

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

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POSTAL RATE AND FEE CHANGES

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Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO PRESIDING OFFICER'S RULING NO. 30

Presiding Officer's Ruling No. R2006-1/30 (Ruling) directed Postal Service witness Tang "to be prepared, prior to the commencement of cross-examination, to address in detail the Service's revenue estimation and implementation plan as it pertains to the proposed container charge for Outside County Periodicals." Ruling at 2. To simplify this process, the Postal Service is filing the attached materials.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**Response to Presiding Officer's Ruling No. R2006-1/30  
Concerning Implementation of Proposed Periodicals Container Rate**

The Postal Service proposes a flat 85-cent container rate to be applied to containers containing Outside-County Periodicals mail. This rate is designed to send an appropriate price signal to encourage better mail preparation and thereby benefit the entire Periodicals community.

**Revenue Estimate**

The container data and revenue estimate are in USPS-LR-L-126, worksheet "Container." The data sources are Tables 3 and 5 in USPS-LR-L-91, Periodicals Mail Characteristics Study. In the "Container" worksheet, the number of containers and the corresponding flats volume have been aggregated into "Pallet" and "Sack and Other". "Sack and Other" includes not just sacks, but all containers other than pallets.

To account for the effect of the minimum 24-piece rule (implemented in May 2006), 65 percent of the sacks which contain fewer than 24 pieces of mail are assumed to be eliminated.

The FY 2005 Billing Determinants were used to slightly adjust the container count. The adjustment factor of 1.012 was applied to reconcile the flats volume in the source data with the total Periodicals volume in the Billing Determinants.

Since only aggregate numbers of sacks, pallets, and flats are provided, for revenue estimate purposes, the volume distribution for Periodicals Outside County subclasses is used to distribute the estimated container revenue.

The resulting revenue projection is as follows:

<b>Container Type</b>	<b>Quantity</b>	<b>Container rate</b>		<b>Total revenue</b>
Pallets	3,865,720	85 cents	=	3,285,862
Sacks and Other	47,097,975	85 cents	=	40,033,279
Total	50,963,695	85 cents	=	43,319,140

Although this revenue projection cannot be delineated to the same degree as the implementation categories (in the following table), it is a reasonable estimate since pallets and sacks cover almost all of the volume, and the “Sacks and Other” category includes containers other than pallets and sacks. Also, the revenue estimate accounts for only 1.8 percent of the total Outside County revenue (\$2,394,326,176 from LR-L-126, Workpaper “FY2008 Summary”).

### **Application of Container Rate**

The Postal Service understands the need for the Commission to know how the Service plans to apply the container rate. As mentioned in the Order, the specific regulations will be published in a Federal Register notice. That notice is expected next month, but the following grid summarizes the proposed regulations:

	<b>Outside County mail preparation</b>	<b>Container rate application</b>
1.	Sacks	Per sack
2.	Sacks on pallets	Per sack
3.	Bundles/trays/tubs on pallets	Per pallet
4.	No containers, DDU entry, as specified by the Postal Service	One rate application per 5-digit scheme served by the DDU
5.	Other	Per unit as indicated under standardized documentation

Lines 1-3 cover 99.7% of Periodicals volume. Line 4 covers a portion of the remaining volume. (This form of preparation is permitted only in limited circumstances such as when the postal facility cannot accommodate pallets. And in these situations additional work on the part of the mailer is required. See DMM 707.23.4.2). The application of the container rate in this situation is intended to mirror the lowest price that could be obtained if this type of DDU mailing was containerized. Line 5 is intended to address those situations that do not involve sacks or pallets and are not covered by line 4.