

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2013-1

UNITED STATES POSTAL SERVICE NOTICE OF ERRATA  
TO USPS-LR-R2013-1/4

(October 19, 2012)

The United States Postal Service hereby provides notice of errata to USPS-LR-R2013-1/4, filed on October 11, 2012. These changes were made in response to recently available data concerning the calculation of the price cap for Package Services. The newly available information included updated CY2013 Inward Land Rates for Inbound Surface Parcel Post, issued by the Universal Postal Union, and revised data related to the portion of Alaska Bypass parcels that is not divisible into 70 pound increments.

The changes to workbook CAPCALC-PSVC-R2013-1 are described in more detail in Attachment A. A fully updated workbook is filed with this pleading as *CAPCALC-PSVC-R2013-1 (10-19-12).xls*. Additionally, changes to the preface for USPS-LR-R2013-1/4 are shown in Attachment B, with additions underlined and deletions marked by strikethrough. A fully updated version of the preface is also filed with this pleading as *Preface for USPS-LR-R2013-1(4).pdf*.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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## SUMMARY OF REVISIONS FILED OCTOBER 19, 2012

Numerous revisions and additions were made to USPS-LR-R2013-1/4 to more accurately calculate the price changes for Inbound Surface Parcel Post at UPU rates and Alaska Bypass Service. These changes were made in response to newly available data and price information that were not available when the pricing and cap calculation was developed in advance of this filing. The newly available information includes: 1) the CY2013 Inward Land Rate for Inbound Surface Parcel Post at UPU Rates, and; 2) information about Alaska Bypass that allowed the volumes to be differentiated between those portions that are evenly divided into 70-pound increments, and the remaining portions weighing less than 70 pounds. The overall Package Services price increase of 2.569 percent did not change as a result of these corrections. However, the price increase for Inbound Surface Parcel Post changed from 0.000 percent to 1.552 percent, and the price increase for Alaska Bypass Service changed from 3.000 percent to 1.890 percent. Revisions to the preface for USPS-LR-R2013-1/4 are included as Attachment B, with additions underlined and deletions marked by strikethrough. Additionally, changes to the eleven affected worksheets in USPS-LR-R2013-1/4 are highlighted in yellow in the workbook *CAPCALC-PSVC-R2013-1 (10-19-12).xls*, filed with this pleading.

The specific changes to the eleven worksheets are as follows:

1. The worksheet "Inputs," for Alaska Bypass, now includes percentages for portions of Alaska Bypass pallets not divisible into 70-pound increments. These changes also required revisions to the percentages for full 70 pound parcels.
2. The worksheet "Current Prices," for Alaska Bypass, now includes current prices for full 70 pound parcel increments and parcel portions weighing less than 70 pounds.
3. The worksheet "Alaska Bypass BD" contains changes in the volumes for the full 70 pound parcels to adjust for the inclusion of new volumes for parcels weighing between 1 and 69 pounds. In addition to added volumes, which changed the calculated revenues, an error was found in the formula used to calculate the split in the before and after rates. The erroneous split showed 16/75 and 59/75, and has been changed for the full year to 167/303 and 136/303 for the before and after rate portions.
4. The worksheet "New Alaska Bypass Prices" contains additional language that describes how the parcel portions weighing less than 70 pounds will be priced, and a changed percentage price increase to reflect the partial parcels being used to calculate the revenue at current prices and revenue at proposed prices. Also, Parcel Post prices that were inadvertently left in the spreadsheet were removed.

