

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING REPLACEMENT PAGES 7 AND 8 FOR USPS-RT-17, REBUTTAL
TESTIMONY OF SUSAN W. BERKELEY [ERRATA] (December 5, 2006)

The United States Postal Service hereby provides notice that it is filing replacement pages 7 and 8 for the Rebuttal Testimony of Susan W. Berkeley on behalf of United States Postal Service (USPS-RT-17). The attached replacement pages 7 and 8 should replace the original pages 7 and 8, which were filed on November 20, 2006.

The changes result from a mathematical mistake in calculating the unit contribution for electronic return receipt under the Postal Service's proposal in this docket. The original pages 7 and 8 of USPS-RT-17 stated that the unit contribution was 44 cents, whereas the proper calculation is 41 cents. Accordingly, the reference to the Postal Service's proposed reduction in per-unit-contribution on lines 17-18 of page 7 has been changed from "only slightly, from 46 cents to 44 cents" to "slightly, from 46 cents to 41 cents"; the comparison to the per-unit contribution of basic return receipt service on line 21 of page 7 has been changed from "less than two-thirds" to "only about three-fifths"; and the further discussion of the reduction in per-unit-contribution on line 2 of page 8 has been changed from "by half, from 44 cents to 22 cents" to "nearly in half, from 41 cents to 22 cents." No other changes have been made.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1 working on a task force for this software release, so I know firsthand the
2 importance to the Postal Service in promoting electronic return receipt service on
3 the APCs.

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6 **VI. THE POSTAL SERVICE'S PROPOSED FEE AND COST COVERAGE**
7 **ARE APPROPRIATE**

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10 In Docket No. R2005-1, electronic return receipt was priced at \$1.35, for an
11 implicit cost coverage of 151.8 percent. The alternative basic return receipt was
12 priced at \$1.85, with a lower implicit cost coverage of 129.1 percent.

13 In this proceeding, costs have been adjusted downward by 45 cents for
14 electronic return receipt service. See USPS-T-23 at 14-15. In response, the
15 Postal Service proposes to lower the electronic return receipt fee by 50 cents, to
16 85 cents. The Postal Service's goal is to maintain the per unit contribution from
17 electronic return receipt, so the proposal reduces this contribution **slightly, from**
18 **46 cents to 41 cents**. The Postal Service's proposal also matches the current
19 per-unit contribution from basic return receipt service of 42 cents. Under the
20 Postal Service's proposal, the per-unit contribution from electronic return receipt
21 service would be **only about three-fifths** of the 68-per-unit contribution from
22 basic return receipt service.

23 Witness Carlson proposes to apply the basic return receipt cost coverage to
24 electronic return receipt service. As a result, he proposes to lower the electronic
25 return receipt fee by 70 cents, to \$0.65. The Postal Service opposes this

1 proposal because it would reduce the per unit contribution from electronic return
2 receipt **nearly in half, from 41 cents to 22 cents**. With such a low markup,
3 there would be considerable risk that the fee would not cover costs for any
4 transactions in which the customer has significant questions for the clerk.

5 It is important to remember, and, as alluded to earlier in this testimony,
6 green card return receipt service and electronic return receipt service are two
7 distinctly different services with different service features, values of service, and
8 prices. The fact that both services require a signature from the recipient of the
9 mailpiece is really the only common thread. Since these two services vary in
10 practically every other way, it is appropriate to consider all applicable pricing
11 criteria individually for each service. Generally speaking, the rather cavalier
12 application of a cost coverage for one service in developing a proposed fee for
13 another service, as witness Carlson has done, has the potential of violating
14 Criterion 1, fairness and equity.

15 Finally, under Carlson's proposal, the contribution from electronic return
16 receipt would be less than one-third the contribution from green card return
17 receipt. The Postal Service should not have a substantial financial incentive to
18 encourage customers to use one return receipt option (green card), rather than
19 another (electronic).

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