

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF
SECOND ERRATA TO TESTIMONY OF WITNESS TANG (USPS-T-35) [Errata]
(August 8, 2006)

The United States Postal Service hereby provides notice of the filing of the second errata to the testimony of witness Tang (USPS-T-35). The changes are a rewrite of the first paragraph on page 9 of her testimony, as referenced in the response to interrogatory MH/USPS-T35-13, filed yesterday. The revised page 9 is attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1 One of the goals of the Postal Service's proposal is to maintain or increase the
2 current difference between dropship rates (DDU, DSCF & DADC) and the farther zones
3 such as Zones 7 and 8. The allocation of transportation costs between advertising and
4 editorial pounds can be done using the same ratio as the one used for the allocation of
5 revenue, i.e. 48.8 percent advertising and 51.2 percent editorial. However, I have chosen
6 to allocate 50 percent of the transportation costs to advertising pounds because doing so
7 increases the difference between dropship rates and farther zones, and thereby improves
8 the incentives for dropshipping Periodicals mail closer to the destination.

9
10 Finally, in addition to the aforementioned \$0.013 adjustment to the editorial pound
11 rates to mitigate the impact, I propose to raise the 50 percent passthrough to 80 percent
12 for the rate differentials derived for advertising pound rates. The flat editorial pound rate
13 applies to all editorial pounds that are not dropshipped to the destinating ADC, SCF, or
14 DDU (for Science of Agriculture, it applies to all editorial pounds that are not dropshipped
15 to DADC, DSCF, DDU, or zones 1&2). This flat editorial pound rate increases by 14.29
16 percent, less than three percentage points above the average increase. Thorough this
17 rate design, the Postal Service believes that mailers, both large and small, would have
18 the potential to move significant volume of mail to destinating facilities.

19 The introduction of the editorial pound dropship uses FY 2005 editorial pound
20 distribution data from USPS-LR-L-87, Table 6, sponsored
21 by Witness Loetscher. These are the best data available to derive distance-related
22 editorial pounds distribution information, though they are not further broken down to the