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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

DIRECT TESTIMONY
OF
JAMES M. KIEFER
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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LIBRARY REFERENCES SPONSORED

- USPS-LR-L-82 Parcel Post Rate Design Spreadsheets
- USPS-LR-L-51 Premium Forwarding Service (PFS) Volume Forecast and
Zone Distribution

LIST OF ATTACHMENTS

Attachment A: Proposed Parcel Post Rates

AUTOBIOGRAPHICAL SKETCH

My name is James M. Kiefer. I am an Economist in Pricing and Classification, United States Postal Service. Since joining the Postal Service in 1998, I have worked on issues related to Package Services, Special Services, nonletter-size Business Reply Mail, and other pricing issues.

Prior to joining the Postal Service I worked for the Vermont Department of Public Service, first as a Power Cost Analyst, and later as a Planning Econometrician, where I investigated utility costs, rates, load forecasts and long-term plans. I also developed long range electric generation expansion plans for the State, performed economic impact studies, and contributed to a long-term energy use plan for Vermont. I have testified as an expert witness before the Vermont Public Service Board on many occasions on economic issues involving cost of power, generation expansion plans, least cost integrated planning, load forecasts, and electric utility rates.

Before working in Vermont, I was a Principal Analyst with the Congressional Budget Office. My past work experience also includes work with the U.S. Department of Commerce and work in production management in private industry.

I earned a BA in Chemistry from the Johns Hopkins University, an MBA from Rutgers University, and an MA degree in International Relations from the Nitze School of Advanced International Studies. I then returned to Johns Hopkins in Baltimore to study Economics where I earned further graduate degrees in 1983 and 1986.

I have provided testimony before the Postal Rate Commission previously in Docket No. MC99-1, Docket No. MC99-2, Docket No. R2000-1, Docket No. R2001-1, Docket No. MC2002-1, Docket No. MC2003-2 and Docket No. R2005-1.

1 **I. PURPOSE AND SCOPE OF TESTIMONY**

2 The purpose of my testimony is to present the Postal Service's proposed
3 new rates for the two Parcel Post retail rate categories (Intra-BMC and Inter-
4 BMC),¹ the three Parcel Select commercial drop-ship rate categories (DDU,
5 DSCF and DBMC), and the two Parcel Return Service (PRS) rate categories
6 (RBMC and RDU). My testimony will discuss the characteristics of the subclass,
7 the rate design and the financial implications of my proposed rates.

8 My testimony also includes supporting documentation in the form of a
9 Library Reference (USPS-LR-L-82) and is based in part on materials from other
10 witnesses, as I will describe in my testimony.

11 In developing my rate proposals I have relied on revenue targets and
12 projections of fees obtained from witness O'Hara (USPS-T-31), volume forecasts
13 from witness Thress (USPS-T-6), and cost studies and projections from
14 witnesses Waterbury (USPS-T-10), Mayes (USPS-T-25), Miller (USPS-T-21),
15 and Page (USPS-T-23). I also relied on Priority Mail pricing proposals and
16 projections of volumes leaving Priority Mail to avoid dim-weighted pricing from
17 witness Scherer (USPS-T-33). Using these inputs and my proposed pricing, I
18 generated revenue projections for the test year that were used by witness O'Hara
19 (USPS-T-31) and estimates of costs for pieces migrating from Priority Mail to
20 avoid dim-weighted pricing that were used by witness Page (USPS-T-23).

21

¹ I refer to Inter-BMC and Intra-BMC Parcel Post here and elsewhere in my testimony as "retail" rate categories since it is believed that the majority of pieces paying these rates are entered through the retail channel. Nevertheless, these categories do contain nontrivial volumes of mail sent in bulk by commercial mailers.

1 **II. LIBRARY REFERENCES**

2 I am sponsoring the following library references:

3 **A. USPS-LR-L-82**

4 This library reference contains my workpapers labeled WP-PP-1 through
5 WP-PP-40. These workpapers contain a combination of inputs and outputs that
6 are used to develop my proposed rates. I used supplemental workpapers (SWP-
7 PP-1 through SWP-PP-9) in some cases to produce inputs needed in the
8 development of my main workpapers. USPS-LR-L-82 also contains these
9 supplemental workpapers. The footnotes in my workpapers explain how each
10 input/output is used or derived.

11 **B. USPS-LR-L-51**

12 This library reference contains my test year volume forecast for Premium
13 Forwarding Service (PFS) used by witness Scherer (USPS-T-33) and an
14 estimated zone distribution based on early returns of PFS subscriptions.

15

1 **III. SUMMARY OF PROPOSED CHANGES**

2 The Postal Service proposes an average increase of 13.8 percent in the
3 Parcel Post subclass, with corresponding cost coverage of 115 percent. Under
4 this rate proposal, on average, Inter-BMC Parcel Post rates would increase 13.1
5 percent, Intra-BMC rates would increase 17.7 percent, and Parcel Select rates
6 would increase 12.0 percent. Within Parcel Select, average DBMC rates would
7 increase 15.9 percent, DSCF rates 16.3 percent and DDU rates 11.1 percent.
8 RBMC and RDU parcels will on average increase 12.0 percent and 9.1 percent
9 respectively.

10

1 **IV. PRODUCT DESCRIPTION AND OTHER CHARACTERISTICS**

2 **A. Characteristics of Parcel Post**

3 Currently, Parcel Post consists of any Package Services mail that is not
4 mailed as Bound Printed Matter, Media Mail, or Library Mail. It may not exceed
5 70 pounds or 130 inches in length and girth combined. Parcel Post is the only
6 subclass available for mailing eligible matter measuring over 108 inches in
7 combined length plus girth. The Parcel Post oversized rate applies to mail
8 between 108 and 130 inches.

9 There are seven Parcel Post rate categories, as listed in Part I of my
10 testimony.

11

12 **B. Volume, Revenue and Rate Histories**

13 Parcel Post volume has decreased significantly since Postal
14 Reorganization. By 1990, Parcel Post had lost over 70 percent of its pre- Postal
15 Reorganization volume. The steady decline in Parcel Post volume was reversed
16 in the early 1990s due in part to the introduction of the DBMC rate category.
17 Parcel Post volume experienced a 43 percent growth between 1990 and 1994.
18 As shown in USPS-LR-L-74, volume declined again in 1995 and 1996. The
19 introduction of further workshare incentives in 1997 led to a rapid growth in
20 Parcel Post, especially the drop-shipped category (Parcel Select—DBMC, DSCF
21 and DDU). By FY 1999, DBMC alone accounted for 66 percent of all Parcel Post
22 volume. However, DBMC has been steadily declining since FY 2001, but this
23 decline has been offset by a growth in DDU volume. Today, Parcel Select
24 represent about 70 percent of total Parcel Post volume and over 50 percent of
25 Parcel Select is DDU-entered. Despite the growth in Parcel Select, total Parcel
26 Post volume remains only 68 percent of its 1970 level. The introduction of the

1 Parcel Return Service (PRS) rate categories (RBMC and RDU) in October 2003
2 brought additional volume to Parcel Post. However, the effect of the growth in
3 PRS was overshadowed by the 23 percent decline in DBMC volume between
4 2004 and 2005.² Year-by-year volume details are shown in USPS-LR-L-74.

5 The rate and revenue histories for Parcel Post are contained in Library
6 Reference USPS-LR-L-73 and USPS-LR-L-74 respectively.

7

8 **C. Rate Design History**

9 At Postal Reorganization Parcel Post had a rate design that varied by
10 weight from two pounds to seventy pounds, and by eight postal zones plus a
11 local zone as measures of distance traveled from origin to destination. Parcels
12 that weighed less than 10 pounds but measured more than 84 inches in
13 combined length and girth (also known as balloon parcels) were charged the
14 rates for a 10-pound parcel for the zone to which they were addressed. This
15 “stop-loss” or “balloon” charge was changed in 1975 to apply the applicable 15-
16 pound rates to pieces measuring more than 84 inches in combined length and
17 girth but weighing less than 15 pounds.