5. The worksheet "Alaska Bypass @ Curr Prices" contains changes to the full parcel volumes and additional volumes and prices for partial parcels. The changed and added volumes resulted in different current revenue of \$31,309,946.
6. The worksheet "Alaska Bypass Rev @ New Prices" contains changes to the full parcel volumes, and additional volumes and prices for partial parcels. The changed and added volumes resulted in a different current revenue of \$31,901,875.
7. The worksheet "Inbound Surface Parcel Post" was changed to reflect the fact that CY2013 Inward Land Rates were used to calculate the price increase.
8. The worksheet "Inbound Surface Parcel Post BD" contains changes in cell comments to reflect the availability of CY2013 Inward Land Rates, and corrects the worksheet title to read "Tab 1 FY 2012 Billing Determinants Inbound Surface Parcel Post (at UPU rates)."
9. The worksheet "Inb. Surface Parcel Post Prices" was revised to include CY2013 Inward Land Rates. These rates were used to calculate different percentage price increases.
10. The worksheet "Inb. Sur CP@Cur&NewPrices" includes CY2013 Inward Land Rates, which results in a revenue percentage increase of 1.552 percent.
11. The worksheet "Package Services Summary" contains revised Alaska Bypass revenues at current prices, revenues at proposed prices, and a revised price percentage increase. This worksheet also contains revised Inbound Surface Parcel Post revenues at proposed prices, and a revised price percentage increase. Also, an error in the notes attributing Alaska Bypass calculations to Single Piece Parcel Post prices was corrected.

## USPS-LR-R2013-1/4

### Package Services Cap Compliance Preface<sup>1</sup>

#### A. Overview of the Workpapers

The Package Services workpapers consist of one Excel workbook: CAPCALC-PSVC-R2013 (10-19-12).xls. For purposes of calculating the percentage change in prices, the Package Services class includes Alaska Bypass Service, Inbound Surface Parcel Post (at UPU rates), Bound Printed Matter Flats, Bound Printed Matter Parcels, and Media/Library Mail.

Workbook CAPCALC-PSVC-R2013 (10-19-12).xls performs all the revenue calculations required to determine the overall average price increase for Package Services resulting from the prices in this announcement.

The calculations in CAPCALC-PSVC-R2013 (10-19-12).xls are arranged by product and are summarized as follows:

- Alaska Bypass Service: The revenue calculations are contained in six worksheets. The first worksheet, "Inputs," contains volume information and a basis for splitting the volumes between the two rate cells, Zones 1 & 2, and Zone 3, and also between full 70 pound parcels and partial (less than 70 pound) parcels within a pallet. The second worksheet, "Current Prices," contains the current prices for Alaska Bypass Service, which are the 70 pound Parcel Post prices for Zones 1&2, and Zone 3, from the R2012-3 docket. The third worksheet, "Alaska Bypass BD", shows the Billing Determinants for Alaska Bypass in the hybrid year Q4FY2011-Q3FY2012. The fourth worksheet, "New Alaska Bypass Prices", shows the proposed Alaska Bypass prices. The fifth worksheet, "Alaska Bypass @ Curr Prices", calculates the revenues with the hybrid year billing determinants at the current prices. The sixth and final worksheet, "Alaska Bypass Rev @ New Prices" calculates the revenues using the Q411-Q312 volumes and the proposed rates.
- Inbound Surface Parcel Post (at UPU rates): The billing determinants and prices for Inbound Surface Parcel Post (ISPP) are contained in workbook CAPCALC-PSVC-R2013 (10-19-12).xls. Billing determinants are in worksheet "Inbound Surface Parcel Post BD" with references to where the data can be found in the ICRA. Worksheet "Inb. Surface Parcel Post Prices" contains the UPU determined prices that the Postal Service charges for delivery of ISPP. For all countries subject to UPU-established inbound surface parcel rates, there is one per-item and one per-kilogram charge. The prices are denominated in Special Drawing Rights (SDR). The price

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<sup>1</sup> Revisions of October 19, 2012 are described in Attachment A to United States Postal Service Notice of Errata to USPS-LR-R2013-1/4.

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January 1, 2013.

Worksheet “Inb. Surface Parcel Post Prices” also contains data on the conversion of the item charge from SDR to US\$. The conversion factor used was the August 15, 2012 exchange rate of 1 SDR equals \$1.507030.

Worksheet “Inb. Surface Parcel Post Prices” also contains data on the conversion of the kilogram charge to pounds. In addition, kilograms were converted to pounds by using the conversion factor of 1 kilogram equals 2.2046 pounds.

