

DOCKET SECTION

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, 1997

Docket No. R97-1

UNITED STATES POSTAL SERVICE NOTICE OF FILING ERRATA TO USPS-T-24 (October 1, 1997)

The United States Postal Service hereby gives notice of the filing of further errata to USPS-T-24. Appropriate replacement pages and a summary description of the errata are attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Kenneth N. Hollies

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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October 1, 1997

Kenneth N. Hollies

**ERRATA
USPS T-24
DOCKET NO. R97-1**

1. p. 11, line 10 reads:
"\$21.9 million" should read "\$26.5 million"
"\$585.6 million" should read "\$600.0 million"
p. 11, lines 10-11 reads:
"3.9 percent" should read "4.6 percent"
2. p. 13, replace Table 7B with new Table 7B (attached). The last three columns, "Pre 96-3 Revenues", "Post 96-3 Revenues", and "Change in Revenues", do not sum correctly. In particular, the last five rows, labeled "D Total eligible", incorrectly omit the revenues for "D-3 Nondelivery Eligible". The last row "Total D" is incorrect for the same reason.
3. p. 15, replace Table 7D with new Table 7D (attached). The last three columns, "Pre 96-3 Revenues", "Post 96-3 Revenues", and "Change in Revenues", are incorrect for the same reason. In particular, the revenues must be replaced in two rows, "Paid Boxes (A+B+C+D)" and "Grand Total".
4. p. 26, replace Table 12 with new Table 12 (attached). The changes are in the last column "Costs per Box" and are due to the correction of the programming error described in the response to OCA/USPS-T24-61. The change affects Table 12 (and Table 13) as well.

5. p. 27, replace Table 13 with new Table 13 (attached). The changes are in the columns labeled "Space Provision" and "Costs per Box", and reflect the changes in Table 12.

Table 6C. Estimated Boxes in Use, Pre-MC96-3			
All Boxes			
Box Size	Paid Boxes	Free Boxes	Total
1	9,464,496	605,782	10,070,279
2	3,881,442	231,738	4,113,180
3	1,168,503	60,093	1,228,595
4	191,668	5,822	197,490
5	38,111	807	38,918
Total	14,744,220	904,241	15,648,462

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2 **C. ESTIMATION OF POST-MC96-3 BOXES**

3 The final step is to apply price elasticities to estimate the effect of the new
4 fees on each subgroup.¹ This information is presented in Tables 7A-D on the
5 next four pages. Table 7A shows the results for Fee Groups A, B, and C.
6 Tables 7B and 7C show the results for Fee Groups D and E respectively; Table
7 7D summarizes the results for all fee groups, plus caller service and reserve
8 numbers. In addition to the Post-MC96-3 box counts, these tables estimate the
9 resulting revenue change. Because of the fee increases, revenue for post office
10 boxes is projected to increase by \$26.5 million to \$600.0 million annually (or 4.6
11 percent). The total box count decreases from 15.9 million to 15.6 million (or 2.1
12 percent).

¹ The elasticities used are from Postal Rate Commission's *Opinion and Recommended Decision* in Docket No. MC96-3, Appendix D, Schedule 3, page 17.