18 The rate design for Parcel Post changed in several ways as a result of
19 Docket No. R80–1. The rate structure began differentiating between parcels
20 entered within the service area of a BMC—Intra-BMC pieces—and parcels
21 entered for delivery outside of the origin BMC service area—Inter-BMC pieces.
22 The rate difference between Intra-BMC pieces and Inter-BMC pieces was a
23 simple 14-cent per-piece difference. The Docket No. R80–1 rate design also

² DBMC volume, which by 2004 was only 23 percent of total Parcel Post volume, declined by 25 percent between 2004 and 2005. By 2005, DBMC was only 17 percent of total Parcel Post volume. PRS on the other hand, grew by almost 50 percent between 2004 and 2005, but its volume is only 2 percent of total Parcel Post volume.

1 differentiated between machinable and nonmachinable Inter-BMC parcels,
2 assessing the latter an additional 50 cents per piece. The “stop-loss” or “balloon”
3 charge previously assessed low-density pieces was removed from the rate
4 design at that time.

5 This basic rate design continued until Docket No. R90-1 when the Postal
6 Service introduced Parcel Post’s first drop-ship discount. Bulk mailings of at least
7 50 properly prepared parcels entered at the DBMC or destination ASF were
8 eligible for a further discount off the Intra-BMC rates. The increased interest from
9 mailers for such discounts led the Postal service to introduce further drop-ship
10 discounts in Docket No. R97-1.

11 In addition to the preexisting rate categories of Inter-BMC, Intra-BMC, and
12 Destination Bulk Mail Center (DBMC), the Postal Service, in Docket No. R97-1,
13 established new rate categories for parcels entered at Destination Sectional
14 **Center Facilities** (DSCF) and Destination Delivery Units (DDU), and a discount
15 for parcels entered at Origin Bulk Mail Centers (OBMC). The Postal Service also
16 reestablished the balloon rate for pieces that weighed less than 15 pounds that
17 exceed 84 inches, but not 108 inches, in combined length and girth. Additional
18 rate elements introduced in that same docket included: a BMC presort discount
19 available for mailings of at least 50 properly prepared Inter-BMC parcels sorted
20 to destination BMCs, but not entered at a BMC; a discount for prebarcoded
21 parcels with the correct destination ZIP Code that are part of a mailing of at least
22 50 Parcel Post pieces; and expanded eligibility for oversized parcels from 108
23 inches (length plus girth) to 130 inches.

24 There was no change to the basic rate design in Docket No. R2000-1.
25 However, two new surcharges for mail that could not be processed on Postal
26 Service parcel sorting equipment were introduced in addition to the existing
27 surcharges. For marketing purposes the Postal Service named the DBMC, DSCF

1 and DDU rate categories “Parcel Select” to distinguish these commercial rate
2 categories from the “retail” categories: Inter-BMC and Intra-BMC Parcel Post.
3 The lower weight limit for Parcel Post was also eliminated, albeit without a new
4 rate for parcels weighing one pound or less.

5 In Docket No. R2001-1, the existing rate structure was retained with three
6 relatively minor modifications:

- 7 • establishing a one-pound rate,
- 8 • introducing a 3-digit nonmachinable DSCF rate, and
- 9 • providing electronic Delivery Confirmation to Parcel Select shippers without
10 payment of an additional fee.

11 In Docket MC2003-2, the Postal Service introduced two experimental
12 Parcel Post workshare rate categories (RBMC and RDU), based on the bulk
13 pickup of parcels returned from consumers to merchants. The across-the-board
14 rate increase in Docket No. R2005-1 retained the existing rate design. Docket
15 No. MC2006-1 retained the rate design for PRS developed in Docket No.
16 MC2003-2.

17

18 **D. Proposed Change in Parcel Post Rate Design**

19 I am proposing to retain the existing rate design with one minor
20 modification. All Parcel Select DBMC machinable parcels will be required to be
21 barcoded. The cost savings from barcoding will be reflected in the rates instead
22 of being separately stated. Pieces without appropriate barcodes will pay the
23 applicable retail rate. A barcode discount, separately stated, will continue to be
24 available for Intra- and Inter-BMC parcels.

25 I am also proposing to raise the weight for balloon parcels from 15 pounds
26 to 20 pounds, in line with the changes being sponsored for Priority Mail by
27 witness Scherer (USPS-T-33).

1 V. PARCEL POST RATE DESIGN

2 The rate design for Intra-BMC, Inter-BMC, and Parcel Select being
3 proposed in this docket is consistent (except for the addition of PRS) with the
4 rate structure developed in previous omnibus cases. Similarly, the rate design for
5 RBMC and RDU parcels mirrors methodologies used in Docket No. MC2003-2.
6 Unlike the RBMC and RDU rate structures which use the Intra-BMC rates as the
7 benchmark rates less a portion of average savings per-piece, the three major
8 rate schedules (Intra-BMC, Inter-BMC, and Parcel Select) are developed
9 independently.

10 Preliminary rates for each category are developed using a combined per-
11 piece charge and per-pound charge, with the per-pound charge varying by zone.
12 Unit transportation costs per cubic foot, developed by Postal Service witness
13 Mayes (USPS-T-25), are distributed to weight and zone separately for each rate
14 category using their respective cube/weight relationships.³ In keeping with
15 established Parcel Post rate design methodology, the per-pound rate includes a
16 two cent per pound weight-related non-transportation cost charge. The costs
17 allocated through the two cent per pound charge are subtracted from the total
18 non-transportation costs, and the remaining non-transportation costs are
19 recovered through the per-piece elements of the rates. A mark-up factor is
20 applied to both the per-pound and per-piece components to cover volume
21 variable costs plus a reasonable contingency and at the same time to make a
22 reasonable contribution to Parcel Post's share of the Postal Service's institutional
23 costs.

24 A more detailed discussion of the individual elements of the Parcel Post
25 rate design, and the methodologies used is presented below.

³ DDU and DSCF use the same cube/weight relationship as DBMC.

1 **A. Pound Component**

2 The per-pound charge is designed to recover the distance-related and the
3 non-distance related transportation costs, plus the weight-related non-
4 transportation cost. To develop the per-pound component, I applied a mark-up to
5 the volume-variable transportation costs and weight-related non-transportation
6 costs. Witness Mayes provided the Test Year unit transportation costs (in dollars
7 per cubic foot) by rate category and zone (WP-PP-14), and the cube-weight
8 regression relationship (WP-PP-8) by rate category and weight increment.
9 Allocation of these unit transportation costs is shown in my workpaper WP-PP-
10 15. The two-cent-per-pound weight-related non-transportation cost discussed
11 previously was allocated among each weight cell using the same cubic foot per
12 pound relationships used in allocating transportation costs. Calculation and
13 distribution of these costs are shown in workpaper WP-PP-16. I applied both the
14 contingency and the mark-up factor to the preliminary pound costs for each
15 weight cell to produce preliminary pound charges that reflect the target cost
16 coverage for Parcel Post, proposed by witness O'Hara. (USPS-T-31).⁴ Details of
17 these calculations are shown in workpaper WP-PP-21.

18

19 **B. Piece Component**

20 The remaining non-transportation costs are recovered through the per-
21 piece charge. To develop the basic per piece charge, I divided the marked-up
22 test year Parcel Post costs (net of transportation and weight-related non-
23 transportation costs and adjusting for leakages and surcharges)⁵ by the number

⁴ Each weight cell includes a component to recover the excess weight related costs of handling balloon parcels. See WP-PP-19.

⁵ The costs were also adjusted to remove excess balloon and oversized piece costs which are recovered separately and not through the basic per-piece charge.

