
Total Contribution	A-16	\$ 2,276
Cost Coverage	A-17	121%

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

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