Worksheet “Inb. Sur. PP @Cur&New Prices” contains the volume and weight data contained in “Inbound Surface Parcel Post BD” and the 2012 rates for ISPP in “Inb. Surface Parcel Post Prices.” Multiplying the volume and weight by the CY 2012 inward land rate equals \$22,090,655, the revenue at current prices. Using the same volume and weight as the above calculation and multiplying these by the inward land rate effective January 1, 2013, equals \$22,433,480, the revenue at new prices. “Inb. Sur. PP @Cur&New Prices” then shows that the total percent change for ISPP is 1.552 percent. The revenue calculations are contained in three worksheets. The first worksheet, “Inbound Surface Parcel Post BD,” contains the billing determinants; the second, “Inb. Surface Parcel Post Prices,” has the CY2012 prices; and the third, “Inb. Sur. PP @Cur&New Prices,” calculates the revenues at both sets of prices.

- BPM Flats: This section consists of nine worksheets. The first, titled “BPM Flats,” is a description of the content of the other worksheets in the BPM Flats section. The first two worksheets following “BPM Flats” contain the single piece and presorted BPM Flats billing determinants. The next four worksheets contain prices: the first two have the current prices for single piece and presorted BPM Flats, followed by two that contain the new prices for single piece and presorted BPM Flats. The final two worksheets contain the calculations of single piece and presorted BPM Flats revenues at current prices and at the new prices. Details of the content and calculations are contained below in section C, and in the CAPCALC-PSVC-R2013-1.xls workbook in the “BPM Flats” worksheet, and in the individual worksheets themselves.
- BPM Parcels: This section consists of nine worksheets. The first, titled “BPM Parcels,” is a description of the content of the other worksheets in the BPM Parcels section. The next two contain the single piece and presorted BPM Parcels billing determinants. The next two contain the current prices for single piece and presorted BPM Parcels followed by two worksheets with the new prices for single piece and presorted BPM Parcels. The final two worksheets contain the calculations of single piece and presorted BPM Parcels revenues at current prices and at the new prices. Details of the content and calculations are contained below in section C, and in the

CAPCALC-PSVC-R2013-1.xls workbook in the “BPM Parcels” worksheet and in the individual worksheets themselves.

- Media Mail and Library Mail: This section consists of five worksheets. The first, titled “MM-LM,” is a description of the content of the other worksheets in the section. The second worksheet contains the Media Mail and Library Mail billing determinants, as well as the current prices. The next worksheet has the new prices for Media Mail and Library Mail. The final two worksheets contain the calculations of revenues at current prices and at the new prices. Details of the content and calculations are contained below in section C, and in the CAPCALC-PSVC-R2013-1.xls workbook in the “MM-LM” worksheet and in the individual worksheets themselves.
- The final section of CAPCALC-PSVC-R2013-1.xls is the “Package Services Summary” worksheet. This worksheet contains the price change calculation for all Package Services. It adds up the revenues at current prices from the current prices revenue sheets in the workbook to obtain total Package Services revenue at current prices. It adds up the revenues at new prices from the new prices revenue sheets in the workbook to obtain total class revenue at the new prices. It then calculates the percent change in the Package Services average price. This worksheet also calculates the new unused price change authority for Package Services. Details are supplied in section C, below, and in the “All Package Services Summary” worksheet.

## B. The Revenue Calculations

### 1. Alaska Bypass

The billing determinants, current and new prices, and revenue calculations for Alaska Bypass are presented in workbook CAPCALC-PSVC-R2013-1.xls. Revenues at current prices are calculated by multiplying the total volumes for each zone times the current prices for each zone and weight. Revenues at the proposed prices are calculated by multiplying the same volumes times the proposed prices for each zone and weight.

### 2. Inbound Surface Parcel Post (at UPU rates)

The billing determinants and prices for Inbound SPP are contained in workbook CAPCALC-PSVC-R2013-1.xls. Billing determinants are in worksheet “Inbound Surface Parcel Post BD” with references to where the data are found in the ICRA. Worksheet “Inb. Surface Parcel Post Prices” contains the prices we charge for delivery of Inbound SPP. For all countries except Canada, ~~which has a negotiated agreement for provision of Inbound Surface Parcel post,~~ there is one per-item and one per-kilogram charge. Worksheet “Inb. Surface Parcel Post Prices” also contains data on the conversion of the item charge from SDRs to US\$. The conversion factor used was the August 15, 2012 exchange rate of 1

SDR equals \$1.50703. Worksheet "Inb. Surface Parcel Post Prices" also contains data on the conversion of the kilogram charge to pounds. In addition, kilograms were converted to pounds by using the conversion factor of 1 kilogram equals 2.2046 pounds.