1 of test year before rates pieces. This produces the basic per-piece charge. The
2 details of these calculations are presented in workpaper WP-PP-20.

3 The basic per-piece charge applies to the benchmark piece: a non-
4 discounted machinable Inter-BMC mail piece. I then made adjustments reflecting
5 the various levels of worksharing and entry practices to develop the rates for the
6 other Parcel Post rate categories. The subsection below describes how rates for
7 each rate category were independently developed.

8

9 **C. Intra-BMC and Inter-BMC Rates**

10 The preliminary Inter-BMC machinable rates were derived by adding the
11 Inter-BMC pound charges and the benchmark piece charge. Preliminary Intra-
12 BMC machinable rates were developed by summing the Intra-BMC pound
13 charges and the benchmark piece charge less the Intra-BMC/Inter-BMC per-
14 piece cost differential obtained from witness **Miller** (USPS-T- 21). Details of my
15 preliminary rates calculations are shown in workpapers WP-PP- 22, and WP-PP-
16 23 for Intra-BMC and Inter-BMC respectively.

17

18 **D. Parcel Select Rates**

19 Preliminary Parcel Select rates were developed by summing the
20 respective pound charges (DBMC, DSCF, or DDU) and the benchmark piece
21 charge less the appropriate cost differentials obtained from witness **Miller**
22 (USPS-T-21). I also deducted the barcode cost differential for machinable
23 parcels in the DBMC rate category. Details of my preliminary Parcel Select rates
24 calculations are shown in workpaper WP-PP- 24.

25

26 **E. Parcel Return Service (PRS) Rates**

27 The Parcel Post Intra-BMC rates are the benchmark rates from which both
28 the RDU (Return Delivery Unit) and RBMC (Return Bulk Mail Center) rates were

1 developed. However, in recognition of the differences in transportation and mail
2 processing cost between RDU and RBMC pieces, their respective rates were
3 developed independently. Specifically, a unitary (fixed) rate was developed for all
4 regular-sized RDU parcels while rates for RBMC parcels were developed with
5 weight and zone differentials. The section below describes how rates for each
6 rate category were developed.

7 **1. RDU**

8 Using witness Miller's (USPS-T-21) estimated transportation and non-
9 transportation cost savings for RDU parcels relative to the benchmark, Intra-BMC
10 local parcels, I calculated the average per-piece savings for regular-sized RDU
11 parcels, taking into account witness Miller's estimates of average cubic feet per
12 piece for machinable and nonmachinable parcels. I then calculated the revenue
13 RDU pieces would have generated using the constrained local Intra-BMC rates,⁶
14 discussed in more detail in subsection H, and the TYBR volume distribution for
15 RDU pieces (WP-PP-9).⁷ Dividing the calculated revenue by RDU volume yields
16 the non-discounted revenue per-piece for RDU parcels. To develop the proposed
17 rate for regular sized RDU parcels, I subtracted a portion of the average RDU
18 savings per-piece from the calculated (non-discounted) average revenue per-
19 piece. Details of these calculations are shown in my workpaper WP-PP-29. The
20 proposed fixed rate for all regular sized RDU parcels recognizes not only the
21 absence of transportation and mail processing costs, but also promotes rate

⁶ The constrained Intra-BMC rates mentioned here are the same as the proposed Intra-BMC rates. See subsection H, below, for further information about rate change constraints. These constraints were imposed to temper unacceptably high price changes and maintain reasonable rate relationships.

⁷ I used the weight distribution of RBMC pieces to distribute RDU pieces (which do not have a weight component) in order to calculate the revenue leakage that would have occurred if the same pieces had paid the Local Intra-BMC rates.

1 simplicity and convenience. Rate design for oversized RDU parcels is discussed
2 separately in sub-section F below.

3 **2. RBMC**

4 Witness Miller (USPS-T-21) provided transportation and non-
5 transportation cost savings estimates for RBMC parcels relative to zoned Intra-
6 BMC Parcel Post. Using the cost savings estimate for machinable and
7 nonmachinable RBMC parcels and the TYBR RBMC volume distribution (WP-
8 PP-9), I calculated the savings for machinable and nonmachinable RBMC parcel
9 by weight steps. Average savings for light and medium size parcels (pieces
10 weighing 1-35 pounds) and heavier pieces (those weighing above 35 pounds)
11 were calculated separately. Details of these calculations are shown in workpaper
12 WP-PP-30. To develop my proposed RBMC rates for parcels weighing 1-35
13 pounds, I deducted a portion of the average savings for light and medium size
14 parcels from the applicable benchmark Intra-BMC rates. In recognition of the
15 requirement that all PRS pieces be barcoded, the discount for barcoding is
16 reflected in the rates for light and medium size RBMC pieces. Similarly,
17 nonmachinable RBMC pieces are assessed the same surcharge (\$1.85)
18 proposed for the benchmark nonmachinable Intra-BMC pieces.

19 Rates for heavier RBMC pieces (pieces rated above 35 pounds) were
20 developed using the same discount off the benchmark zoned Intra BMC rates,⁸
21 but with an additional per-pound increment for pieces above 36 pounds. The
22 additional per pound increment was used to maintain a smooth rate relationship
23 at the break point between light and medium size parcels and heavier parcels. At

⁸ The starting discount excludes the barcode discount since all pieces weighing over 35 pounds are, by definition, nonmachinable and ineligible for the barcode discount.

1 the same time it recognizes that savings are greater for heavier parcels. These
2 calculations are reflected in my workpaper WP-PP-30.

3 In its Opinion and Recommended Decision in Docket MC 2006-1, the
4 Postal Rate Commission (PRC) encouraged the Postal Service to increase PRS
5 passthroughs. The savings passthroughs contained in my proposed rates, 60.9
6 percent and 54.2 percent for RDU and RBMC, respectively, are higher than
7 those recommended in MC2006-1 (47.2 percent for RDU and 51.3 percent for
8 RBMC). However, it is necessary to be cautious in selecting the level of
9 passthroughs for two reasons. First, the benchmark Intra-BMC rates are already
10 heavily constrained. And, second, the average weight of a typical PRS piece is
11 less than the average weight of a typical Intra-BMC (benchmark) piece. As a
12 result, moderated passthroughs are appropriate to guard against potential
13 overstatement of cost savings in PRS discounts. The rate design for oversized
14 RBMC parcels is discussed separately in sub-section F below.

15

16 **F. Balloon and Oversized Rates**

17 I propose that Parcel Post pieces weighing less than 20 pounds and
18 measuring more than 84 inches, but less than 108 inches, in combined length
19 plus girth be assessed the applicable 20-pound rate. This balloon rate structure
20 is familiar to both mailers and the Postal Service. It is convenient, relatively easy
21 to administer and mirrors the balloon charge applicable to Priority Mail.

22 For oversized parcels, parcels whose length plus girth exceeds 108
23 inches, but does not exceed 130 inches, I developed separate rates that vary by
24 rate category. These rates are independent of the weight of the parcel and are
25 developed in much the same way I developed the rates for regular-sized parcels.
26 I allocated transportation and weight-related non-transportation costs to

1 oversized parcels using the cubic foot-weight relationships supplied by witness
2 Mayes (USPS-T-25) and then marked them up to produce the preliminary pound
3 charges. The per-piece charge which is applicable to all rate cells is adjusted to
4 reflect the piece-related cost differences between oversized and regular parcels
5 for each category. Witness Miller provided these cost differentials.

6 To develop rates for oversized RDU and RBMC parcels, I used witness
7 Miller's (USPS-T-21) estimated transportation and non-transportation cost
8 savings for RDU and RBMC oversized parcels compared to their respective
9 benchmarks, in conjunction with his estimate of their respective average cubic
10 feet per piece, to calculate savings per piece for each rate category. I deducted a
11 portion of these adjusted savings from the appropriate benchmark rates to
12 produce the proposed rates for oversized RDU and RBMC parcels.