Table 7B. Estimated Boxes in Use by Fee Group, Post-MC96-3
Fee Group D

Fee Group	Box Size	Pre 96-3 Fees	Post 96-3 Fees	Pct. Change	Pre 96-3 Boxes	Elasticity	Post 96-3 Boxes	Pre 96-3 Revenues	Post 96-3 Revenues	Change in Revenues
D-1	1	\$8	\$12	50%	3,391,503	-0.085	3,247,450	\$27,132,023	\$38,969,400	\$11,837,376
Noncity	2	\$13	\$20	54%	1,411,838	-0.136	1,308,573	\$18,353,889	\$26,171,457	\$7,817,568
Classified	3	\$24	\$36	50%	369,244	-0.152	341,143	\$8,861,859	\$12,281,164	\$3,419,306
eligible	4	\$35	\$53	51%	29,503	-0.152	27,194	\$1,032,604	\$1,441,257	\$408,654
	5	\$55	\$83	51%	3,280	-0.152	3,026	\$180,381	\$251,119	\$70,738
Subtotal		\$10.67	\$16.06		5,205,367		4,927,385	\$55,560,756	\$79,114,397	\$23,553,641
D-2	1	\$2	\$12	500%	22,090	-0.054	16,173	\$44,179	\$194,074	\$149,894
Noncity	2	\$2	\$20	900%	9,196	-0.069	3,471	\$18,391	\$69,427	\$51,036
Contract	3	\$2	\$36	1700%	2,405	-0.036	930	\$4,810	\$33,465	\$28,655
eligible	4	\$2	\$53	2550%	192	-0.024	73	\$384	\$3,845	\$3,460
	5	\$2	\$83	4050%	21	-0.015	8	\$43	\$669	\$627
Subtotal		\$2.00	\$14.60		33,904		20,654	\$67,808	\$301,479	\$233,672
D-3	1	\$8	\$12	50%	665,727	-0.054	647,895	\$5,325,815	\$7,774,739	\$2,448,924
Nondelivery	2	\$13	\$20	54%	228,574	-0.069	220,061	\$2,971,464	\$4,401,225	\$1,429,761
eligible	3	\$24	\$36	50%	54,949	-0.036	53,958	\$1,318,781	\$1,942,478	\$623,697
	4	\$35	\$53	51%	4,478	-0.024	4,422	\$156,726	\$234,348	\$77,622
	5	\$55	\$83	51%	510	-0.015	506	\$28,054	\$42,005	\$13,951
Subtotal		\$10.27	\$15.53		954,238		926,842	\$9,800,841	\$14,394,796	\$4,593,955
D	1		\$12		4,079,320		3,911,518	\$32,502,018	\$46,938,213	\$14,436,195
	2		\$20		1,649,607		1,532,105	\$21,343,745	\$30,642,109	\$9,298,364
Total	3		\$36		426,598		396,031	\$10,185,450	\$14,257,108	\$4,071,658
eligible	4		\$53		34,173		31,688	\$1,189,714	\$1,679,450	\$489,737
	5		\$83		3,811		3,540	\$208,478	\$293,793	\$85,315
Total D		\$10.56	\$15.97		6,193,509		5,874,881	\$65,429,405	\$93,810,673	\$28,381,268

Table 7D. Estimated Boxes in Use by Fee Group, Post-MC96-3

All Fee Groups plus Caller Service and Reserve Numbers

Fee Group	Box Size	Pre 96-3 Fees	Post 96-3 Fees	Pct. Change	Pre 96-3 Boxes	Elasticity	Post 96-3 Boxes	Pre 96-3 Revenues	Post 96-3 Revenues	Change in Revenues
Paid Boxes (A+B+C+D)					14,744,220		14,425,267	\$525,991,660	\$554,436,154	\$28,444,494
Free Boxes (E)					904,241		904,241	\$6,902,558	\$0	(\$6,902,558)
Total Boxes					15,648,462		15,329,509	\$532,894,217	\$554,436,154	\$21,541,937
Caller Service		\$349	\$451	29%	100,770	-0.398	89,055	\$35,168,730	\$40,163,805	\$4,995,075
Reserve Numbers		\$30	\$30	0%	178,717		178,717	\$5,361,510	\$5,361,510	\$0
Grand Total					15,927,949		15,597,281	\$573,424,457	\$599,961,469	\$26,537,012
							-2.1%		4.6%	

