

RECEIVED

May 21 3 54 PM '01

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

ORDER NO. 1315

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

George A. Omas, Vice Chairman;
Dana B. Covington; Ruth Y. Goldway;
and W.H. "Trey" LeBlanc III

International Mail Report

Docket No. IM2001-1

FOURTH NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 2000

(Issued May 21, 2001)

In order to help the Commission prepare the report required by 39 U.S.C. § 3663, on the costs, volumes, and revenues of the Postal Service's international mail services, the Service is requested to provide the following information.

1. Did the Postal Service pay PUAS dues during FY 2000? If so, please provide the amount and where it is included in international mail costs.
2. Are the amounts that the Postal Service pays to IPC for dues and work included in "other" costs?

3. Consider the table shell shown below.

Comparison of Unit Volume Variable Costs for Inbound Mail

Category	Unit Cost(\$)			Percentage Change	
	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>99/98</u>	<u>00/99</u>
<u>Processing</u>					
Surface LC/AO					
Surface PP					
Air LC/AO					
Air PP					
EMS					
<u>Delivery</u>					
Surface LC/AO					
Surface PP					
Air LC/AO					
Air PP					
EMS					
<u>Domestic Transp.</u>					
Surface LC/AO					
Surface PP					
Air LC/AO					
Air PP					
EMS					
<u>Other</u>					
Surface LC/AO					
Surface PP					
Air LC/AO					
Air PP					
EMS					
<u>Total</u>					
Surface LC/AO					
Surface PP					
Air LC/AO					
Air PP					
EMS					

Source: FY 1998 and FY 1999 from Report to Congress, June 30, 2000,
Table III-19. FY 2000 form FY 2000 ICRA Report-PRC Version, Page B-8.

The Postal Service is requested to insert the amounts from the cited sources into the table and calculate the percentage changes in unit cost by cost function and inbound service. The results reveal severe volatility in the unit costs for processing and domestic transportation.

For processing, three of the five mail categories show a decrease between FY 1998 and FY 1999, and an increase between FY 1999 and FY 2000. The other categories show an increase in the first period and decrease in the second period. The numbers show that these plus and minus changes are large for Surface Parcel Post, Air Parcel Post, and Express Mail Service. The changes for Surface LC/AO and Air LC/AO are a little smaller, but still volatile.

For domestic transportation, except for the percentage change in unit cost between FY 1999 and FY 2000 for Surface Parcel Post, the percentage changes are large. Further, percentage changes for four of the five categories go in the opposite direction for the two periods.

Except for Surface LC/AO, the percentage changes in volume variable unit delivery costs are relatively large and two are bi-directional from year to year.

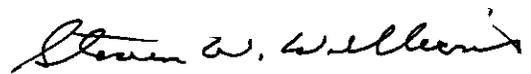
- a. Please explain the volatility in processing unit cost for each of the five inbound services. Is it possible that the problem might be related to the estimation of inbound piece volumes? Could there be nonsampling error infecting the volume results (e.g., not randomly selecting inbound mail)? Please discuss.
- b. Please explain the volatility in domestic transportation unit cost for each of the five inbound services.
- c. Please explain the volatility in delivery unit costs for Surface Parcel Post, Air LC/AO, Air Parcel Post, and Express Mail Service.
- d. Would the Postal Service agree that other costs (as shown in the table shell) are a lesser problem because they are essentially related to the level of processing cost? If not, why not?

It is ordered:

The Postal Service is directed to provide the items in the body of this order on or before June 4, 2001.

By the Commission

(S E A L)

A handwritten signature in black ink, appearing to read "Steven W. Williams". The signature is written in a cursive style with a prominent initial "S".

Steven W. Williams
Acting Secretary