13

14

15 **G. Other Rate Design Issues**

16 *Nonmachinable Surcharges.*

17 The nonmachinable surcharges proposed in Docket No. R2005-1 were not
18 predicated upon the relative cost differences between machinable and
19 nonmachinable parcels nor was any consideration given to the level of
20 passthrough and the impact of the surcharge on certain rate cells. Rather, the
21 surcharges were determined by the policy requirement for an across-the-board
22 rate increase. In this docket, my proposed surcharges recognize the increased
23 cost differences and balance those with the impact on customers.

24 Witness Miller (USPS-T-21) provided estimates of additional costs due to
25 nonmachinability for parcels in the Intra-BMC, Inter-BMC, DBMC and DSCF rate
26 categories. The associated cost differences are \$2.47 for Intra-BMC parcels,
27 \$3.62 for Inter-BMC parcels, \$2.18 for DBMC parcels and \$1.01 for 3-digit

1 presorted nonmachinable parcels entered at the DSCF. I am proposing a
2 passthrough of 75 percent for the Intra-BMC rate category, yielding a surcharge
3 of \$1.85. I am also proposing a passthrough of 85 percent for DBMC
4 nonmachinable parcels, yielding a surcharge of \$1.85. Proposing the same
5 surcharge for both the Intra-BMC and DBMC rate categories recognizes the need
6 to maintain DBMC rates at a discount to Intra-BMC rates. This issue is discussed
7 further in subsection H.

8 I am proposing a 100 percent passthrough for Inter-BMC and 3-digit
9 presorted DSCF nonmachinable parcels, yielding surcharges of \$3.62, and \$1.01
10 respectively. The 100 percent passthroughs proposed for each of these rate
11 categories generate appropriate price signals for mailers of nonmachinable
12 parcels. On the one hand, the full passthrough recognizes the decline in cost of
13 processing nonmachinable 3-digit presorted DSCF parcels. On the other hand, it
14 recognizes the increase in cost of processing nonmachinable Inter-BMC parcels.

15
16

BMC Presort Discount.

17 Witness Miller (USPS-T-21) estimates cost savings of \$0.25 per piece for
18 Inter-BMC parcels that are part of a mailing of 50 or more Parcel Post pieces, are
19 prepared and presorted to BMC destinations (for machinable parcels) or
20 BMC/ASF destinations (for nonmachinable parcels) as specified by the Postal
21 Service, and are entered at a facility that is not a BMC. I am proposing a discount
22 of \$0.32 per piece for these pieces, representing a passthrough of 130 percent of
23 costs. Witness Miller's cost savings reflects a 13 percent decrease in estimated
24 cost since Docket No. R2001-1 and a 100 percent passthrough of those costs
25 would have reduced the discount from the current level. Given the already large
26 preliminary rate changes indicated for Inter-BMC, reducing the BMC discount
27 would have served to aggravate the impact of rate increases for many BMC

1 presort mailers. The higher-than-100 percent passthrough formed part of the
2 overall rate change mitigation I am proposing (see subsection H for further
3 discussion on rate adjustments for mitigation purposes).

4
5 *OBMC Discount.*

6 Witness Miller estimates cost savings of \$1.18 per piece for Inter-BMC
7 parcels that are part of a mailing of 50 or more Parcel Post pieces prepared and
8 presorted to BMC destinations (for machinable parcels) or BMC/ASF destinations
9 (for nonmachinable parcels), and are entered at a BMC (other than a DBMC) as
10 specified by the Postal Service. I am proposing a discount of \$1.30 per piece. My
11 proposed discount will pass through 111 percent of the estimated savings, again,
12 as one component of the overall rate mitigation process (see subsection H below
13 for further discussion of rate change mitigation).

14
15 *Barcode Discount.*

16 Based on witness Miller's (USPS-T-21) estimated cost savings of \$0.032
17 per piece from barcoding machinable parcels, I propose a \$0.03 discount for
18 Inter-BMC, and Intra-BMC machinable parcels that are part of a mailing of 50 or
19 more Parcel Post pieces, and that bear a correct readable destination ZIP Code
20 barcode as specified by the Postal Service. My proposed discount represents as
21 close as possible to a 100 percent passthrough of the savings.

22 As discussed in Part IV, subsection D, the barcode discount is no longer
23 applicable to DBMC machinable parcels. Pieces entered at the DBMC without
24 appropriate barcodes would pay the applicable Intra-BMC rates.

25

1 **H. Rate Adjustments**

2 As shown in workpapers WP-PP-22, WP-PP-23, and WP-PP-24, the
3 combination of inputs in the rate design process produces preliminary rates that,
4 for some weight and zone combinations, change excessively when compared
5 with existing rates. Accordingly, as previous Parcel Post witnesses and the
6 Commission have done in the past, my proposed rate design incorporates
7 constraints that mitigate the impact of rate changes. The subsection below
8 describes the adjustments I have made to the preliminary rates to produce
9 proposed rates that more closely align with existing rate relationships. These
10 adjustments and constraints are referenced in certain sections of my testimony to
11 the extent appropriate.

12

13 **1. Rate Change Constraints and Rate Adjustment Factors**

14 If I had not constrained the preliminary rates, many Parcel Post rate cells
15 would have experienced unacceptably large rate increases. To mitigate these
16 large changes, I constrained the percentage increases by rate category. I
17 imposed a general percentage increase cap of 30 percent for all Intra-BMC and
18 Inter-BMC rate cells, and a 20 percent increase cap for Parcel Select rate cells.
19 The percentage increase for Oversized parcels was capped at 15 percent for
20 Intra-BMC, Inter-BMC, and Parcel Select rate categories. I also imposed a
21 maximum rate decrease cap of 3 percent for Intra-BMC and a zero percent
22 decrease cap for Inter-BMC and DDU oversized rates.

23 In addition to these constraints, I imposed rate adjustment factors to each
24 category and, in certain cases, also to zones to avoid anomalous rate increases
25 in some rate cells. These adjustment factors also retained reasonable rate

1 relationships between rate cells while allowing for more gradual transitions in the
2 directions suggested by the preliminary rates.

3
4

2. Rate Relationship Constraints

5 In order to preserve reasonable rate relationships between Priority Mail
6 and the Parcel Post subclass and within the Parcel Post rate categories, I
7 adopted the additional rate relationship constraints developed for Parcel Post in
8 Docket No. R2001-1 (see USPS-T-33 in that docket). Specifically, I constrained
9 the Intra-BMC Local rates to be at least ten cents below the corresponding
10 Priority Mail Local rates. Similarly, I constrained Inter-BMC Zones 1&2 through
11 Zone 8 rates to be at least ten cents less than the corresponding Priority Mail
12 rates.

13 To ensure appropriate rate relationships within the Parcel Post subclass, I
14 imposed a nickel constraint between Intra-BMC rate cells and their
15 corresponding **DBMC** rate cells.

16 As both the Postal Service and the Commission have recognized in the
17 past, Intra-BMC transportation cost estimates (other than for Local parcels) bear
18 no readily identifiable relationship between origin and destination ZIP Code pairs.
19 Applying the undifferentiated zoned transportation cost in the rate development
20 without any adjustment would produce a single Intra-BMC rate for each weight
21 between Zones 1&2 and Zone 5. Such a rate structure would lead to the
22 anomalous result where, for some zones, it would be cheaper for a mailer to
23 avoid entering parcels at the DBMC and pay Intra-BMC rates. As a result, I
24 retained the Postal Service's practice of applying zoning factors to produce Intra-
25 BMC rates that increase with origin-destination distance, while at the same time
26 retaining a reasonable rate relationship between Intra-BMC and DBMC rates.
27 Maintaining this artificial five zone Intra-BMC structure puts downward pressure

1 on the DBMC rates in zones 3, 4, and 5 because these rates must be lower than
2 the comparable Intra-BMC rates to avoid an illogical rate structure.