Table 12. ALLOCATION OF SPACE PROVISION COSTS								
Fcc Group.	Box Size	No. of Boxes	Cap. Factor	Equivalent Capacity	Percentage of Equivalent	Average Rent	Total Costs (thousands)	Costs Per Box
A	1	72,129	1	72,129	0.3351%	\$23.49	\$2,419	\$33.53
	2	4,500	1.5	6,750	0.0314%	\$23.49	\$226	\$50.30
	3	2,524	3	7,571	0.0352%	\$23.49	\$254	\$100.60
	4	242	6	1,453	0.0067%	\$23.49	\$49	\$201.60
	5	69	12	824	0.0038%	\$23.49	\$28	\$402.40
	Total	79,464	1.12	88,728	0.41%	\$23.49	\$2,975	\$37.44
B	1	124,239	1	124,239	0.5773%	\$16.74	\$2,969	\$23.90
	2	29,835	1.5	44,752	0.2079%	\$16.74	\$1,069	\$35.85
	3	10,744	3	32,231	0.1498%	\$16.74	\$770	\$71.69
	4	1,553	6	9,315	0.0433%	\$16.74	\$223	\$143.38
	5	1,516	12	18,189	0.0845%	\$16.74	\$435	\$286.77
	Total	167,886	1.36	228,728	1.06%	\$16.74	\$5,466	\$32.56
C	1	5,291,127	1	5,291,127	24.5846%	\$7.71	\$58,236	\$11.01
	2	2,239,904	1.5	3,359,857	15.6112%	\$7.71	\$36,980	\$16.51
	3	742,733	3	2,228,199	10.3531%	\$7.71	\$24,524	\$33.02
	4	158,544	6	951,264	4.4199%	\$7.71	\$10,470	\$66.04
	5	33,185	12	398,218	1.8503%	\$7.71	\$4,383	\$132.08
	Total	8,465,493	1.44	12,228,664	56.82%	\$7.71	\$134,594	\$15.90
D	1	3,985,837	1	3,985,837	18.5197%	\$6.19	\$35,221	\$8.84
	2	1,561,215	1.5	2,341,823	10.8810%	\$6.19	\$20,694	\$13.25
	3	403,555	3	1,210,666	5.6252%	\$6.19	\$10,698	\$26.51
	4	32,290	6	193,739	0.9002%	\$6.19	\$1,712	\$53.02
	5	3,607	12	43,283	0.2011%	\$6.19	\$382	\$106.04
	Total	5,986,504	1.30	7,775,348	36.13%	\$6.19	\$68,707	\$11.48
E	1	617,292	1	617,292	2.8682%	\$6.70	\$5,904	\$9.56
	2	236,141	1.5	354,211	1.6458%	\$6.70	\$3,388	\$14.35
	3	61,234	3	183,703	0.8536%	\$6.70	\$1,757	\$28.69
	4	5,933	6	35,597	0.1654%	\$6.70	\$340	\$57.39
	5	822	12	9,865	0.0458%	\$6.70	\$94	\$114.78
	Total	921,422	1.30	1,200,668	5.58%	\$6.70	\$11,484	\$12.46
GRAND TOTAL		15,620,769	1.38	21,522,135	100%		\$223,226	\$14.29

Table 13. TOTAL VOLUME-VARIABLE COSTS PER BOX						
Fee Group	Box Size	No. of Boxes	Space Provision	Space Support	All Other	Costs Per Box
A	1	72,129	\$33.53	\$13.01	\$6.69	\$53.23
	2	4,500	\$50.30	\$19.51	\$6.69	\$76.50
	3	2,524	\$100.60	\$39.02	\$6.69	\$146.31
	4	242	\$201.60	\$78.04	\$6.69	\$285.93
	5	69	\$402.40	\$156.08	\$6.69	\$565.17
	Total	79,464	\$37.44	\$14.52	\$6.69	\$58.66
B	1	124,239	\$23.90	\$13.01	\$6.69	\$43.60
	2	29,835	\$35.85	\$19.51	\$6.69	\$62.05
	3	10,744	\$71.69	\$39.02	\$6.69	\$117.41
	4	1,553	\$143.38	\$78.04	\$6.69	\$228.12
	5	1,516	\$286.77	\$156.08	\$6.69	\$449.54
	Total	167,886	\$32.56	\$17.72	\$6.69	\$56.97
C	1	5,291,127	\$11.01	\$13.01	\$6.69	\$30.71
	2	2,239,904	\$16.51	\$19.51	\$6.69	\$42.71
	3	742,733	\$33.02	\$39.02	\$6.69	\$78.73
	4	158,544	\$66.04	\$78.04	\$6.69	\$150.77
	5	33,185	\$132.08	\$156.08	\$6.69	\$294.85
	Total	8,465,493	\$15.90	\$18.79	\$6.69	\$41.38
D	1	3,985,837	\$8.84	\$13.01	\$6.69	\$28.54
	2	1,561,215	\$13.25	\$19.51	\$6.69	\$39.46
	3	403,555	\$26.51	\$39.02	\$6.69	\$72.22
	4	32,290	\$53.02	\$78.04	\$6.69	\$137.75
	5	3,607	\$106.04	\$156.08	\$6.69	\$268.81
	Total	5,986,504	\$11.48	\$16.89	\$6.69	\$35.06
E	1	617,292	\$9.56	\$13.01	\$6.69	\$29.27
	2	236,141	\$14.35	\$19.51	\$6.69	\$40.55
	3	61,234	\$28.69	\$39.02	\$6.69	\$74.41
	4	5,933	\$57.39	\$78.04	\$6.69	\$142.12
	5	822	\$114.78	\$156.08	\$6.69	\$277.55
	Total	921,422	\$12.46	\$16.95	\$6.69	\$36.11
GRAND TOTAL		15,620,769	\$14.29	\$17.92	\$6.69	\$38.91