

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION POSED AT HEARING ON
WITNESS LOUTSCH'S TESTIMONY (USPS-T-6)**

The United States Postal Service hereby provides its answer to a question posed by Commissioner Goldway at the hearings on the testimony of witness Loutsch on August 3, 2006. The question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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During hearings on the direct testimony of witness Loutsch on August 3, Commissioner Goldway asked:

Do you think it will happen within this test year, this increase [in passport revenues]? That there will be an increase above what's in your general forecast within the test year? ... Could the Commission get a response, perhaps an institutional response, on how we can expect revenues from passport sales to change in the years covered by this rate case?

Tr, 2/231, 232.

RESPONSE:

As discussed by witness Loutsch at his appearance before the Commission, the Postal Service does not separately forecast passport revenues. Rather, passport revenues are pooled with other miscellaneous revenue items.

The U.S. Department of State publishes the number of passports issued each fiscal year. These data are displayed in the table below with comparable USPS passport-related revenues.

Fiscal Year	Passports Issued	USPS Passport Photo Services Revenue	USPS Passport Application Fee Revenue	Total Passport- related Revenue
1996	5,547,693			
1997	6,295,003			
1998	6,539,864			
1999	6,722,198			
2000	7,292,182		\$57,738,395	\$57,738,395
2001	7,119,506		\$48,725,431	\$48,725,431
2002	7,001,482		\$48,864,519	\$48,864,519
2003	7,300,667		\$91,104,741	\$91,104,741
2004	8,825,410	\$13,528,963	\$111,149,000	\$124,677,963
2005	10,123,424	\$26,449,233	\$140,746,662	\$167,195,895
2006 (YTD Q3)	Not available	\$29,581,914	\$136,735,376	\$166,317,290

According to the U.S. Department of State website:

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The Intelligence Reform and Terrorism Prevention Act of 2004 requires that by January 1, 2008, travelers to and from the Caribbean, Bermuda, Panama, Mexico and Canada have a passport or other secure, accepted document to enter or re-enter the United States. In order to facilitate the implementation of this requirement, the Administration is proposing to complete it in phases following a proposed timeline, which will be published in the Federal Register in the near future.

In the proposed implementation plan, which is subject to a period of initial public comment, the Initiative will be rolled out in phases, providing as much advance notice as possible to the affected public to enable them to meet the terms of the new guidelines. The proposed timeline will be as follows:

- January 8, 2007 - Requirement applied to all air and sea travel to or from Canada, Mexico, Central and South America, the Caribbean, and Bermuda.
- December 31, 2007 - Requirement extended to all land border crossings as well as air and sea travel.

http://travel.state.gov/travel/cbpmc/cbpmc_2223.html.

The forecasting relevance of the data prior to FY 2004 is somewhat dubious, in light of the fact that the law regarding travel to nearby countries has been in effect only since that time. Although there has been a recent surge in passport revenues, the Postal Service has no way of predicting whether and to what extent the upcoming deadlines could bring about a further surge in passport applications in the current year or by the time the law is fully effective at the end of the first quarter of FY 2008. It is possible, given the timing of these deadlines, that passport applications will level off in the test year (FY 2008). It is also possible that the deadlines and the passport requirement itself could be changed as a result of the public comment process, the results of which will not be known until later this year, as noted by the State Department website:

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The Departments of Homeland Security (DHS), and State (DOS) are issuing an Advance Notice of Proposed Rulemaking (ANPRM) in the Federal Register to provide vital information on the plan to the public and to request input and/or comment on the suggested documents *and possible alternative documents that can meet the statutory requirements*. DHS and DOS expect to issue a more formal rule later this year following review of those comments to implement the first phase of the Initiative.

http://travel.state.gov/travel/cbpmc/cbpmc_2225.html (emphasis added).

For these reasons, there is insufficient information to develop a separate, reliable forecast of passport revenue.