3

4 **I. Proposed Rates**

5 My proposed rates for all Parcel Post rate categories are shown in
6 Attachment A. Since, by definition, all parcels that weigh above 35 pounds are
7 nonmachinable, rates in this table include the appropriate surcharge for each rate
8 category. The footnotes to each table contain additional information relating to
9 qualified discounts and/or other surcharges where applicable.

10

11 **J. Pickup On Demand Fee**

12 Witness Scherer (USPS-T-33) proposes a fee of \$14.25 for Pickup On
13 Demand service. I propose that single-piece rate Parcel Post also continues to
14 be eligible for Pickup On Demand service at the fee sponsored by witness
15 Scherer.

16

1 **VI. OTHER PARCEL POST ISSUES**

2 **A. Migration of Potentially Dim-weighted Priority Mail Pieces to Parcel Post**

3
4 As discussed in Postal Service witness Scherer's (USPS-T-33) testimony,
5 some Priority Mail pieces are expected to leave the subclass entirely to avoid
6 dim-weighted pricing. He estimates that approximately 2.7 million Priority Mail
7 pieces will migrate. Based on the mail characteristics of these pieces, I assume
8 about a third of pieces leaving Priority Mail will migrate to Inter-BMC Parcel Post.
9 Details of the total volume and distribution of these pieces are shown in my
10 workpaper WP-PP-33. The cost and revenue implications are detailed in my
11 workpapers WP-PP-40 and WP-PP-34 respectively. Witness Page (USPS-T-23)
12 uses the data in WP-PP-40 to estimate the total cost impact of pieces migrating
13 from Priority Mail on Parcel Post . The calculated revenue resulting from
14 migrating pieces is included in the total Parcel Post Financial Summary (USPS-
15 LR-82, workpaper WP-PP-37).

16

17 **B. Return Delivery Unit (RDU) Volume Forecast**

18

19 Base Year Parcel Post volumes contain little or no volume for return
20 delivery unit (RDU) pieces. As a result, test year volume forecasts understate the
21 impact of the growth of RDU on Parcel Return Service (PRS). Using the test year
22 forecast as reported without any adjustment would understate total PRS volume.

23 In his volume forecast, Witness Thress (USPS-T-7) combined PRS pieces
24 with DBMC pieces and developed a forecast for the combined categories. I used
25 the share of PRS pieces (RBMC *per se*) in the base year to separate PRS pieces
26 from DBMC in the test year forecasts. I then estimated the share of RDU pieces I
27 expected in the test year and retained the ratio of RDU to RBMC for test year

- 1 before and after rates. These estimates and calculations are detailed in the input
- 2 section of my workpaper WP-PP-1. Witness Page (USPS-T-23) uses my
- 3 estimate of RDU pieces in his before and after rates final adjustments.

1 VII. FINANCIAL IMPACT OF RATES

2 The financial impacts of my proposed rates are summarized below. The
3 rates generate an overall Parcel Post revenue per piece increase of 17.4 percent
4 and a cost coverage of 115.2 percent. The percentage change reflects the
5 effects of mail mix changes between retail (Intra-BMC and Inter-BMC) and
6 commercial (Parcel Select) that occur as the result of the proposed rate changes,
7 the growth of the new return categories (RBMC and RDU), and the revenue
8 effect of migrating pieces from Priority Mail. Absent any change in volume, (and
9 excluding the migration of Priority Mail pieces), the average revenue per piece
10 increases 13.3 percent. Including revenue from migrating Priority Mail pieces
11 increases the average revenue per piece at TYBR volumes to 14.1 percent.

12 Overall, retail rates increase about 13.8 percent and Parcel Select rates
13 increase by 12.0 percent. The effect of the retail price changes excludes the
14 impacts of the migration of Priority Mail pieces on Inter-BMC Parcel Post. Adding
15 these pieces to the Inter-BMC category raises the average retail increase to 15.2
16 percent. At the rate category level Intra-BMC rates increase by an average of
17 17.7 percent and Inter-BMC by 12.6 percent, absent migrated Priority Mail
18 pieces, and 14.0 percent when the dim-weight migration effect is included. Rates
19 for destination entry rate categories increase by an average 11.1 percent, 16.3
20 percent, and 15.9 percent for DDU, DSCF, and DBMC, respectively. The new
21 workshare return categories, RBMC and RDU, increase by an average 10.7
22 percent, with RBMC increasing by 12.0 percent, about the same as the Parcel
23 Select average, and RDU increasing by 9.1 percent.

24

Proposed Intra-BMC Rates

Weight	Local Zone	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	\$3.31	\$3.56	\$3.59	\$3.66	\$3.96
2	\$3.69	\$4.23	\$4.27	\$4.36	\$4.72
3	\$4.04	\$4.85	\$4.89	\$5.00	\$5.46
4	\$4.35	\$5.26	\$5.47	\$5.63	\$6.13
5	\$4.65	\$5.63	\$5.96	\$6.15	\$6.76
6	\$4.92	\$5.98	\$6.42	\$6.58	\$7.32
7	\$5.13	\$6.31	\$6.83	\$6.99	\$7.86
8	\$5.31	\$6.84	\$7.22	\$7.39	\$8.34
9	\$5.49	\$7.13	\$7.58	\$7.78	\$8.79
10	\$5.66	\$7.44	\$7.95	\$8.53	\$9.21
11	\$5.82	\$7.71	\$8.27	\$8.86	\$9.59
12	\$5.98	\$7.99	\$8.58	\$9.18	\$9.96
13	\$6.13	\$8.25	\$8.85	\$9.48	\$10.30
14	\$6.28	\$8.44	\$9.11	\$9.81	\$10.61
15	\$6.42	\$8.59	\$9.38	\$10.07	\$10.90
16	\$6.56	\$8.74	\$9.64	\$10.33	\$11.20
17	\$6.69	\$8.92	\$9.90	\$10.61	\$11.45
18	\$6.82	\$9.05	\$10.14	\$10.84	\$11.70
19	\$6.94	\$9.20	\$10.38	\$11.08	\$11.94
20	\$7.07	\$9.35	\$10.61	\$11.28	\$12.15
21	\$7.19	\$9.46	\$10.84	\$11.46	\$12.36
22	\$7.30	\$9.62	\$11.05	\$11.65	\$12.55
23	\$7.42	\$9.72	\$11.28	\$11.82	\$12.76
24	\$7.53	\$9.85	\$11.49	\$12.03	\$12.93
25	\$7.64	\$9.96	\$11.70	\$12.24	\$13.11
26	\$7.75	\$10.10	\$11.89	\$12.44	\$13.26
27	\$7.86	\$10.21	\$12.09	\$12.64	\$13.42
28	\$7.96	\$10.31	\$12.29	\$12.83	\$13.56
29	\$8.06	\$10.43	\$12.48	\$13.01	\$13.69
30	\$8.18	\$10.54	\$12.66	\$13.20	\$13.85
31	\$8.27	\$10.65	\$12.83	\$13.37	\$14.05
32	\$8.36	\$10.76	\$13.02	\$13.55	\$14.22
33	\$8.47	\$10.86	\$13.19	\$13.71	\$14.40
34	\$8.56	\$10.96	\$13.35	\$13.88	\$14.57
35	\$8.65	\$11.05	\$13.52	\$14.04	\$14.74

(continued)

