

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

EXPERIMENTAL PREMIUM  
FORWARDING SERVICE

Docket No. MC2005-1

UNITED STATES POSTAL SERVICE NOTICE OF SECOND ERRATA TO  
DIRECT TESTIMONY OF SAMUEL J. KOROMA (ERRATA)  
(January 7, 2005)

The United States Postal Service hereby provides notice that it is filing the attached errata to witness Koroma's testimony. In responding to discovery, witness Koroma discovered errors in transcribing weight per piece data from the Household Diary Study. The weight per piece for Package Services is 54.031 ounces, rather than 1.953 ounces as reported in the original Attachment C. The weight per piece for Expedited Mail is 22.75 ounces (the average of 15.264 ounces for Express Mail and 30.243 ounces for Priority Mail), rather than 1.971 ounces as reported in the original Attachment C.

But the revised Attachment C does not simply correct those numbers. Instead, the average weight of the weekly PFS shipment is estimated after excluding Expedited Mail and Package Services mail, since these categories of mail are comparatively unlikely to be included in weekly PFS shipments. This reasoning is explained in a new page 2 of Attachment C and on a revised page 7 of USPS-T-4. The Attachment now calculates the average weekly weight of these excluded pieces in a separate table.

The original Attachment C relied upon the most conservative set of possible assumptions by implicitly assuming all Package Services mail and Expedited Mail would be included in the weekly PFS shipment. Postal Service testimony also stated that Priority Mail (except for the few pieces arriving immediately before the weekly shipment), all mail requiring a delivery scan (including Express Mail), and parcels that did not fit in the PFS package would be shipped to PFS customers' temporary addresses either as postage due Priority Mail or, in effect, by forwarding it. See, USPS-T-1, Section II. Given these conditions, it is wrong to include the weight of Expedited Mail or Package Services mail in the estimate of the weight of the weekly shipment.

The revised Attachment C is attached, including a new page 2 with additional explanation. A revised page 7 of witness Koroma's testimony is also attached, consistent with the changes in Attachment C. Electronic versions of the revised pages are also provided.

The changes do not affect witness Koroma's selection of the zone 6, three pound Priority Mail rate cell as appropriate for the weekly PFS shipment.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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/s/ \_\_\_\_\_  
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have been to vary the weekly charge based on the weight and distance of the shipment. This alternative, however, would not have the positive features that are embodied in the single-price approach: it would be more difficult to understand and communicate; customers would not know in advance how much they have to pay; and there would be higher administrative costs for weighing and rating that would need to be recovered in the price.

The pricing approach entails two critical assumptions that are supported by existing data:

- 1) I assumed that the average weight per week for reshipped mail would be less than 3 pounds. According to the Household Diary Study, the average household received about 2.5 pounds of First-Class Mail, Periodicals, and Standard Mail per week in postal fiscal year 2003.<sup>1</sup> This weight does not include Expedited Mail and Package Services mail, since those pieces would generally be excluded from the weekly shipments, as described in Attachment C, page 2. Many customers would not receive as much mail at their primary addresses when they are temporarily away, since some correspondents would be aware of this change in location. In particular, parcel volume to primary addresses while customers are temporarily away should diminish for two reasons. First, addressees have control over when and where product fulfillment orders are sent. Thus, addressees could have parcels sent to their temporary rather primary address, or they could simply delay a purchase if an item were needed for a purpose tied to the primary address. Second, another source of parcel volume, gifts, typically involve family or close friends of addressees; these mailers are more likely to know that an addressee is temporarily away, and can also send parcels directly to temporary addresses or delay their shipment until addressees return to their primary addresses. This makes the exclusion of Package Services and Expedited Mail volume from the estimated weight of weekly mail reasonable for the purpose of an experiment. The Postal Service plans to collect data during the experiment on shipment weights to test the 3-pound assumption, and the propriety of a fixed price.
- 2) I also assumed that PFS customers would on average travel between 1,000 and 1,400 miles from their primary residences, making zone 6 the appropriate choice. See DMM G030.2.2. The rationale for the choice of zone 6 is that potential PFS

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<sup>1</sup> Attachment C.

**ATTACHMENT C**

**Calculation of Estimate for Average PFS Shipment Weight**

<b>Classification</b>	<b>Pieces per HH per Week</b>	<b>Weight/Piece (Ounces)</b>	<b>Total Weight (Pounds)</b>
<i>First-Class Mail</i>	10.2	0.681	0.434
<i>Standard Mail - Regular</i>	10.7	2.072	1.386
<i>Standard Mail - Nonprofit</i>	2.1	1.122	0.147
<i>Periodicals</i>	1.2	6.883	0.516
			<b>2.483</b>

**Calculation of Estimate of Weight of Expedited Mail and Package Services**

<b>Classification</b>	<b>Pieces per HH per Week</b>	<b>Weight/Piece (Ounces)</b>	<b>Total Weight (Pounds)</b>
<i>Expedited Mail*</i>	0.1	22.75	0.142
<i>Package Services**</i>	0.3	54.031	1.013
			<b>1.155</b>

\* Expedited Mail includes Priority Mail and Express Mail which will not be reshipped as part of the weekly reshipment, except for those few Priority Mail pieces that do not require a delivery scan and whose inclusion in the PFS package would not delay delivery.

\*\* Some Package Services pieces may be included in the shipment - See page 2 for a detailed explanation.

Source: Postal Fiscal Year 2003 Household Diary Study - Tables 2.3 & 2.5 (available at [http://www.prc.gov/show\\_document.asp?docid=41355](http://www.prc.gov/show_document.asp?docid=41355)).

The table on page 1 depicts the calculation of the average weight of mail received by households. The top portion of the table sums the weight of pieces that are likely to be included in a PFS shipment. This sum does not include any Package Services or Expedited Mail pieces. The bottom portion of the table provides estimates of the weight of these pieces as information.

The estimate of the PFS shipment does not include Package Services. Parcels of that size and weight (the average is 54 ounces) would generally not be included in the PFS shipment because they are unlikely to fit in the reshipment box that would otherwise be used, and because the inclusion of a single such piece would more than double the weight of the PFS package.

Expedited Mail (Express Mail and Priority Mail) also should not be included in an estimate of PFS package weight because virtually all Expedited Mail pieces would be shipped to the temporary address individually rather than included in the PFS package.

Household recipients of most packages, especially larger and heavier ones, typically control the timing of shipment and the destination address by placing an order or communicating with the sender in advance. Accordingly, I expect that PFS customers will tend to receive fewer Expedited Mail and Package Services parcels at their primary addresses than the Household Diary Study indicates, because addressees would provide their temporary addresses to mailers or postpone orders until they return to their primary addresses. Those sending gifts to the PFS customers are also likely to know of the temporary address. I note several of these factors in my testimony. See USPS-T-4, Section V.A.

Therefore, Attachment C excludes Package Services and Expedited Mail weights from the estimate of the PFS package weight. I therefore estimate that PFS packages will average somewhat less than 2.5 pounds. Even an occasional Expedited Mail or Package Services parcel in the reshipment would not likely push the average weight above three pounds. As such, my proposal that postage for PFS pieces should be drawn from the 3 pound, zone 6 Priority Mail rate is appropriate. The PFS experiment as proposed will generate the information necessary to evaluate this assumption.

## 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.

/s/ \_\_\_\_\_  
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