Worksheet "Inb. Sur. PP @Cur&New Prices" contains the volume and weight data contained in "Inbound Surface Parcel Post BD" and the CY2012 and CY2013 rates for Inbound SPP in "Inb. Surface Parcel Post Prices." Multiplying the volume and weight by the CY 2012 and CY2013 rate equals the revenue at "current" prices

### 3. BPM Flats

The billing determinants, current and new prices, and revenue calculations for Bound Printed Matter Flats are all contained in workbook CAPCALC-PSVC-R2013-1.xls in nine worksheets. The worksheet "BPM Flats" with the red tab contains a description of the BPM Flats section of the workbook.

The billing determinants for BPM Flats are in the two worksheets "Q4FY11-Q3FY12 BDs BPM SP Flats" and "Q4FY11-Q3FY12 BDs BPM Presort Flats." The current prices are in the worksheets "Current BPM SP Flats Prices" and "Curr. BPM Prsrt. Flats Prices" and the new prices are in worksheets "New BPM SP Flats Prices" and "New BPM Presort Flats Prices." Sources for these data are given in the individual worksheets. Revenues are calculated using current and new prices by multiplying the volumes from the billing determinants by the current and new prices. Details are presented in worksheets "BPM Flats Revs.@Curr. Prices" and "BPM Flats Revs.@New Prices."

### 4. BPM Parcels

The billing determinants, current and new prices, and revenue calculations for Bound Printed Matter Parcels are contained in workbook CAPCALC-PSVC-R2013-1.xls in nine worksheets. The worksheet "BPM Parcels" with the red tab contains a description of the BPM Parcels section of the workbook.

BPM Parcels billing determinants are in the next two worksheets "Hybrid BDs BPM SP Parcels" and "Hybrid BDs BPM Presort Parcels." Current BPM Parcels prices are in the worksheets "Current BPM SP Parcels Prices" and "Curr. BPM Prsrt. Parcels Prices" and the new prices are in worksheets "New BPM SP Parcels Prices" and "New BPM Presort Parcels Prices." Sources for data are given in the individual worksheets. Revenues are calculated using current and new prices by multiplying the volumes from the billing determinants by the current and new prices. Details are presented in worksheets "BPM Parcels Revs.@Curr. Prices" and "BPM Parcels Revs.@New Prices."

### 5. Media Mail and Library Mail

The billing determinants, current and new prices, and revenue calculations for Media Mail and Library Mail are contained in workbook CAPCALC-PSVC-



FY2013-1.xls in four worksheets. The worksheet “MM-LM” with the red tab contains a description of the Media Mail and Library Mail section of the workbook.

The billing determinants and current prices for both Media Mail and Library Mail are in the worksheet “FY2011Q4-FY2012Q3 MM & LM BDs.” The new prices are in the worksheet “MM & LM New Prices.” Sources for data are given in the individual worksheets. Revenues are calculated using current and new prices by multiplying the volumes from the billing determinants by the current and new prices; details are presented in worksheets “MM & LM Revs. @ Current Prices” and “MM & LM Revs. @ New Prices.”

#### 6. All Package Services

Worksheet “Package Services Summary” in CAPCALC-PSVC-R2013-1.xls contains revenues at current and new prices for the products in Package Services are read directly from their respective worksheets in CAPCALC-PSVC-R2013-1.xls. Specific sources and details are contained in worksheet “All Package Services Summary.” The new prices in this announcement increase the average Package Services class price by 2.569 percent. This is below the Package Services 2.570 percent overall price adjustment authority. This worksheet also calculates the new unused price change authority from the cap, at 0.001 percent.