Proposed Intra-BMC Rates

Weight	Local Zone	Zones 1 & 2	Zone 3	Zone 4	Zone 5
36	\$10.59	\$12.99	\$15.51	\$16.04	\$16.75
37	\$10.68	\$13.11	\$15.63	\$16.20	\$16.91
38	\$10.74	\$13.20	\$15.76	\$16.35	\$17.07
39	\$10.83	\$13.30	\$15.89	\$16.49	\$17.22
40	\$10.91	\$13.37	\$15.99	\$16.64	\$17.37
41	\$10.99	\$13.50	\$16.14	\$16.78	\$17.52
42	\$11.05	\$13.56	\$16.24	\$16.93	\$17.66
43	\$11.13	\$13.64	\$16.35	\$17.03	\$17.80
44	\$11.22	\$13.75	\$16.46	\$17.11	\$17.93
45	\$11.28	\$13.81	\$16.55	\$17.33	\$18.06
46	\$11.33	\$13.94	\$16.67	\$17.40	\$18.42
47	\$11.42	\$14.03	\$16.76	\$17.48	\$18.81
48	\$11.48	\$14.10	\$16.88	\$17.53	\$19.22
49	\$11.54	\$14.20	\$16.98	\$17.59	\$19.62
50	\$11.60	\$14.24	\$17.07	\$17.65	\$20.04
51	\$11.69	\$14.36	\$17.15	\$17.72	\$20.46
52	\$11.73	\$14.45	\$17.29	\$17.78	\$20.90
53	\$11.80	\$14.49	\$17.36	\$17.81	\$21.35
54	\$11.89	\$14.56	\$17.41	\$17.88	\$21.81
55	\$11.95	\$14.64	\$17.48	\$17.94	\$22.00
56	\$11.99	\$14.73	\$17.53	\$18.01	\$22.08
57	\$12.06	\$14.82	\$17.55	\$18.04	\$22.22
58	\$12.13	\$14.89	\$17.61	\$18.09	\$22.31
59	\$12.20	\$14.97	\$17.65	\$18.14	\$22.41
60	\$12.22	\$15.06	\$17.68	\$18.17	\$22.52
61	\$12.34	\$15.14	\$17.74	\$18.23	\$22.61
62	\$12.37	\$15.21	\$17.78	\$18.31	\$22.70
63	\$12.45	\$15.28	\$17.80	\$18.40	\$22.79
64	\$12.51	\$15.36	\$17.83	\$18.48	\$22.89
65	\$12.56	\$15.44	\$17.88	\$18.56	\$22.96
66	\$12.60	\$15.53	\$17.91	\$18.65	\$23.07
67	\$12.71	\$15.60	\$17.94	\$18.75	\$23.14
68	\$12.76	\$15.63	\$17.97	\$18.80	\$23.22
69	\$12.77	\$15.73	\$18.00	\$18.89	\$23.31
70	\$12.78	\$15.80	\$18.04	\$18.98	\$23.39
Oversized	28.82	41.78	42.17	43.01	44.28

Notes:

1. For barcode discount, deduct \$0.03 per piece (machinable parcels only).
2. For nonmachinable parcels, add \$1.85 per piece.
3. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
4. Pieces exceeding 84 inches in length and girth combined and weighing less than 20 pounds are subject to a rate equal to that for a 20-pound parcel for the zone to which the parcel is addressed.
5. For each Pickup On-Demand stop, add \$14.25.

Proposed Inter-BMC Rates

Weight	Zones						
	1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	\$4.30	\$4.46	\$4.55	\$4.55	\$4.55	\$4.55	\$4.55
2	\$4.55	\$4.95	\$5.30	\$5.67	\$5.90	\$6.07	\$6.15
3	\$5.05	\$5.80	\$6.45	\$6.90	\$6.97	\$7.26	\$7.87
4	\$5.80	\$6.79	\$7.35	\$7.67	\$7.97	\$8.38	\$9.20
5	\$6.45	\$7.46	\$8.12	\$8.49	\$8.91	\$9.45	\$10.47
6	\$7.00	\$8.08	\$8.87	\$9.27	\$9.77	\$10.43	\$11.75
7	\$7.55	\$8.61	\$9.58	\$10.01	\$10.59	\$11.40	\$12.87
8	\$8.00	\$8.94	\$10.27	\$10.73	\$11.37	\$12.30	\$14.08
9	\$8.37	\$9.27	\$10.92	\$11.41	\$12.11	\$13.13	\$15.22
10	\$8.61	\$10.32	\$11.55	\$12.07	\$12.82	\$13.92	\$16.19
11	\$8.79	\$10.69	\$12.16	\$12.71	\$13.50	\$14.68	\$17.11
12	\$8.96	\$10.97	\$12.75	\$13.33	\$14.16	\$15.41	\$18.00
13	\$9.14	\$11.22	\$13.31	\$13.93	\$14.79	\$16.12	\$18.85
14	\$9.32	\$11.53	\$13.87	\$14.51	\$15.41	\$16.80	\$19.67
15	\$9.48	\$11.79	\$14.40	\$15.08	\$16.00	\$17.46	\$20.47
16	\$9.62	\$12.04	\$14.93	\$15.64	\$16.58	\$18.10	\$21.24
17	\$9.80	\$12.25	\$15.43	\$16.18	\$17.14	\$18.72	\$21.98
18	\$9.93	\$12.48	\$15.78	\$16.71	\$17.68	\$19.32	\$22.70
19	\$10.10	\$12.71	\$16.13	\$17.23	\$18.22	\$19.91	\$23.41
20	\$10.22	\$12.92	\$16.42	\$17.74	\$18.73	\$20.48	\$24.09
21	\$10.37	\$13.14	\$16.72	\$18.23	\$19.24	\$21.04	\$24.75
22	\$10.49	\$13.31	\$17.02	\$18.72	\$19.73	\$21.58	\$25.40
23	\$10.63	\$13.55	\$17.33	\$19.20	\$20.21	\$22.11	\$26.03
24	\$10.73	\$13.72	\$17.58	\$19.67	\$20.68	\$22.63	\$26.65
25	\$10.87	\$13.90	\$17.85	\$20.13	\$21.14	\$23.13	\$27.25
26	\$10.97	\$14.07	\$18.10	\$20.58	\$21.59	\$23.63	\$27.84
27	\$11.12	\$14.25	\$18.33	\$21.03	\$22.04	\$24.12	\$28.42
28	\$11.21	\$14.42	\$18.60	\$21.47	\$22.47	\$24.59	\$28.98
29	\$11.34	\$14.60	\$18.84	\$21.90	\$22.90	\$25.06	\$29.53
30	\$11.44	\$14.74	\$19.05	\$22.32	\$23.31	\$25.51	\$30.07
31	\$11.57	\$14.89	\$19.27	\$22.74	\$23.72	\$25.96	\$30.61
32	\$11.65	\$15.05	\$19.49	\$23.15	\$24.13	\$26.40	\$31.13
33	\$11.75	\$15.21	\$19.71	\$23.56	\$24.52	\$26.83	\$31.64
34	\$11.87	\$15.31	\$19.88	\$23.95	\$24.91	\$27.26	\$32.14
35	\$11.97	\$15.48	\$20.09	\$24.35	\$25.29	\$27.68	\$32.63

(continued)

Proposed Inter-BMC Rates

Weight	Zones	1	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
36		\$15.68	\$19.23	\$23.93	\$28.36	\$29.29	\$31.71	\$36.73
37		\$15.78	\$19.35	\$24.08	\$28.74	\$29.66	\$32.11	\$37.20
38		\$15.87	\$19.52	\$24.26	\$29.12	\$30.02	\$32.51	\$37.67
39		\$15.98	\$19.61	\$24.43	\$29.49	\$30.38	\$32.90	\$38.13
40		\$16.07	\$19.77	\$24.62	\$29.86	\$30.74	\$33.28	\$38.58
41		\$16.19	\$19.90	\$24.77	\$30.23	\$31.08	\$33.66	\$39.03
42		\$16.27	\$20.01	\$24.94	\$30.59	\$31.43	\$34.03	\$39.47
43		\$16.33	\$20.13	\$25.11	\$30.94	\$31.77	\$34.40	\$39.90
44		\$16.43	\$20.22	\$25.25	\$31.29	\$32.10	\$34.76	\$40.32
45		\$16.52	\$20.36	\$25.42	\$31.64	\$32.43	\$35.12	\$40.74
46		\$16.61	\$20.47	\$25.58	\$31.86	\$32.75	\$35.48	\$41.15
47		\$16.72	\$20.60	\$25.71	\$32.04	\$33.07	\$35.82	\$41.56
48		\$16.79	\$20.70	\$25.88	\$32.21	\$33.39	\$36.17	\$41.96
49		\$16.85	\$20.82	\$26.01	\$32.38	\$33.70	\$36.50	\$42.35
50		\$16.93	\$20.90	\$26.12	\$32.55	\$34.01	\$36.84	\$42.74
51		\$17.04	\$21.03	\$26.28	\$32.71	\$34.32	\$37.17	\$43.13
52		\$17.10	\$21.13	\$26.41	\$32.86	\$34.62	\$37.49	\$43.51
53		\$17.21	\$21.21	\$26.50	\$33.01	\$34.91	\$37.82	\$43.88
54		\$17.27	\$21.35	\$26.66	\$33.16	\$35.21	\$38.13	\$44.25
55		\$17.34	\$21.39	\$26.79	\$33.31	\$35.50	\$38.45	\$44.62
56		\$17.44	\$21.55	\$26.90	\$33.46	\$35.78	\$38.76	\$44.98
57		\$17.52	\$21.63	\$27.03	\$33.59	\$36.07	\$39.06	\$45.33
58		\$17.58	\$21.72	\$27.14	\$33.73	\$36.35	\$39.37	\$45.68
59		\$17.67	\$21.81	\$27.27	\$33.86	\$36.63	\$39.67	\$46.03
60		\$17.75	\$21.90	\$27.40	\$33.99	\$36.90	\$39.96	\$46.38
61		\$17.86	\$22.03	\$27.49	\$34.11	\$37.17	\$40.25	\$46.72
62		\$17.92	\$22.09	\$27.61	\$34.24	\$37.44	\$40.54	\$47.05
63		\$17.97	\$22.20	\$27.72	\$34.35	\$37.71	\$40.83	\$47.38
64		\$18.04	\$22.26	\$27.81	\$34.47	\$37.97	\$41.11	\$47.71
65		\$18.12	\$22.37	\$27.93	\$34.59	\$38.23	\$41.39	\$48.03
66		\$18.22	\$22.46	\$28.02	\$34.69	\$38.49	\$41.67	\$48.36
67		\$18.30	\$22.55	\$28.14	\$34.81	\$38.74	\$41.95	\$48.67
68		\$18.35	\$22.63	\$28.26	\$34.91	\$38.99	\$42.22	\$48.99
69		\$18.41	\$22.69	\$28.35	\$35.02	\$39.24	\$42.49	\$49.30
70		\$18.51	\$22.81	\$28.45	\$35.11	\$39.49	\$42.75	\$49.61
Oversized		\$50.54	\$54.00	\$57.16	\$69.40	\$83.99	\$97.82	\$127.24

Notes:

1. For Origin Bulk Mail Center (OBMC) Presort Discount, deduct \$1.30 per piece.
2. For BMC Presort discount, deduct \$0.32 per piece.
3. For barcode discount, deduct \$0.03 per piece (machinable parcels only).
4. For nonmachinable parcels, add \$3.62 per piece.
5. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
6. Pieces exceeding 84 inches in length and girth combined and weighing less than 20 pounds are subject to a rate equal to that for a 20-pound parcel for the zone to which the parcel is addressed.
7. For each Pickup On-Demand stop, add \$14.25.

Proposed Parcel Select Rates

Weight	DBMC					
	DDU	DSCF	Zones 1 &			
			2	Zone 3	Zone 4	Zone 5
1	\$1.44	\$1.90	\$2.41	\$2.74	\$3.08	\$3.91
2	\$1.50	\$2.11	\$2.70	\$3.38	\$4.02	\$4.67
3	\$1.56	\$2.29	\$2.99	\$3.99	\$4.86	\$5.41
4	\$1.61	\$2.46	\$3.26	\$4.56	\$5.58	\$6.08
5	\$1.67	\$2.62	\$3.52	\$5.10	\$6.10	\$6.71
6	\$1.71	\$2.77	\$3.76	\$5.59	\$6.53	\$7.27
7	\$1.76	\$2.91	\$3.99	\$6.04	\$6.92	\$7.81
8	\$1.80	\$3.05	\$4.21	\$6.49	\$7.28	\$8.29
9	\$1.84	\$3.18	\$4.42	\$6.90	\$7.66	\$8.74
10	\$1.88	\$3.30	\$4.62	\$7.31	\$8.48	\$9.16
11	\$1.92	\$3.43	\$4.81	\$7.70	\$8.81	\$9.54
12	\$1.96	\$3.54	\$5.00	\$8.07	\$9.13	\$9.91
13	\$1.99	\$3.66	\$5.18	\$8.41	\$9.43	\$10.25
14	\$2.03	\$3.77	\$5.36	\$8.67	\$9.76	\$10.56
15	\$2.06	\$3.88	\$5.53	\$8.95	\$10.02	\$10.85
16	\$2.10	\$3.99	\$5.69	\$9.16	\$10.28	\$11.15
17	\$2.13	\$4.10	\$5.86	\$9.35	\$10.56	\$11.40
18	\$2.16	\$4.20	\$6.00	\$9.54	\$10.79	\$11.65
19	\$2.19	\$4.30	\$6.16	\$9.71	\$11.03	\$11.89
20	\$2.22	\$4.40	\$6.31	\$9.89	\$11.23	\$12.10
21	\$2.25	\$4.50	\$6.45	\$10.07	\$11.41	\$12.31
22	\$2.28	\$4.59	\$6.60	\$10.22	\$11.60	\$12.50
23	\$2.31	\$4.68	\$6.73	\$10.40	\$11.77	\$12.71
24	\$2.34	\$4.78	\$6.87	\$10.55	\$11.93	\$12.88
25	\$2.37	\$4.86	\$7.01	\$10.70	\$12.08	\$13.06
26	\$2.39	\$4.95	\$7.13	\$10.82	\$12.23	\$13.21
27	\$2.42	\$5.04	\$7.27	\$10.99	\$12.37	\$13.37
28	\$2.44	\$5.12	\$7.38	\$11.15	\$12.49	\$13.51
29	\$2.47	\$5.20	\$7.51	\$11.28	\$12.65	\$13.64
30	\$2.49	\$5.29	\$7.63	\$11.41	\$12.76	\$13.79
31	\$2.52	\$5.36	\$7.75	\$11.51	\$12.86	\$13.92
32	\$2.54	\$5.44	\$7.86	\$11.65	\$12.98	\$14.05
33	\$2.57	\$5.52	\$7.98	\$11.76	\$13.10	\$14.15
34	\$2.59	\$5.60	\$8.09	\$11.88	\$13.19	\$14.27
35	\$2.61	\$5.67	\$8.20	\$12.00	\$13.31	\$14.38

(continued)

Proposed Parcel Select Rates

Weight	DBMC					
	DDU	DSCF	Zones 1 & 2	Zone 3	Zone 4	Zone 5
36	2.63	5.74	10.18	14.43	15.25	16.33
37	2.66	5.82	10.29	14.53	15.34	16.43
38	2.68	5.89	10.39	14.65	15.43	16.53
39	2.70	5.96	10.49	14.76	15.51	16.62
40	2.72	6.03	10.60	14.87	15.59	16.69
41	2.74	6.10	10.70	15.00	15.66	16.78
42	2.76	6.17	10.80	15.10	15.75	16.86
43	2.78	6.23	10.90	15.21	15.83	17.23
44	2.80	6.30	10.99	15.29	15.90	17.59
45	2.82	6.36	11.09	15.37	16.09	17.99
46	2.84	6.43	11.18	15.49	16.15	18.37
47	2.86	6.49	11.28	15.58	16.21	18.76
48	2.87	6.55	11.37	15.69	16.29	19.17
49	2.88	6.62	11.46	15.77	16.35	19.57
50	2.89	6.68	11.55	15.87	16.39	19.99
51	2.90	6.74	11.64	15.95	16.45	20.41
52	2.92	6.80	11.72	16.06	16.51	20.85
53	2.94	6.85	11.81	16.12	16.56	21.30
54	2.95	6.90	11.89	16.18	16.62	21.76
55	2.96	6.97	11.98	16.23	16.68	21.95
56	2.98	7.02	12.07	16.27	16.71	22.03
57	2.99	7.07	12.15	16.31	16.75	22.17
58	3.00	7.12	12.23	16.36	16.80	22.26
59	3.01	7.18	12.31	16.39	16.84	22.36
60	3.02	7.22	12.39	16.43	16.87	22.47
61	3.04	7.26	12.47	16.47	16.92	22.56
62	3.05	7.31	12.55	16.51	17.01	22.65
63	3.06	7.36	12.62	16.54	17.09	22.74
64	3.07	7.42	12.70	16.57	17.15	22.84
65	3.08	7.45	12.78	16.61	17.23	22.91
66	3.10	7.50	12.86	16.65	17.33	23.02
67	3.11	7.55	12.93	16.67	17.39	23.09
68	3.12	7.58	13.00	16.68	17.46	23.17
69	3.13	7.64	13.07	16.71	17.53	23.26
70	3.14	7.68	13.14	16.74	17.62	23.34
Oversized	7.36	13.53	21.48	29.49	39.77	41.33

Notes:

1. For nonmachinable DBMC parcels, add \$1.85 per piece. For nonmachinable DSCF parcels sorted to 3-digit ZIP code areas, add \$1.01 per piece.
2. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
3. Pieces exceeding 84 inches in length and girth combined and weighing less than 20 pounds are subject to a rate equal to that for a 20-pound parcel for the zone to which the parcel is addressed.
4. A mailing fee of \$175.00 must be paid once each 12-month period for Parcel Select.

Proposed Parcel Return Service Rates

RBMC						
Weight	RDU	Zones 1 & 2	Zone 3	Zone 4	Zone 5	
1	\$2.32	\$2.42	\$2.45	\$2.52	\$2.82	
2	\$2.32	\$3.09	\$3.13	\$3.22	\$3.58	
3	\$2.32	\$3.71	\$3.75	\$3.86	\$4.32	
4	\$2.32	\$4.12	\$4.33	\$4.49	\$4.99	
5	\$2.32	\$4.49	\$4.82	\$5.01	\$5.62	
6	\$2.32	\$4.74	\$5.28	\$5.44	\$6.18	
7	\$2.32	\$4.93	\$5.69	\$5.85	\$6.72	
8	\$2.32	\$5.65	\$6.08	\$6.25	\$7.20	
9	\$2.32	\$5.82	\$6.44	\$6.64	\$7.65	
10	\$2.32	\$6.04	\$6.81	\$7.39	\$8.07	
11	\$2.32	\$6.19	\$7.13	\$7.72	\$8.45	
12	\$2.32	\$6.38	\$7.44	\$8.04	\$8.82	
13	\$2.32	\$6.55	\$7.71	\$8.34	\$9.16	
14	\$2.32	\$6.71	\$7.97	\$8.67	\$9.47	
15	\$2.32	\$6.84	\$8.24	\$8.93	\$9.76	
16	\$2.32	\$6.98	\$8.47	\$9.19	\$10.06	
17	\$2.32	\$7.15	\$8.68	\$9.47	\$10.31	
18	\$2.32	\$7.26	\$8.87	\$9.70	\$10.56	
19	\$2.32	\$7.42	\$9.06	\$9.94	\$10.80	
20	\$2.32	\$7.54	\$9.23	\$10.14	\$11.01	
21	\$2.32	\$7.66	\$9.41	\$10.32	\$11.22	
22	\$2.32	\$7.79	\$9.56	\$10.51	\$11.41	
23	\$2.32	\$7.90	\$9.77	\$10.68	\$11.62	
24	\$2.32	\$8.00	\$9.91	\$10.87	\$11.79	
25	\$2.32	\$8.11	\$10.07	\$11.03	\$11.97	
26	\$2.32	\$8.23	\$10.21	\$11.20	\$12.12	
27	\$2.32	\$8.34	\$10.37	\$11.33	\$12.28	
28	\$2.32	\$8.42	\$10.52	\$11.45	\$12.42	
29	\$2.32	\$8.53	\$10.68	\$11.58	\$12.55	
30	\$2.32	\$8.64	\$10.80	\$11.71	\$12.71	
31	\$2.32	\$8.74	\$10.91	\$11.82	\$12.88	
32	\$2.32	\$8.86	\$11.05	\$11.95	\$12.98	
33	\$2.32	\$8.93	\$11.18	\$12.05	\$13.12	
34	\$2.32	\$9.04	\$11.28	\$12.16	\$13.21	
35	\$2.32	\$9.11	\$11.42	\$12.25	\$13.33	

(continued)

Proposed Parcel Return Service Rates

RBMC						
Weight	RDU	Zones 1 & 2	Zone 3	Zone 4	Zone 5	
36	2.32	11.08	13.41	14.23	15.33	
37	2.32	11.17	13.50	14.31	15.40	
38	2.32	11.22	13.59	14.37	15.46	
39	2.32	11.29	13.69	14.43	15.52	
40	2.32	11.34	13.75	14.47	15.59	
41	2.32	11.43	13.86	14.52	15.65	
42	2.32	11.46	13.93	14.58	15.70	
43	2.32	11.51	14.01	14.64	15.73	
44	2.32	11.58	14.08	14.69	15.77	
45	2.32	11.62	14.14	14.87	15.82	
46	2.32	11.70	14.23	14.91	15.85	
47	2.32	11.76	14.28	14.94	15.89	
48	2.32	11.80	14.37	14.97	15.93	
49	2.32	11.87	14.44	15.00	15.96	
50	2.32	11.88	14.50	15.03	16.00	
51	2.32	11.97	14.55	15.06	16.05	
52	2.32	12.01	14.65	15.10	16.08	
53	2.32	12.03	14.69	15.11	16.12	
54	2.32	12.09	14.71	15.15	16.15	
55	2.32	12.13	14.74	15.18	16.19	
56	2.32	12.18	14.76	15.21	16.23	
57	2.32	12.24	14.76	15.21	16.27	
58	2.32	12.29	14.79	15.23	16.31	
59	2.32	12.33	14.80	15.25	16.35	
60	2.32	12.39	14.81	15.25	16.38	
61	2.32	12.43	14.82	15.28	16.42	
62	2.32	12.47	14.83	15.34	16.45	
63	2.32	12.52	14.83	15.40	16.50	
64	2.32	12.57	14.83	15.43	16.54	
65	2.32	12.60	14.87	15.48	16.57	
66	2.32	12.66	14.87	15.54	16.61	
67	2.32	12.71	14.88	15.61	16.65	
68	2.32	12.71	14.88	15.64	16.68	
69	2.32	12.78	14.88	15.70	16.73	
70	2.32	12.82	14.88	15.75	16.77	
Oversized	8.28	30.09	30.48	31.32	32.59	

Notes:

1. For nonmachinable RBMC parcels under 35 lb, add \$1.85 per parcel.
2. Parcels that weigh less than 20 pounds but measure more than 84 inches in combined length and girth are charged the applicable rate for a 20-pound parcel.
3. Regardless of weight, any parcel that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.